



# WHEELOCK AND COMPANY LIMITED

ANNUAL REPORT 2015



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# CORPORATE INFORMATION

## Board of Directors

Douglas C K Woo (*Chairman & Managing Director*)  
Stephen T H Ng (*Deputy Chairman*)  
Stewart C K Leung (*Vice Chairman*)  
Paul Y C Tsui (*Executive Director & Group Chief Financial Officer*)  
Ricky K Y Wong

## Non-executive Director

Mignonne Cheng

## Independent Non-executive Directors

Tak Hay Chau, GBS  
Winston K W Leong  
Alan H Smith, JP\*  
Richard Y S Tang, BBS, JP  
Kenneth W S Ting, SBS, JP\*  
Nancy S L Tse, JP\*  
Glenn S Yee\*

\* *Members of the Audit Committee*

## Secretary

Wilson W S Chan, FCIS

## Registrars

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

## Registered Office

23rd Floor, Wheelock House  
20 Pedder Street  
Hong Kong  
Telephone : (852) 2118 2118  
Fax : (852) 2118 2018  
Website : [www.wheelockcompany.com](http://www.wheelockcompany.com)

## Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

## Auditors

KPMG, Certified Public Accountants

# CHAIRMAN'S STATEMENT

It was another challenging 12 months as volatility in currency, equity and credit markets persisted and concerns over oil prices and immigration added to geopolitical uncertainty.

Major economies are working to build momentum as global demand consolidates while the US economy hints at optimism. Though, all eyes remain on interest rates.

China's deep reform will last several years and the "Second Wave" of economic growth begins following a boom growth period from 1978 to 2013.

Hong Kong continues to hold its position with a stable, open and growing economy with virtual full employment.

Multinationals such as Manulife, Citi and China Life showed their commitment to Hong Kong by acquiring buildings for their regional headquarters at Wheelock's developments, One Bay East and One HarbourGate.

The Group has a diverse land bank that stands at 8.7 million square feet with an average cost of HK\$3,420 per square foot (excluding Wharf's Peak portfolio). O'South and Office portfolios have generated HK\$8.6 billion and HK\$16.0 billion in revenues respectively, having sold two of four O'South projects and three of four commercial towers. This land bank will be adequate for coming years.

Despite the challenging business environment, the Group's core profit increased by 31% to reach HK\$10.6 billion

in 2015. Advanced to a historic high due to project timing, this growth was mainly driven by the positive momentum of our core business.

## Performance

Our HK Development Properties – In 2015, a total of HK\$12.9 billion contracted sales in Hong Kong; half from residential and half from commercial portfolios. New residential projects launched during the year were well received while secondary market's sentiment was weak. Peninsula East, CAPRI, Island Residence, The Parkside and Kensington Hill together generated HK\$6.5 billion. On commercial, the West Tower of One HarbourGate was presold en-bloc to China Life for HK\$5.9 billion. The three en-bloc office transactions over the last three years amounted to HK\$16 billion. Pursuing product excellence with a fast asset turnover focus will continue to be the core of our business strategy.

Investment Properties under Wharf – Hong Kong's retail environment has slowed with consumers affected by currency fluctuation and a global price imbalance. Through our major subsidiary, The Wharf (Holdings) Limited, the sizeable portfolio in Hong Kong delivered stable growth in 2015 and again demonstrated resilience against market adversities. In China, revenue and operating profit reported positive growth, mainly driven by Chengdu IFS's solid performance. Opening of Chongqing and Changsha IFS in phases in coming years will add new catalysts to future growth.

## Corporate Social Responsibility and Business-in-Community

The Group's CSR focuses on four key areas: corporate governance, sustainable development, Project *WeCan* and community service.

On corporate governance, Wheelock published its first independent Environment, Social and Governance Report in October. On the other hand, Wheelock Properties Limited ("WPL") also published its fourth and independently audited Corporate Social Responsibility Report in August.

On sustainable development, 90% of projects sold have been BEAM PLUS or LEED certified since 2013, demonstrating our commitment to green building standard.

Project *WeCan* is an open platform for business sponsors to work closely with schools through financial commitment and volunteer support for the benefit of students who lack support and resources. The total number of participating secondary schools has increased to 50, benefitting more than 42,000 students. *WeCan* Scholarship was launched to financially support outstanding *WeCan* students to pursue university education. These milestones could not be achieved without the strong support from more than 35 organisations, and our volunteers.

On community service, Wheelock co-hosted the "Swim For Millions" with Community Chest for the third consecutive year. Over

HK\$4 million was raised to support local youth services. Last year, Wheelock's staff volunteers devoted more than 900 hours of their time participating in 69 CSR events. To recognise this commitment, WPL was granted the Social Responsibility Award of the Year by the Royal Institution of Chartered Surveyors for the second consecutive year.

## Closing

The core business is HK Development Properties. Our strategy is based on active management and turnover of a customer centric portfolio of quality assets. Seasoned management, prudent financial management and a learning mindset remain central to the Group. We will continue to strengthen our capability as we face challenges and opportunities ahead in a constantly changing world.

On behalf of the Board, I would like to express my sincere gratitude to our Directors, and the team for their hard work, commitment and contributions.

**Douglas C K Woo**

*Chairman*

Hong Kong, 10 March 2016

# FINANCIAL HIGHLIGHTS

## Results and Financial Position

	2015 HK\$ Million	2014 HK\$ Million	Change
<b>Results</b>			
Revenue	57,431	40,953	+40%
Operating profit	20,053	15,729	+27%
Core profit (Note 1)	10,598	8,103	+31%
Profit before property revaluation gain	9,974	7,035	+42%
Profit attributable to equity shareholders	14,232	22,009	-35%
Total dividend for the year	2,337	2,169	+8%
Earnings per share			
Core profit	HK\$5.22	HK\$3.99	+31%
Before property revaluation gain	HK\$4.91	HK\$3.46	+42%
Attributable to equity shareholders	HK\$7.00	HK\$10.83	-35%
Dividend per share			
First interim	42.50¢	38.50¢	+10%
Second interim	72.50¢	68.25¢	+6%
Total for the year	115.00¢	106.75¢	+8%
<b>Financial Position</b>			
Total assets	512,758	517,567	-1%
Total business assets (Note 2)	474,960	484,677	-2%
Investment properties	325,044	316,860	+3%
Net debt	78,927	96,599	-18%
Shareholders' equity	201,667	191,206	+5%
Total equity	340,859	339,916	+0%
Number of issued shares (in million)	2,032	2,032	-
Net asset value per share	HK\$99.26	HK\$94.11	+5%
Net debt to total equity	23.2%	28.4%	-5.2%pt

Financial year/period	Core profit HK\$ Million	Profit before property revaluation gain HK\$ Million	Profit attributable to equity shareholders HK\$ Million	Total equity HK\$ Million	Shareholders' equity HK\$ Million	Net asset value per share HK\$	Earnings per share			Dividends per share ¢
							Core profit HK\$	Before property revaluation gain HK\$	Attributable to equity shareholders HK\$	
2006/07	3,008	3,008	6,310	99,542	49,262	24.25	1.48	1.48	3.11	12.50
2007 (Note 3)	3,460	3,361	7,615	114,159	56,651	27.88	1.70	1.65	3.75	12.50
2008	3,385	2,284	3,432	135,902	65,108	32.04	1.67	1.12	1.69	12.50
2009	3,711	4,408	10,459	158,551	76,898	37.85	1.83	2.17	5.15	12.50
2010	4,582	4,974	20,194	193,076	100,372	49.40	2.26	2.45	9.94	12.50
2011	9,038	8,359	22,866	235,194	122,562	60.32	4.45	4.11	11.25	50.00
2012	7,267	8,734	26,935	285,880	152,041	74.83	3.58	4.30	13.26	110.00
2013	7,822	7,724	16,954	311,572	166,582	81.99	3.85	3.80	8.34	100.00
2014	8,103	7,035	22,009	339,916	191,206	94.11	3.99	3.46	10.83	106.75
2015	10,598	9,974	14,232	340,859	201,667	99.26	5.22	4.91	7.00	115.00

Notes:

- (1) Core profit excludes attributable net investment property revaluation gain and other exceptional items. Please refer to note (a) to the Ten-year Financial Summary on page 139.
- (2) Business assets exclude unallocated corporate assets, mainly comprising certain available-for-sale investments, deferred tax assets and bank deposits and cash.
- (3) The Company changed its financial year end date from 31 March to 31 December in 2007.
- (4) Please refer to the Ten-year Financial Summary on pages 138 to 139.



## Group Profit and Assets Composition

	Profit attributable to equity shareholders				Shareholders' equity			
	2015		2014		2015		2014	
	HK\$ Million	%	HK\$ Million	%	HK\$ Million	%	HK\$ Million	%
Wheelock & Company Limited	4,012	38	2,197	27	39,309	17	43,424	19
Wheelock Properties (Singapore) Limited	263	2	250	3	12,610	5	13,842	6
The Wharf (Holdings) Limited	6,323	60	5,656	70	182,006	78	169,810	75
Core profit	10,598	100	8,103	100	233,925	100	227,076	100
Exceptional items (Note 1)	(624)		(1,068)					
	9,974		7,035					
Investment property revaluation gain	4,258		14,974					
Profit to shareholders	14,232		22,009					
Earnings per share	HK\$7.00		HK\$10.83					
Corporate items (Note 2)					(32,258)		(35,870)	
Shareholders' equity					201,667		191,206	
Net asset value per share					HK\$99.26		HK\$94.11	

### Notes:

- (1) Please refer to note (a) to the Ten-year Financial Summary on page 139.
- (2) Corporate items represent the net debt of the Company and other subsidiaries.

# BUSINESS REVIEW



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COMMERCIAL  
CONTRACTED SALES

HK\$6.4  
billion

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## Core Business – Hong Kong Development Properties (“DP”)

Total **contracted sales** amounted to HK\$12.9 billion, of which 50% came from residential and 50% came from commercial.

On **residential**, three new residential projects were launched for presale during the year and generated **HK\$6.5 billion** in sales. CAPRI was launched in November and presold 93% of 419 units launched within four weeks, achieving HK\$3.4 billion in sales. Peninsula East presold all 256 units within two days, and total sales proceeds amounted to HK\$2.0 billion. Island



Residence presold 40 units for HK\$0.2 billion after its launch in September. Further, The Parkside presold the remaining 34 units and some car parking spaces for HK\$0.6 billion, while Kensington Hill presold an additional 19 units for HK\$0.3 billion.

On **commercial**, major financial institutions continued to set long-term roots in Hong Kong. One HarbourGate's West Office Tower and West Retail Villa were presold en-bloc in November to China Life for **HK\$5.9 billion**. This en-bloc transaction marked the third en-bloc deal in three years, totalling HK\$16 billion in sales. One HarbourGate is located in

Hung Hom's premier commercial hub, fronting the Victoria Harbour. It is comprised of two Grade-A office towers and two retail villas, providing a total gross floor area of 673,000 square feet. In addition, The Parkside's retail podium, with a total of 51,000 square feet gross floor area, was sold en-bloc for HK\$0.5 billion.

On **sales recognition**, **HK\$15.5 billion** was recognised in 2015, mainly driven by One Bay East and The Parkside. This represents significant growth when compared to previous years. One Bay East, a Grade-A office development in Kowloon East's CBD2,

## BUSINESS REVIEW (CONTINUED)

was completed and handed over on schedule to Manulife and Citigroup, marking the closure of this HK\$10 billion landmark transaction. The Parkside obtained its occupancy permit in December and recognised HK\$5.2 billion of sales. Handover is scheduled for 2016. **Net order book** was **HK\$12.5 billion** as at 31 December 2015, of which over 90% will be recognised in the next 18 months.

On **land bank**, the total land bank under management amounted to **8.7 million square feet** as at 31 December 2015. Two residential sites located in Lohas Park, with a total gross floor area of 1.9 million square feet, were acquired during the year through MTRC tenders. The portfolio is adequate for development in the coming years and is competitive in terms of location. 96% of the land bank is located in urban areas and 79% is located along the Victoria Harbour.

### Corporate Social Responsibility (“CSR”) and Business-in-Community

The Group is committed to **corporate governance**. Wheelock has published its first independent Environment, Social and Governance Report in October. Wheelock

Properties Limited (“WPL”) has also published its Corporate Social Responsibility Report for the fourth consecutive year. This was also the second year in which the Report was prepared in accordance with **Global Reporting Initiative (GRI G4)** requirements, and the first year in which the Report was audited independently. During the year, WPL’s staff volunteers organised and participated in **69 CSR events**, devoting **900 volunteer hours**. To recognise the commitment to community service, WPL was granted the Social Responsibility Award of the Year by the Royal Institution of Chartered Surveyors for the second consecutive year.

**Sustainable development** continues to be an important issue for the Group and it is the Group’s policy to enhance sustainable development. 90% of projects sold have been **BEAM PLUS** or **LEED** certified since 2013, demonstrating our commitment to green building standard. In addition, the effort to reduce office carbon emission is well recognised through the **Gold Label Award** given by WWF Hong Kong’s Low-carbon Office Operation Programme for the fourth consecutive year.

**Project WeCan** is a youth development programme launched in 2011, aiming to support underprivileged students in secondary schools that are lacking in resources. Currently, 35 organisations participate in this programme with each supporting one or more schools. In 2015, six more secondary schools joined, growing the total number of participating schools to 50. Altogether, **42,000 secondary school students** or 30% of students in Hong Kong's lower banding secondary schools are benefitting. *WeCan* Scholarships were launched in 2015, extending the *WeCan* concept by helping outstanding but underprivileged students to continue their education in local universities. Each qualified student receives up to HK\$100,000 in scholarship funds during his/her four-year university study. In 2015, 58 students were granted the *WeCan* Scholarships.

The Community Chest Wheelock **Swim for Millions** 2015 was again a great success. It attracted over 500 participants and raised over **HK\$4 million**. This event promotes a healthy lifestyle while raising funds to support local youth services.

The Group strives for quality and service excellence. Wheelock Properties (Hong Kong) Limited's corporate website was named the Silver Winner at W<sup>3</sup> Awards in February 2016, demonstrating our achievement in web marketing.

**Wheelock and Company Limited is the majority shareholder of The Wharf (Holdings) Limited and Wheelock Properties (Singapore) Limited. Below is a report on their operations and achievements during the year ended 31 December 2015.**

#### **The Wharf (Holdings) Limited ("Wharf") 59.2% Equity Investment**

**Hong Kong Investment Properties ("IP")** growth slowed in a weak market but still produced solid results. **Revenue increased by 7% to HK\$12,165 million** and **operating profit increased by 6% to HK\$10,516 million**. The Group's prime, quality retail malls continued to provide the best operating environment for retailers and a one-stop lifestyle experience for customers.

**China IP** began to bear fruit. **Revenue increased by 16% to HK\$2,305 million**

## BUSINESS REVIEW (CONTINUED)

and **operating profit increased by 25% to HK\$1,243 million**. Riding on its unrivalled location, critical mass as well as high calibre management, Chengdu IFS's retail revenue increased by 25% to RMB605 million. Leasing of its office towers is at full steam and 90,200 square metres (33% of Total GFA) have been leased, including nearly 50,000 square metres in 2015, with achieved rental rates among the highest in the city. Niccolo Chengdu, the first 'Sophisticated Urban Chic' hotel under Marco Polo Hotels' new luxury brand, was soft opened in April and has fast become the city's epicentre for events, including the recent UK China Urbanization Forum.

The IFS pipeline is progressing in full speed. The IFSs are expected to be a significant earnings and valuation growth driver. Scheduled for opening in 2017, Changsha and Chongqing IFS retail malls will tap strong experience-oriented consumption in the Western/Central China metropolis. Currently, over 75% of Changsha IFS's





CAPRI

33 TONG YIN STREET,  
TSEUNG KWAN O

## BUSINESS REVIEW (CONTINUED)

230,000-square-metre mega mall and 85% of Chongqing IFS's 102,000-square-metre mall are under offer or in discussion with tenants.

**China DP's attributable contracted sales** increased by 21% to **RMB26.0 billion**, which was 21% above target. Inclusive of joint ventures and associates, the revenue and operating profit increased by 18% to HK\$27,404 million and by 51% to HK\$4,200 million respectively. A total of 54 development projects spanning 14 cities were offered for sale or presale. The net order book (net of business tax) increased to RMB25 billion at the year-end.

### **Wheelock Properties (Singapore) Limited ("WPSL") 75.8% Equity Investment**

In Singapore, three **residential** developments sold 257 units for **S\$360 million**. The Panorama presold an additional 244 units for S\$317 million during the year; to date, 94% of 600 units launched have been sold. Scotts Square and Ardmore Three sold an additional 13 units, generating S\$43 million in sales. In China, the presale of a residential development in Fuyang Shijiayuan (Hangzhou) was launched in July and successfully presold 171 units for S\$41 million.

**IP** including Wheelock Place and Scotts Square Retail continued to deliver stable performance. An overall **occupancy of 100%** was achieved at Wheelock Place. Scotts Square Retail is undergoing a tenant mix revamp; the opening of Pedder on Scotts, a 20,000-square-foot flagship multi-brand shop, will re-energise the tenant mix in order to maximise retail value.







# ONE HARBOURGATE

18 HUNG LUEN ROAD,  
HUNGHOM

## BUSINESS REVIEW (CONTINUED)



1



2

1 Harbour Sights Wheelock Photography Competition, Open Category – Champion, Ha Cheuk Hung

2 Photo credit: Rogan Coles

# FINANCIAL REVIEW

## (I) Review of 2015 Results

### **Wheelock & Company (before consolidation of listed subsidiaries WPSL and Wharf)**

Wheelock's own core profit increased by 83% to HK\$4,012 million (2014: HK\$2,197 million). This was mainly attributable to the profit contribution from One Bay East and The Parkside on completion.

### **Wheelock Group**

The Group's core profit increased by 31% to HK\$10,598 million (2014: HK\$8,103 million). This was mainly attributable to higher DP profit and resilient rental revenue.

Group profit attributable to equity shareholders decreased by 35% to HK\$14,232 million (2014: HK\$22,009 million), due to a lower IP revaluation gain.

### **Revenue and Operating Profit**

Group revenue increased by 40% to HK\$57,431 million (2014: HK\$40,953 million), mainly attributable to higher property sales recognised and increase in rental revenue. Operating profit increased by 27% to HK\$20,053 million (2014: HK\$15,729 million), mainly attributable to higher operating profit from Hong Kong and China DP.

### **Investment Property**

Revenue and operating profit both grew at a slower pace than previous years but managed to increase by 6% to HK\$15,054 million (2014: HK\$14,198 million) and HK\$12,163 million (2014: HK\$11,503 million) respectively, attributable to the firm retail base rent achieved from lease commitments and stable positive rental reversions for offices. Revenue from the Mainland increased by 16% to HK\$2,305 million (2014: HK\$1,984 million), benefitting from the escalating revenue generated by Chengdu IFS.

### **Development Property**

Revenue and operating profit increased by 96% and 188% to HK\$33,718 million (2014: HK\$17,198 million) and HK\$6,810 million (2014: HK\$2,367 million) respectively.

In Hong Kong, recognised property sales and operating profit increased by 826% and 523% to HK\$15,459 million (2014: HK\$1,669 million) and HK\$4,470 million (2014: HK\$718 million) respectively, mainly due to higher profit recognition on completion from One Bay East and The Parkside as compared to Lexington Hill in 2014. One Bay East and The Parkside were completed with all units sold, enabling the recognition of revenue of HK\$9,925 million and HK\$5,216 million respectively.

In the Mainland, recognised property sales and operating profit increased by 17% and 36% to HK\$18,018 million (2014: HK\$15,426 million) and HK\$2,266 million (2014: HK\$1,669 million) respectively, with more phased completion and revenue recognition for overall higher margin projects.

### **Hotels**

Revenue and operating profit decreased by 3% and 28% to HK\$1,549 million (2014: HK\$1,600 million) and HK\$278 million (2014: HK\$387 million) respectively, partly affected by the decline in Hong Kong revenue and partly by pre-maturity operating losses from Marco Polo Changzhou and Niccolo Chengdu.

### **Logistics**

Revenue and operating profit decreased by 14% and 34% to HK\$2,848 million (2014: HK\$3,319 million) and HK\$689 million (2014: HK\$1,051 million) respectively, mainly due to the lower throughput handled by Modern Terminals as a result of the sluggish global trade flows.

## FINANCIAL REVIEW (CONTINUED)

### Communications, Media and Entertainment (“CME”)

Revenue and operating profit decreased by 3% and 47% to HK\$3,501 million (2014: HK\$3,616 million) and HK\$112 million (2014: HK\$211 million) respectively. Wharf T&T’s operating profit increased by 3% to HK\$362 million (2014: HK\$352 million), while i-CABLE’s operating loss widened to HK\$246 million (2014: HK\$140 million).

### Investment and Others

Operating profit amounted to HK\$752 million (2014: HK\$1,039 million), comprising largely dividend and interest income.

### Fair Value Gain of IP

The book value of the Group’s IP portfolio as at 31 December 2015 slightly increased to HK\$325.0 billion (2014: HK\$316.9 billion), with HK\$305.3 billion thereof stated at fair value based on independent valuations as at that date. That resulted in a revaluation gain of HK\$7,360 million (2014: HK\$28,087 million), which was credited to the consolidated income statement.

IP under development of HK\$19.7 billion is carried at cost and will not be carried at fair value until the earlier of when the fair values first become reliably measurable or the dates of their respective completion.

### Other Net Charge

Other net charge amounted to HK\$240 million (2014: HK\$1,758 million), comprising mainly a non-recurrent accounting loss of HK\$1,620 million (the amount attributable to the Group is HK\$916 million) as explained below and other miscellaneous charge of HK\$30 million partly offset by a gain of HK\$908 million (the amount attributable to the Group is HK\$361 million) arising from the disposal of the equity interest in the Taicang container port businesses by Modern Terminals and net profit on disposal of available-for-sale investments of HK\$502 million.

The accounting loss of HK\$1,620 million was arising from the deemed disposal of Wharf’s entire 24.3% interest in Greentown China Holdings Limited (“Greentown”) at the prevailing market value upon reclassification of such interest as an available-for-sale investment instead of as an associate in June 2015. The Greentown interest was acquired in June 2012 at a cost of HK\$2,729 million with an accounting gain representing the negative goodwill of HK\$2,233 million when the equity-interest was accounted for as an associate.

Included in the 2014 results were impairment provisions of HK\$2,270 million made for certain DP projects in the Mainland partly offset by profit on disposal of a DP project in the Mainland of HK\$319 million, profit on disposal of available-for-sale investments of HK\$43 million and other miscellaneous income of HK\$150 million.

### Finance Costs

Finance costs charged to the consolidated income statement were HK\$2,092 million (2014: HK\$2,195 million). Excluding the unrealised mark-to-market loss of HK\$447 million (2014: HK\$264 million) on swaps, finance costs decreased by 11% to HK\$3,376 million (2014: HK\$3,776 million) before capitalisation of HK\$1,731 million (2014: HK\$1,845 million), and HK\$1,645 million (2014: HK\$1,931 million) after capitalisation. The Group’s effective borrowing rate for the year was reduced to 2.8% (2014: 3.1%) per annum.

### Share of Results of Associates and Joint Ventures

Share of profits of associates decreased by 44% to HK\$1,241 million (2014: HK\$2,203 million), mainly due to the share of negative goodwill arising on the acquisition of Hotel Properties Limited (“HPL”) of HK\$707 million in 2014 and the decrease in share of associate’s profit in the DP segment in the Mainland to HK\$895 million (2014: HK\$1,098 million) mainly due to non-equity-accounting of Greentown upon classification of the equity interest as an available-for-sale investment instead of an associate since June 2015.

Share of profits of joint ventures decreased by 76% to HK\$222 million (2014: HK\$918 million), mainly due to the Hong Kong DP profit decreasing from HK\$906 million in 2014, which mainly arose from profit recognition from the Austin joint venture, to a loss of HK\$71 million in 2015 but partially compensated by higher profit contribution from DP in the Mainland from a loss of HK\$41 million in 2014 to a profit of HK\$258 million in 2015.

### Income Tax

The taxation charge was HK\$4,710 million (2014: HK\$4,015 million), which included deferred taxation of HK\$488 million (2014: HK\$543 million) provided for the fair value gain of IP located in the Mainland.

Excluding the above deferred taxation, the taxation charge increased by 22% to HK\$4,222 million (2014: HK\$3,472 million), mainly due to higher profit recognised by the IP and DP segments.

### Non-controlling Interests

Profit attributable to non-controlling interests decreased by 55% to HK\$7,602 million (2014: HK\$16,960 million), mainly due to Wharf's lower net profit.

### Profit attributable to Equity Shareholders

Group profit attributable to equity shareholders decreased by 35% to HK\$14,232 million (2014: HK\$22,009 million). Earnings per share were HK\$7.00 (2014: HK\$10.83).

Excluding the attributable IP revaluation gain (after deducting related deferred tax and non-controlling interests) of HK\$4,258 million (2014: HK\$14,974 million), Group profit attributable to equity shareholders increased by 42% to HK\$9,974 million (2014: HK\$7,035 million).

Further stripping out the exceptional items, core profit increased by 31% to HK\$10,598 million (2014: HK\$8,103 million). Core earnings per share were HK\$5.22 (2014: HK\$3.99).

Set out below is an analysis of the Group profit attributable to equity shareholders as contributed by each of Wheelock, WPSL and Wharf.

Profit attributable to	2015 HK\$ Million	2014 HK\$ Million
Wheelock	4,012	2,197
WPSL group	263	250
Wharf group	6,323	5,656
Core profit	10,598	8,103
Attributable gain arising from the disposal of the Taicang container port businesses	361	–
Attributable loss arising from the deemed disposal of Greentown	(916)	–
Attributable net mark-to-market loss and exchange on certain financial instruments	(69)	(156)
Attributable negative goodwill on HPL acquisition	–	536
Attributable provision for impairment of properties	–	(1,448)
Profit before IP revaluation gain	9,974	7,035
IP revaluation gain (after deferred tax)	4,258	14,974
Profit attributable to equity shareholders	14,232	22,009

## FINANCIAL REVIEW (CONTINUED)

WPSL's profit for the year ended 31 December 2015 was S\$40.3 million (2014: S\$43.1 million), according to the accounting standards adopted in Singapore. In accordance with Hong Kong Financial Reporting Standards, WPSL's contributed profit to the Group was HK\$217 million (2014: HK\$272 million).

Wharf's profit for the year ended 31 December 2015 decreased by 55% to HK\$16,024 million (2014: HK\$35,930 million). Excluding the net IP revaluation gain and exceptional items, Wharf's core profit increased by 5% to HK\$10,969 million (2014: HK\$10,474 million).

## (II) Liquidity, Financial Resources and Capital Commitments

### Shareholders' and Total Equity

Shareholders' equity increased by 5% to HK\$201.7 billion (2014: HK\$191.2 billion), or HK\$99.26 per share (2014: HK\$94.11 per share) as at 31 December 2015.

Including the non-controlling interests, the Group's total equity increased to HK\$340.9 billion (2014: HK\$339.9 billion).

### Assets

The Group's total assets amounted to HK\$512.8 billion (2014: HK\$517.6 billion). Total business assets, i.e. excluding bank deposits and cash, certain available-for-sale investments, deferred tax assets and other derivative financial assets, amounted to HK\$475.0 billion (2014: HK\$484.7 billion).

The Group's IP portfolio was HK\$325.0 billion, representing 68% of total business assets. Harbour City (excluding the three hotels) and Times Square in Hong Kong were valued at HK\$217.4 billion, representing 67% of the value of the portfolio. Wharf's IP in the Mainland amounted to HK\$58.1 billion, including IP under development at cost of HK\$17.1 billion.

Other major business assets included properties under development and held for sale of HK\$76.2 billion, interests in associates and joint ventures (mainly for China DP and port projects) of HK\$39.3 billion and property, plant and equipment of HK\$22.8 billion.

Geographically, the Group's business assets in the Mainland, mainly properties and terminals, amounted to HK\$141.7 billion (2014: HK\$156.9 billion), representing 30% (2014: 32%) of the Group's total business assets.

### Debt and Gearing

The Group's net debt decreased by HK\$17.7 billion or 18% to HK\$78.9 billion (2014: HK\$96.6 billion) as at 31 December 2015, comprising debt of HK\$106.2 billion less bank deposits and cash of HK\$27.3 billion. Excluding WPSL's net cash of HK\$0.5 billion and Wharf's net debt of HK\$47.2 billion, which were non-recourse to the Company and its wholly-owned subsidiaries, Wheelock's own net debt decreased by HK\$3.7 billion to HK\$32.2 billion (2014: HK\$35.9 billion). An analysis of the net debt by group is shown below:

	2015 HK\$ Million	2014 HK\$ Million
Net debt/(cash)		
Wheelock	32,258	35,870
WPSL group	(528)	1,470
Wharf group	47,197	59,259
Group	78,927	96,599

As at 31 December 2015, the ratio of net debt to total equity (on a consolidated basis) declined to 23.2% (2014: 28.4%). Excluding the net cash of WPSL and net debt of Wharf, Wheelock's own net debt to shareholders' equity (on an attributable net asset value basis) declined to 16.0% (2014: 18.8%).

### Finance and Availability of Facilities

As at 31 December 2015, the Group's available loan facilities and issued debt securities amounted to HK\$153.5 billion (2014: HK\$160.2 billion), of which HK\$106.2 billion were utilised. An analysis is shown below:

	<b>Available Facilities HK\$ Billion</b>	<b>Total Debt HK\$ Billion</b>	<b>Undrawn Facilities HK\$ Billion</b>
Wheelock	56.3	32.7	23.6
WPSL group	3.9	2.8	1.1
Wharf group	93.3	70.7	22.6
Group	153.5	106.2	47.3

Of the above debt, HK\$15.1 billion (2014: HK\$19.2 billion) was secured by mortgages over certain DP, IP and property, plant and equipment with a total carrying value of HK\$51.8 billion (2014: HK\$65.3 billion).

The Group's debt was primarily denominated in United States dollars ("USD"), Hong Kong dollars ("HKD"), Renminbi ("RMB") and Singapore dollars ("SGD"). The borrowings were mainly used to fund the Group's IP, DP and port investments.

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

The Group continued to maintain a strong financial position with ample surplus cash denominated principally in RMB, HKD, USD and SGD, and undrawn committed facilities to facilitate the Group's business and investment activities. The Group also maintained a portfolio of available-for-sale investments, primarily in blue-chip securities, with an aggregate market value of HK\$12.5 billion (2014: HK\$11.4 billion) as at 31 December 2015, which is immediately available for liquidation for the Group's use when in need.

### Cash Flows from the Group's Operating and Investing Activities

For the year under review, the Group's operating cash inflow before changes in working capital was HK\$20.9 billion (2014: HK\$16.3 billion). The changes in working capital and others of HK\$11.8 billion (2014: HK\$2.4 billion) increased/decreased the net cash inflow from operating activities to HK\$32.7 billion (2014: HK\$13.9 billion). For investing activities, the Group recorded a net cash outflow of HK\$11.3 billion (2014: HK\$11.1 billion), mainly for construction costs for IP projects in the Mainland, increase in interest in Wharf and investment in associates, which was compensated by net disposal proceeds of available-for-sale investments and disposal proceeds of the Taicang container port businesses by Modern Terminals.

## FINANCIAL REVIEW (CONTINUED)

### Major Capital and Development Expenditure and Commitments

The Group's major capital and development expenditure incurred in 2015 is analysed as follows:

#### A. Major Capital and Development Expenditure

	Hong Kong/ Singapore HK\$ Million	Mainland China HK\$ Million	Total HK\$ Million
<b>Wheelock</b>			
IP	674	–	674
DP	7,099	–	7,099
	7,773	–	7,773
<b>WPSL group</b>			
IP	18	–	18
DP	87	151	238
	105	151	256
<b>Wharf group</b>			
IP	1,218	4,137	5,355
DP	889	15,912	16,801
Non property and others	1,151	53	1,204
	3,258	20,102	23,360
Analysis by segment:			
IP	1,910	4,137	6,047
DP	8,075	16,063	24,138
Non property and others	1,151	53	1,204
<b>Group total</b>	<b>11,136</b>	<b>20,253</b>	<b>31,389</b>

- i. Wheelock's own expenditure for IP and DP amounted to HK\$7.8 billion, mainly attributable to the land cost payment for the LOHAS Park Phase 7 project, and construction cost payments for its Hong Kong DP projects.
- ii. WPSL's expenditure of HK\$0.2 billion was mainly for construction cost payments for its China and Singapore DP projects.
- iii. Wharf's expenditure totalled HK\$23.4 billion, comprising expenditure of HK\$5.4 billion for IP (mainly renovation of Harbour City and construction of the IFS projects in the Mainland), HK\$16.8 billion for DP (mainly related to China projects) and HK\$1.2 billion for Hotels, Modern Terminals, Wharf T&T and i-CABLE.

#### B. Commitments to Capital and Development Expenditure

As at 31 December 2015, the Group's major commitments to capital and development expenditure to be incurred in the forthcoming years were estimated at HK\$76.0 billion, of which HK\$38.9 billion was committed. By segment, the commitments are analysed as follows:



	As at 31 December 2015		
	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million
<b>Wheelock</b>			
IP	–	–	–
DP	12,765	12,833	25,598
	12,765	12,833	25,598
<b>WPSL group</b>			
IP	1	–	1
DP	841	1,810	2,651
	842	1,810	2,652
<b>Wharf group</b>			
IP	10,741	5,621	16,362
DP	12,259	16,289	28,548
Non property and others	2,293	554	2,847
	25,293	22,464	47,757
Analysis by segment:			
IP	10,742	5,621	16,363
DP	25,865	30,932	56,797
Non property and others	2,293	554	2,847
<b>Group total</b>	38,900	37,107	76,007
Analysis by geographical location:			
Hong Kong IP	2,027	477	2,504
Hong Kong DP	13,224	12,833	26,057
China IP	8,714	5,144	13,858
China DP	11,939	17,891	29,830
Singapore	703	208	911
Properties total	36,607	36,553	73,160
Non property and others	2,293	554	2,847
<b>Group total</b>	38,900	37,107	76,007

- i. Wheelock's own commitments of HK\$25.6 billion mainly relate to land and construction costs for DP in Hong Kong.
- ii. WPSL's commitments of HK\$2.6 billion mainly relate to construction costs of HK\$0.9 billion for DP in Singapore and HK\$1.7 billion for DP in the Mainland.
- iii. Wharf's commitments of HK\$47.8 billion mainly comprise expenditure of HK\$16.4 billion for IP, HK\$28.5 billion land and construction costs for DP and HK\$2.9 billion for Hotels, Modern Terminals, Wharf T&T and i-CABLE.
- iv. The above commitments and planned expenditure will be funded by the respective group's own internal financial resources including surplus cash, cash flow from operations as well as bank and other financing with construction costs self-financed mainly by pre-sale proceeds and project loans. Other available resources include available-for-sale investments.

## FINANCIAL REVIEW (CONTINUED)

### (III) Human Resources

The Group had approximately 15,500 employees as at 31 December 2015, including about 2,400 employed by managed operations. Employees are remunerated according to their job responsibilities and the market pay trends, with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the respective group's achievement and results.

### (IV) Business Model

Wheelock is a property company with focus on Hong Kong, China and Singapore. The Group's prized portfolio of investment properties has a book value of over HK\$325 billion. Its attributable land bank is 75 million square feet for development and 41 million square feet for investment.

The solid cash flow and asset backing from listed subsidiaries Wharf and WPSL provide the financial capacity for wholly-owned subsidiary WPL to focus on the core business of development properties in Hong Kong. The Hong Kong land bank currently under management amounts to 8.7 million square feet. It includes one of the largest collections of top end Peak residential properties, new low-density harbourfront O'South residential development, a significant share of both commercial and residential in Kowloon East, and urban portfolio in Kowloon South.

In 2015, contracted Hong Kong sales totalled HK\$12.9 billion for 1.0 million square feet. In 2016, the Group will maintain the momentum with five projects planned to launch, which include four residential developments and one commercial development.

Wharf is Wheelock's core investment in the form of a listed company which focuses on prime investment properties in Hong Kong and the Mainland and owns one of the world's most prized portfolios, with a book value of HK\$310 billion as at the end of 2015. It includes Harbour City and Times Square, which house the two most successful shopping malls in Hong Kong. Wharf is also one of the most active Hong Kong developers in the Mainland. Its attributable land bank in the Mainland comprises 8.4 million square metres across 15 cities. 2015 contracted sales totalled RMB26.0 billion for 1.4 million square metres.

Development in Singapore is spearheaded by WPSL. The current development land bank in Singapore is 0.8 million square feet. It also operates two prime commercial properties on Orchard Road, the retail heart of the city.

### (V) Business Strategy

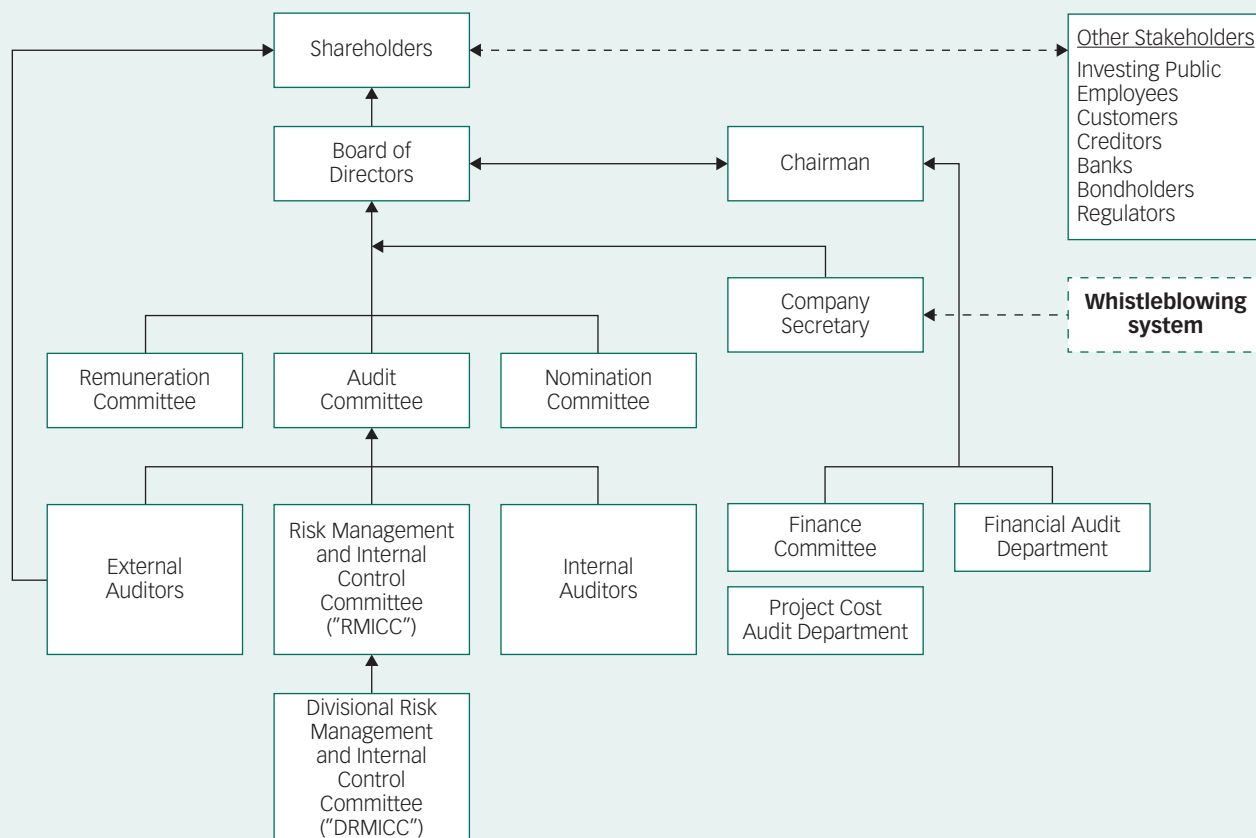
For the Group's core business, Wheelock endeavours to continuously enhance its competitiveness and drive sustainable growth through:

1. Building and maintaining a diversified and competitive land bank with timely acquisitions and constant turning of assets;
2. Competence in selection and acquisition, planning and design, execution, sales and marketing;
3. Building organisation and focusing professional team efforts in building brand; and
4. Exercising prudent and disciplined financial management to ensure sustainability at all times.

# CORPORATE GOVERNANCE REPORT

## (A) Corporate Governance Structure

The Group's current corporate governance, risk management and internal control framework can be diagrammatically shown as below:



## (B) Corporate Governance Practices

During the financial year ended 31 December 2015, all the code provisions set out in the Corporate Governance Code (the "CG Code") in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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.

The reason for the First Deviation from the relevant Code Provision is stated under section (E) below. Regarding 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 in no way adversely affects the efficient discharge by the Company Secretary of his job duties.

## (C) Directors' Securities Transactions

A set of the Company's own code of conduct was adopted by the Company prior to the financial year under review to govern Directors' securities transactions (the "Company's Code") with terms thereof being no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors of the Company, and all the Directors have complied with the required standard set out in the Model Code and/or the Company's Code during the financial year.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### (D) Board of Directors

#### (I) Composition of the Board, Number of Board/General Meetings and Directors' Attendance

The Company's Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business, and a balanced composition of executive and non-executive directors. Four Board meetings and one general meeting were held during the financial year ended 31 December 2015. The composition of the Board and attendance of the Directors are set out below:

Directors	Attendance/Number of Meeting(s)	
	Board Meetings	General Meeting
Douglas C K Woo ( <i>Chairman &amp; Managing Director</i> )	4/4	1/1
Stephen T H Ng ( <i>Deputy Chairman</i> )	4/4	1/1
Stewart C K Leung ( <i>Vice Chairman</i> )	3/4	1/1
Paul Y C Tsui ( <i>Executive Director &amp; Group Chief Financial Officer</i> )	4/4	0/1
Ricky K Y Wong	4/4	1/1
<b>Non-executive Director</b>		
Mignonne Cheng (Mrs)	4/4	1/1
<b>Independent Non-executive Directors</b>		
Tak Hay Chau	4/4	1/1
Winston K W Leong	4/4	1/1
Alan H Smith	4/4	1/1
Richard Y S Tang	4/4	1/1
Kenneth W S Ting	2/4	1/1
Nancy S L Tse	4/4	0/1
Glenn S Yee	3/4	0/1

Each Director of the Company has been appointed on the strength of his/her calibre, experience and stature, and his/her potential to contribute to the proper guidance of the Group and its businesses. Apart from formal meetings, matters requiring Board approval were arranged by means of circulation of written resolutions.

During the year ended 31 December 2015, the Chairman of the Company held a meeting with the Non-executive Directors (including Independent Non-executive Directors ("INED(s)")) without the presence of the executive Directors.

The Chairman of the Company, namely, Mr Douglas C K Woo, is the son of Mr Peter K C Woo, who was formerly the Senior Director of the Company until 19 May 2015.

#### (II) Operation of the Board

The Company is headed by an effective Board which makes decisions objectively in the interests of the Company. The Company's management has closely monitored changes to regulations that affect its corporate affairs and businesses, and changes to accounting standards, and adopted an appropriate reporting format in its interim report, annual report and other related documents to present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. Where these changes are pertinent to the Company or Directors' disclosure obligations, the Directors are either briefed during Board meetings or issued with regular updates and materials to keep them abreast of their responsibilities and of the conduct, business activities and development of the Group. Newly appointed Directors receive briefings and orientation on their legal and other responsibilities as a Director and the role of the Board. The Company has also provided appropriate information in a timely manner to the Directors to enable them to make an informed decision and to discharge their duties and responsibilities as Directors of the Company.

There is a clear division of responsibilities between the Board and the management. Decisions on important matters are specifically reserved to the Board while decisions on the Group's general operations are delegated to the management. Important matters include those affecting the Group's strategic policies, major investment and funding decisions and major commitments relating to the Group's operations.

### (III) Directors' Continuous Professional Development

The Company has arranged for Directors to attend training sessions which place emphasis on the roles, functions and duties of a listed company director. In addition to the training arranged by the Company, some of the Directors also received training organised by other companies and provided records thereof to the Company.

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

<b>Directors</b>	<b>Type of training</b> (See Remarks)
Douglas C K Woo	A, C
Stephen T H Ng	A, C
Stewart C K Leung	A, C
Paul Y C Tsui	A, C
Ricky K Y Wong	A, C
Mignonne Cheng (Mrs)	C
Tak Hay Chau	A, C
Winston K W Leong	A, C
Alan H Smith	A, C
Richard Y S Tang	A, C
Kenneth W S Ting	A, C
Nancy S L Tse	A, B, C
Glenn S Yee	A, C

*Remarks:*

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

### (E) Chairman and Chief Executive

Mr Douglas C K Woo serves as the Chairman and also as the *de facto* chief executive of the Company. This is a deviation from Code Provision A.2.1 with respect to the roles of chairman and chief executive to be performed by different individuals. Such deviation is deemed appropriate as it is considered to be more efficient to have one single person to be the Chairman of the Company as well as to discharge the executive functions of a chief executive. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals, with more than half of them being INEDs.

Furthermore, the Chairman is supported by Deputy Chairman Mr Stephen T H Ng, Vice Chairman Mr Stewart C K Leung, Executive Director & Group Chief Financial Officer Mr Paul Y C Tsui and Director Mr Ricky K Y Wong. The Chairman is responsible for the Board, focuses on Group strategies and Board issues, ensures a cohesive working relationship between members of the Board and management, and also in his capacity as *de facto* chief executive, he directly has responsibilities in certain major business units of the Group.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### (F) Non-executive Directors

All those existing Directors of the Company who do not hold any executive office of the Company (including INEDs) have their respective terms of appointment coming to an end normally three years after their appointment to the Board or (in the case of Directors who were re-elected to the Board at previous Annual General Meetings) their last re-election as Directors. The re-election of each of those INEDs who has served on the Board for more than nine years is subject to (i) a separate resolution to be approved by Shareholders at the relevant Annual General Meeting; and (ii) further information being given to Shareholders together with the notice of meeting regarding the reasons why the Board believes the relevant Director is still independent and should be re-elected.

### (G) Board Committees

#### (I) Audit Committee

The Company has set up an Audit Committee ("AC") with all its members appointed from the Company's INEDs.

All AC members have sufficient experience in reviewing audited financial statements as aided by the auditors of the Group whenever required. In addition, Mr Alan H Smith and Ms Nancy S L Tse have the appropriate professional qualifications and/or experience in financial matters.

Four AC meetings were held during the financial year ended 31 December 2015. Attendance of the AC members is set out below:

Members	Attendance/Number of Meetings
Alan H Smith ( <i>Chairman of AC</i> )	4/4
Kenneth W S Ting	2/4
Nancy S L Tse	4/4
Glenn S Yee	4/4

- (i) The terms of reference of the AC are aligned with the provisions set out in the CG Code and the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants. Given below are the main duties of the AC:

#### (A) Relationship with the Company's External Auditors

- (a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of their resignation or dismissal;
- (b) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences; and
- (c) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

**(B) Review of Financial Information of the Company**

- (a) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on: –
  - (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments resulting from the audit;
  - (iv) the going concern assumptions and any qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;
- (b) regarding (B)(a) above: –
  - (i) members of the Committee should liaise with the Company's Board and Senior Management and the Committee must meet, at least twice a year, with the Company's external auditors; and
  - (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts; it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, or for compliance function, or auditors (internal or external).

**(C) Oversight of the Company's financial reporting systems, and risk management and internal control systems**

- (a) to review the Company's risk management and internal control systems covering all controls; including financial, operational and compliance controls, with the support of the Risk Management and Internal Control Committee;
- (b) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions;
- (c) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings and to review the statements concerning risk management and internal control to be included in the annual report;
- (d) to ensure co-ordination between the internal and external auditors, to review and approve the annual internal audit plan, to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company for it to carry out an analysis and independent appraisal of the adequacy and effectiveness of the Company's financial reporting system and risk management and internal control systems, and to review and monitor the effectiveness of the internal audit function;

## CORPORATE GOVERNANCE REPORT (CONTINUED)

- (e) to review the Group's financial and accounting policies and practices;
  - (f) to review the external auditors' management letter, any material queries raised by the auditors to management about accounting records, financial accounts or systems of control and management's response;
  - (g) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;
  - (h) to report to the Board on the matters in the Code Provisions in the Listing Rules;
  - (i) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
  - (j) to act as the key representative body for overseeing the Company's relations with the external auditors; and
  - (k) to consider other topics, as defined by the Board.
- (D) Oversight of the Company's Corporate Governance Matters
- (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
  - (b) to review and monitor the training and continuous professional development of Directors and Senior Management;
  - (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
  - (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
  - (e) to consider other topics, as defined by the Board.
- (ii) Whistleblowing Policy & Procedures have been adopted by the Group, with the authority and responsibility being delegated to the AC, further information of which is set out in the third paragraph of the sub-section headed "(II) Practices & Processes" on page 34.
- (iii) The other work performed by the AC for the financial year ended 31 December 2015 is summarised below:
- (a) approval of the remuneration, appointment and terms of engagement of the external auditors;
  - (b) review of the external auditors' independence, objectivity and effectiveness of audit process in accordance with applicable standards;
  - (c) review of the half-year and annual financial statements before submission to the Board, with particular consideration of the points mentioned in paragraph (i)(B) above regarding the duties of the AC;
  - (d) discussion with the external auditors before the audit commences, the nature and scope of the audit;
  - (e) review of the audit programme of the internal audit function;
  - (f) review of the Group's financial controls, risk management and internal control systems; and
  - (g) meeting with the external auditors without executive Board members present.



## (II) Remuneration Committee

The Company has set up a Remuneration Committee ("RC") consisting of the Chairman and two INEDs of the Company.

One RC meeting was held during the financial year ended 31 December 2015. Attendance of the RC members is set out below:

Members	Attendance/Number of Meeting
Kenneth W S Ting ( <i>Chairman of RC</i> )	1/1
Alan H Smith	1/1
Douglas C K Woo	1/1

(i) The terms of reference of the RC are aligned with the provisions set out in the CG Code. Given below are the main duties of the RC:

- (a) to make recommendations to the Board on the Company's policy and structure for all Directors' and Senior Management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (b) to review and approve the management's remuneration proposals by reference to the Board's corporate goals and objectives;
- (c) either:
  - (i) to determine, with delegated responsibility, the remuneration packages of individual executive Directors and Senior Management; or
  - (ii) to make recommendations to the Board on the remuneration packages of individual executive Directors and Senior Management.

This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

- (d) to make recommendations to the Board on the remuneration of non-executive Directors;
  - (e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
  - (f) to review and approve compensation payable to executive Directors and Senior Management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
  - (g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
  - (h) to ensure that no Director or any of his associates is involved in deciding his own remuneration; and
  - (i) to advise Shareholders on how to vote with respect to any service contracts of Directors that require Shareholders' approval under the Listing Rules.
- (ii) The work performed by the RC, which has the delegated authority and responsibility, for the financial year ended 31 December 2015 is summarised below:
- (a) review of the Company's policy and structure for all remuneration of Directors and Senior Management;

## CORPORATE GOVERNANCE REPORT (CONTINUED)

- (b) consideration and approval of the emoluments for all Directors and Senior Management; and
- (c) review of the level of fees for Directors and AC members.

The basis of determining the emoluments payable to its Directors and Senior Management by the Company is by reference to the level of emoluments normally paid by a listed company in Hong Kong to directors and senior executives of comparable calibre and job responsibilities, so as to ensure a fair and competitive remuneration package as is fit and appropriate. The basis of determining the fee payable to the Chairman of the Company, currently at the rate of HK\$225,000 per annum, the fee payable to each of the other Directors of the Company, currently at the rate of HK\$150,000 per annum, and the fee payable to each of those Directors who are also members of the AC of the Company, currently at the rate of HK\$75,000 per annum, is by reference to the level of fees of similar nature normally paid by a listed company in Hong Kong to its directors.

### (III) Nomination Committee

The Company has set up a Nomination Committee ("NC") comprising three members, namely, Chairman of the Company (as chairman of NC) and two INEDs of the Company, namely, Mr Kenneth W S Ting and Mr Alan H Smith.

During the financial year ended 31 December 2015, no NC meeting was held.

- (i) The terms of reference of the NC are aligned with the provisions set out in the CG Code. Given below are the main duties of the NC:
  - (a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
  - (b) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
  - (c) to assess the independence of INEDs; and
  - (d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman of the Board and the chief executive.
- (ii) The Board has adopted a Board Diversity Policy. Under the Policy, the Company recognises and embraces the benefits of having a diverse Board towards enhancement of its overall performance. With a vision to achieving a sustainable and balanced development, the Company regards increasing diversity at the Board level as an essential element in achieving a diversity of perspectives and supporting the attainment of its strategic goals. Appointments of Directors are made on merits having due regard for the benefits of diversity on the Board.

At present, more than half of the Directors on the Board are INEDs. They represent diverse career experience in both international and local enterprises. They bring with them diverse professional backgrounds, spanning engineering, finance and banking, investment banking, legal, manufacturing and entrepreneurship. They also hold or have held important public service positions in Hong Kong and Mainland China, covering business, industry and commerce, health and welfare, education, regulations and politics.

The Board composition reflects various cultural and educational backgrounds, professional development, length of service, knowledge of the Company and a broad range of individual attributes, interests and values. The Board considers the current Board composition has provided the Company with a good balance and diversity of skills and experience appropriate to the requirements of its business. The Board will continue to review its composition from time to time, taking into consideration specific needs for the Group's business.

#### (IV) Corporate Governance Functions

While the Board is and remains to be principally responsible for the corporate governance functions of the Company, it has delegated the relevant duties to the AC to ensure the proper performance of corporate governance functions of the Company. In this connection, the terms of reference of the AC include various duties relating to corporate governance matters which are set out in paragraph "(D) Oversight of the Company's Corporate Governance Matters" on page 30.

#### (H) Auditors' Remuneration

The fees in relation to the audit and other services for the financial year ended 31 December 2015 provided by KPMG, the external auditors of the Company, amounted to HK\$30 million and HK\$4 million respectively.

#### (I) Risk Management & Internal Control Systems

##### (I) Risk Governance Structure

The Board has overall responsibilities for the Group's risk management and internal control systems to safeguard the interests of the Company and its shareholders as a whole. To this end, the Board oversees and approves the Group's risk management and internal control strategies and policies, which are aimed at evaluating and determining the nature and extent of the risks that are compatible with the Group's strategic objectives and risk appetite, with main purpose for provision of reasonable assurance against material misstatement or loss rather than absolute elimination of the risk of failure to achieve business objectives.

Reporting to the Board, the AC is delegated with the authority and responsibility for ongoing monitoring and evaluation of the effectiveness of the relevant systems with assistance of the Risk Management and Internal Control Committee. In November 2015, the terms of reference of the AC were updated to formally incorporate risk management into its scope of duties.

In adherence to its long standing principle for prudent management, the Group has put in place a robust and inclusive framework to manage risks at different business operations in diversified segments within the organization.

##### Risk Management and Internal Control Committee ("RMICC")

In 2015, RMICC was formally established to replace the former Internal Control Committee as an initiative to further enhance the Group's risk management and internal control systems. It was principally an evolution from the pre-existing internal control framework, which has been in operation ever since 2004, comprising the divisional internal control committees of the business units and various control functional departments at corporate level, including, *inter alia*, Finance Committee, Project Cost Audit Department and Financial Audit Department.

Under the enhanced framework, RMICC plays a central role in the ongoing management of risk management and internal control systems of the Group with the following features:

Objective	Assist the AC in discharge of its oversight responsibility over risk management and internal control systems of the Group.
Composition	Chaired by Mr Paul Y C Tsui Three other members comprising Mr Stewart C K Leung, Mr Ricky K Y Wong and Mr Horace W C Lee
Structure	Accountable to the AC on all matters relating to risk management and internal control.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

	Supervision on Divisional Risk Management and Internal Control Committees (“DRMICCs”) which in turn are responsible for the identification and reporting of functional risks, and the ongoing supervision and monitoring of the risk management and internal control systems.
Scope & Duties	<p>Assist the AC to conduct periodical reviews of the effectiveness of the risk management and internal control systems of the Group based on the certification procedure as further explained below.</p> <p>Report to the AC on identified risks, relevant evaluations and risk management strategy.</p> <p>Direct and monitor the proper functioning of DRMICCs and report to the AC on any major internal control issues from time to time.</p> <p>Assume an advisory role on objective settings, formulation of internal control framework, policies and procedures.</p>

DRMICCs are set up at the level of business units with composition of the respective key management staff together with those charged with the internal control functions. Acting as divisional advisory bodies, DRMICCs are entrusted with implementation of the Group’s control policies and on-going assessment of control activities in the relevant business units.

### (II) Practices & Processes

As a conglomerate with diversified range of business activities, the Group is operating in dynamic environments with varying risk exposures according to different business segments. Risk management and internal controls within the Group are not just serial process but dynamic and integrated operations embedded in the day-to-day routines with the primary ownership vested on the respective business units under stewardship residing with the Board.

Areas of responsibility of each operational unit are clearly defined with specific limits of authority in place to ensure effective checks and balances. Procedures have been designed for safeguarding assets against unauthorised use or disposition, maintenance of proper accounting records, assurance of the reliability of financial information for internal use or publication and compliance with relevant legislation and regulations. Risk management system, internal control measures and procedures are continuously under review and being improved where necessary in response to changes in business, operating and regulatory environments.

Furthermore, Whistleblowing Policy & Procedures (“WPP”) have been adopted by the Group, with the authority and responsibility being delegated to the AC. Such WPP are for employees and those who deal with the Group (e.g. customers and suppliers) to raise concerns, in confidence, with the Company Secretary, and any and all relevant complaints received may then be referred to the Deputy Chairman and Group Chief Financial Officer or the AC of the Company about possible improprieties in any matter related to the Group.

The internal audit function monitors compliance with policies and standards and the effectiveness of internal control structures across the whole Group. Findings regarding internal control matters are reported to the AC. The external auditors have access to a full set of internal audit reports.

### (III) Periodical Reviews

Under the leadership of RMICC, system reviews in a comprehensive approach on basis of COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework is conducted throughout the Group at least annually. Each business unit, through the co-ordination of DRMICCs, makes a self-assessment by a process as illustrated in the following flow diagram.



DRMICCs report on their reviews and findings, with the conclusions as to the effectiveness of the risk management and control activities of each individual business unit, while RMICC will draw an overall review and conclusion for reporting to the AC and the Board. Such reviewing exercise is carried out on regular basis and affords good opportunities for the Group to identify and prioritize risks, and to develop and manage appropriate measures to control risks within acceptable levels and with a greater focus on anti-fraud measures.

#### (IV) Annual Confirmation

During the financial year ended 31 December 2015, the AC, with assistance of RMICC and DRMICCs, has conducted a review of the effectiveness of the Group's internal control system and procedures covering all controls, including financial, operational and compliance and risk management, and the adequacy of, *inter alia*, resources, qualifications, experience and training of staff of the Group's accounting and financial reporting function. Confirmations from management in the form of certification that risk management and internal control procedures are functioning effectively to meet the respective financial reporting, operational and compliance needs, are submitted by business and corporate unit heads to RMICC for consolidation and reporting to the AC.

Based on the result of the review as reported by the AC, in respect of the financial year ended 31 December 2015, the Directors considered that the risk management and internal control systems and procedures of the Group were effective and adequate.

A discussion on the principal risks and uncertainties encountered by the Group is set out on pages 51 to 52 in the Report of the Directors.

#### (J) Directors' Responsibilities for the Financial Statements

The Directors are responsible for overseeing the preparation of financial statements for the financial year ended 31 December 2015, which give a true and fair view of the affairs of the Company and of the Group and of the Group's results and cash flow for the year then ended and in compliance with the requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("CO") and the applicable disclosure provisions of the Listing Rules.

In preparing the financial statements for the financial year ended 31 December 2015:

- (i) appropriate accounting policies are selected, applied consistently and in accordance with the Hong Kong Financial Reporting Standards;
- (ii) prudent and reasonable judgements and estimates are made; and
- (iii) the reasons for any significant departure from applicable accounting standards are stated, if applicable.

#### (K) Communication with Shareholders

A Shareholders Communication Policy has been adopted by the Company to ensure that Shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company.

The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities. Annual and interim reports are published/printed and printed copies of such reports or notifications of publication thereof on the Company's website are sent to all Shareholders. Such reports and press releases are posted and are available for download at the Company's corporate website ([www.wheelockcompany.com](http://www.wheelockcompany.com)). Constantly being updated in a timely manner, the website contains a wide range of additional information on the Group's business activities. As a standard part of the investor relations programme to maintain a constant dialogue on the Group's performance and objectives, senior executives hold regular briefings and attend conferences with institutional investors and financial analysts.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

The Company encourages its Shareholders to attend Annual General Meetings to ensure a high level of accountability and for Shareholders to stay informed of the Group's strategy and goals.

The Board and external auditors attend Annual General Meetings to answer Shareholders' questions.

### (L) Shareholders' Rights

#### (I) Convene a General Meeting

Pursuant to Section 566 of the CO, on written requisition by Shareholders representing at least 5% of the total voting rights of all Shareholders having a right to vote at general meetings, the Directors of the Company must convene a general meeting (other than an annual general meeting).

#### (II) Send Enquiries to the Board

The Company's corporate website ([www.wheelockcompany.com](http://www.wheelockcompany.com)) provides an email address (for enquiry purpose only), postal address, fax number and telephone number for Shareholders to address their enquiries to the Company's Board at any time.

#### (III) Make Proposals at General Meetings

- (i) The procedures for proposing candidate(s) for election as Director(s) at a Shareholders' meeting are set out in the Corporate Governance section of the Company's corporate website.
- (ii) The procedures for proposing resolution(s) to be moved at the Company's annual general meeting(s) are as follows:

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

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

The relevant written requisition must–

- (a) identify the resolution of which notice is to be given;
- (b) be authenticated by the person or persons making it; and
- (c) be received by the Company not later than 6 weeks before the relevant annual general meeting to which the requests relate; or if later, the time at which notice is given of that meeting.

Any written requisitions from Shareholders pursuant to Sections 566 and 615 of the CO as set out in sections L(I) and L(III) above must be sent to the Company and deposited at the Company's registered office at 23rd Floor, Wheelock House, 20 Pedder Street, Hong Kong.

### (M) Amendments to Constitutional Documents

There was no change in the Company's constitutional documents during the financial year ended 31 December 2015.

# REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their Report and the Audited Financial Statements for the financial year ended 31 December 2015.

## Principal Activities

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on pages 121 to 124.

## Business Review

Discussion and analysis of the Group's business in accordance with Schedule 5 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) are covered in different sections of this Annual Report as set out below, which shall form an integral part of this Directors' Report:

- Chairman's Statement (pages 4 to 5)
- Business Review (pages 8 to 16)
- Financial Highlights (pages 6 to 7) and Financial Review (pages 17 to 24)
- Principal Risks and Uncertainties (pages 51 to 52)

Throughout the financial year under review, the Group had duly complied with the relevant laws and regulations which have a significant impact on the Group, including Broadcasting Ordinance, Companies Ordinance, Competition Ordinance (which came into force on 14 December 2015), Employment Ordinance, Minimum Wage Ordinance, Residential Properties (First-hand Sales) Ordinance, Securities and Futures Ordinance, Telecommunications Ordinance, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Codes on Takeovers and Mergers and Share Buy-backs.

In addition, an Environment, Social and Governance Report, which gives detailed account of the Group's performance in environmental, social and governance areas, is available for download on the Company's corporate website ([www.wheelockcompany.com.hk](http://www.wheelockcompany.com.hk)).

## Results, Appropriations and Reserves

The results of the Group for the financial year ended 31 December 2015 are set out in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income on pages 55 and 56 respectively.

Appropriations of profits and movements in reserves of the Group and of the Company during the financial year are set out in the Consolidated Statement of Changes in Equity on page 58 and Note 24 to the Financial Statements on pages 98 to 99.

## Dividends

A first interim dividend of 42.5 cents per share was paid in September 2015. In lieu of a final dividend, a second interim dividend of 72.5 cents per share will be paid on 29 April 2016 to Shareholders on record as at 12 April 2016. Total distribution for the year 2015 will amount to HK\$1.15 (2014: HK\$1.0675) per share.

## REPORT OF THE DIRECTORS (CONTINUED)

### Fixed Assets

Movements in fixed assets during the financial year are set out in Notes 8 and 9 to the Financial Statements on pages 72 and 76 respectively.

### Donations

The Group made donations during the financial year totalling HK\$43 million.

### Directors

The names of persons who serve/served as Directors of the Company during the financial year and/or during the period from the end of the financial year to the date of this report are Mr Douglas C K Woo, Mr Peter K C Woo (retired on 19 May 2015), Mr Stephen T H Ng, Mr Stewart C K Leung, Mr Paul Y C Tsui, Mr Ricky K Y Wong, Mr Tak Hay Chau, Mrs Mignonne Cheng, Mr Winston K W Leong, Mr Alan H Smith, Mr Richard Y S Tang, Mr Kenneth W S Ting, Ms Nancy S L Tse and Mr Glenn S Yee.

Mr Stephen T H Ng, Mrs Mignonne Cheng, Mr Winston K W Leong, Mr Alan H Smith and Ms Nancy S L Tse are due to retire by rotation from the Board at the forthcoming Annual General Meeting in accordance with Article 106A of the Company's Articles of Association. Being eligible, they offer themselves for re-election. None of the retiring Directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

A list of names of all persons who serve/served as directors of the Company's subsidiaries during the financial year and/or during the period from the end of the financial year to the date of this report is set out in section (K) "Directors of Subsidiaries" on page 53.

### Indemnity to Directors

Under the Articles of Association of the Company, every Director of the Company is, and is entitled to be, indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution/discharge of the duties of his/her office or otherwise in relation thereto, to the extent as permitted by law.

Furthermore, during the financial year under review and up to the date of this report, the Company maintains/maintained suitable directors' and officers' liability insurance providing appropriate insurance cover for the Directors of the Company and also for the directors of the Company's subsidiaries in respect of relevant legal action against those directors.

### Interests in Transactions, Arrangements and Contracts

No transaction, arrangement and contract of significance in relation to the Company's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during that financial year.

### Management Contracts

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



## Arrangements to Purchase Shares or Debentures

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

Under the respective rules of the two schemes (such rules being subject to the relevant laws and provisions applicable from time to time), shares of the Company or Wharf would be issued at such prices as being not less than the highest of (i) the indicative price as specified in the written offer; (ii) the closing price on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on the date of grant of the options; and (iii) the average closing price on the Stock Exchange for the five trading days immediately preceding the date of grant; and the relevant options would be exercisable during such periods, not being beyond the expiration of 10 years from the date of grant of relevant options, as determined by the boards of directors of the Company or Wharf.

During the financial year, no share of the Company or Wharf was allotted and issued to any Director of the Company under the abovementioned share option schemes. Further information of the share option schemes of the Company and Wharf is set out on pages 47 to 49.

## Purchase, Sale or Redemption of Shares

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

## Auditors

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

By Order of the Board

**Wilson W S Chan**

*Secretary*

Hong Kong, 10 March 2016

## REPORT OF THE DIRECTORS (CONTINUED)

### Supplementary Corporate Information

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

##### (I) Directors

###### **Douglas C K WOO**, *Chairman & Managing Director (Age: 37)*

Mr Woo has been a Director and the Managing Director of the Company since 2013. He became Chairman in January 2014. He also serves as a member and chairman of the Company's Nomination Committee as well as a member of the Company's Remuneration Committee. He is vice chairman and managing director of Wheelock Properties Limited ("WPL"), the Group's Hong Kong property development arm and also a director of certain other subsidiaries of the Company. He currently serves as a member of the Twelfth Beijing Municipal Committee of the Chinese People's Political Consultative Conference ("CPPCC") of the People's Republic of China ("PRC"), a director of The Real Estate Developers Association of Hong Kong ("REDA") and a member of the Hong Kong General Chamber of Commerce ("HKGCC") Economic Policy Committee.

Mr Woo graduated from Princeton University in the US with a degree in Architecture. He earned a Master of Business Administration degree (EMBA Program) awarded jointly by The HKUST Business School and The Kellogg School of Management of Northwestern University in 2010. Prior to joining the Group in 2005, Mr Woo worked at UBS Real Estate Corporate Finance and UBS Triton Fund and focused primarily in asset acquisitions and asset management. He also worked at Hamptons International. Mr Woo is the son of Mr Peter K C Woo, who was formerly the Senior Director of the Company until 19 May 2015.

Under the existing service contract between the Group and Mr Woo, his basic salary and various allowances for the year 2016, calculated on an annualised basis, would be approximately HK\$6.05 million (2015: HK\$5.72 million) per annum.

###### **Stephen T H NG**, *Deputy Chairman (Age: 63)*

Mr Ng has been a Director of the Company since 1988 and became Deputy Chairman in 1995. He is chairman and managing director of Wharf, the major publicly listed subsidiary of the Company. Among various other subsidiaries of the Company of which he serves as a director, he is chairman of three publicly listed subsidiaries of the Company, namely, Harbour Centre Development Limited ("HCDL"), i-CABLE Communications Limited ("i-CABLE") and Wheelock Properties (Singapore) Limited ("WPSL"). Furthermore, he is chairman of publicly listed Joyce Boutique Holdings Limited ("JBHL"), and a non-executive director of Hotel Properties Limited (a publicly listed associate of the Company). He formerly served as a non-executive director of Greentown China Holdings Limited ("Greentown") (a company publicly listed in Hong Kong) until his resignation effective 27 March 2015.

Mr Ng was born in Hong Kong in 1952 and grew up in Hong Kong. He attended Ripon College in Ripon, Wisconsin, USA and the University of Bonn, Germany, from 1971 to 1975, and graduated with a major in mathematics. He is the deputy chairman of the HKGCC and a council member of the Employers' Federation of Hong Kong ("EFHK"). Under the existing service contract between the Group and Mr Ng, his basic salary and various allowances for the year 2016, calculated on an annualised basis, would be approximately HK\$7.82 million (2015: HK\$7.24 million) per annum.

###### **Stewart C K LEUNG**, *Vice Chairman (Age: 77)*

Mr Leung has been Vice Chairman of the Company since 2012. He is currently the chairman of WPL and Wheelock Properties (Hong Kong) Limited ("WPHK"), both being wholly-owned subsidiaries of the Company. Mr Leung has extensive experience in property development, construction, management and related businesses in Hong Kong. He was formerly a director of two publicly listed companies, namely, New World Development Company Limited and New World China Land Limited. He is currently the chairman of the Executive Committee of REDA. Under the existing service contract between the Group and Mr Leung, his basic salary and various allowances for the year 2016, calculated on an annualised basis, would be approximately HK\$5.46 million (2015: HK\$5.46 million) per annum.

**Paul Y C TSUI**, *Executive Director & Group Chief Financial Officer (Age: 69)*

Mr Tsui, *FCCA, FCPA, FCMA, CGMA, FCIS, CGA-Canada*, has been a Director of the Company since 1998. He became Executive Director of the Company in 2003 and is currently also the Group Chief Financial Officer. He is a vice chairman and the group chief financial officer of Wharf, a director of i-CABLE, as well as a vice chairman of WPL and a director of certain other subsidiaries of the Company. Mr Tsui is also a director of JBHL. He formerly served as a director of HCDL and WPSL until his resignations in August 2015; and also a non-executive director of Greentown until his resignation in July 2015. Under the existing service contract between the Group and Mr Tsui, his basic salary and various allowances for the year 2016, calculated on an annualised basis, would be approximately HK\$5.09 million (2015: HK\$4.79 million) per annum.

**Ricky K Y WONG**, *Director (Age: 51)*

Mr Wong has been a Director of the Company since 2010. He joined the Group in 1989 and is currently the managing director of WPL and WPHK, as well as a director of certain other subsidiaries of the Company. He is presently responsible for overseeing the property development and related business of the Group in Hong Kong. Mr Wong also serves as a vice chairman of the Real Estate and Infrastructure Committee of HKGCC and a member of the Legal Sub-committee of REDA. He is also a director of Hong Kong Green Building Council, general committee member of the EFHK, a fellow member of Royal Institution of Chartered Surveyors ("RICS"), a member of External Affairs and Public Concerns Committee of RICS and a Category B (related fields) member of Estate Agents Authority.

In February 2015, he was re-appointed as an associate member of Hong Kong Special Administrative Region ("HKSAR") – Central Policy Unit, after having served as an associate member for an initial term of two years from 2013 to 2015 and as a part-time member for the years 2009 and 2010. Mr Wong formerly served as a co-opted member of the Hong Kong Diploma of Secondary Education Examination (HKDSE) – Applied Learning Subject Committee of the Hong Kong Examinations and Assessment Authority from April 2013 to August 2015. Mr Wong graduated from University of Wisconsin in the US with a Master Degree in Business Administration. Under the existing service contract between the Group and Mr Wong, his basic salary and various allowances for the year 2016, calculated on an annualised basis, would be approximately HK\$4.41 million (2015: HK\$4.19 million) per annum.

**Tak Hay CHAU**, *GBS, Director (Age: 73)*

Mr Chau has been an Independent Non-executive Director ("INED") of the Company since 2012. He graduated from The University of Hong Kong in 1967. Mr Chau served in a number of principal official positions in the Hong Kong Government between 1988 and 2002, including Secretary for Commerce and Industry, Secretary for Broadcasting, Culture and Sport, and Secretary for Health and Welfare. Mr Chau was awarded the Gold Bauhinia Star by the Government of HKSAR in 2002. He is an INED of two companies publicly listed in Hong Kong, namely, SJM Holdings Limited and Tradelink Electronic Commerce Limited.

**Mignonne CHENG**, *Director (Age: 69)*

Mrs Cheng has been a Non-executive Director of the Company since 2012. Mrs Cheng, a seasoned banker, has amassed over 35 years of experience in the financial sector with over 25 years in senior management positions in corporate and commercial banking as well as investment banking. She joined BNP Paribas in 1990 and has held various senior positions in BNP Paribas group in the past 25 years. Mrs Cheng is currently the chairman and chief executive officer of BNP Paribas Wealth Management for Asia Pacific and a member of the executive committee of BNP Paribas Wealth Management, since the appointment in 2010.

Prior to joining BNP Paribas, Mrs Cheng was with Chase Manhattan Bank Hong Kong Branch for 18 years, where she took up various positions both on the control and on the operational sides. Mrs Cheng was a member of the Banking Advisory Committee chaired by The Honourable John Tsang, Financial Secretary of the Government of HKSAR, and also served as a member of The Consultative Committee of the Basic Law of the HKSAR between 1985 and 1989 when the Basic Law was being drafted.

## REPORT OF THE DIRECTORS (CONTINUED)

In October 2006, Mrs Cheng was granted the “Top 100 Outstanding Women in Greater China Award” by The Chinese Women Entrepreneurs Association. In October 2007, Mrs Cheng was decorated “Chevalier de l’Ordre National du Mérite”, a French national award, and subsequently “Chevalier de l’Ordre de la Légion d’Honneur” in May 2012. In August 2011, Mrs Cheng was honored as Top 20 Women in Finance by FinanceAsia.

**Winston K W LEONG**, *Director (Age: 56)*

Mr Leong has been an INED of the Company since 2013. He holds a Bachelor of Arts degree in economics and law from the University of Cambridge and a Bachelor of Laws degree from the University of British Columbia. He qualified to practise law in England & Wales, New York State and the Province of British Columbia, Canada, before working in investment banking and then management of private equity funds for investment in the Asia Pacific region. During the course of his career, he has worked in London, Vancouver, New York as well as Hong Kong. Mr Leong is currently a director of various private business enterprises.

**Alan H SMITH**, *JP, Director (Age: 72)*

Mr Smith has been an INED of the Company since 2012. He also serves as a member and chairman of the Company’s Audit Committee, and a member of the Company’s Nomination Committee and Remuneration Committee. He was the vice chairman, Pacific Region, of Credit Suisse First Boston (“CSFB”), a leading global investment bank from 1997 until he retired in December 2001. Prior to joining CSFB, he was chief executive of the Jardine Fleming group from 1983 to 1994 and was chairman of the Jardine Fleming group from 1994 to 1996. Mr Smith has over 27 years of investment banking experience in Asia. He was elected a council member of the Stock Exchange on two occasions. He was a member of the Economic Advisory Committee of the Government of HKSAR, and had for 10 years been a member of the Hong Kong Government’s Standing Committee on Company Law Reform. He has been a trustee of the Hospital Authority Provident Fund Scheme from 2002 to 2014.

Mr Smith graduated with an LLB (Honours) degree from Bristol University, England in 1964, and was admitted as a solicitor in England in 1967 and in Hong Kong in 1970. Mr Smith is also a director of Genting Hong Kong Limited and Guangdong Land Holdings Limited, which are listed on the Stock Exchange; and Noble Group Limited, which is listed on the Singapore Exchange Securities Trading Limited. He is also a director of American Indochina Resorts Limited, a private company incorporated in the British Virgin Islands which owns Nam Hai Resort in Danang, Vietnam.

Mr Smith was a director of Crown International Corporation Limited (formerly known as VXL Capital Limited), which is listed on the Stock Exchange, until he resigned from the office with effect from 27 May 2014.

**Richard Y S TANG**, *BBS, JP, Director (Age: 63)*

Mr Tang, *BSc, MBA*, has been an INED of the Company since 2012. He is an MBA graduate from the University of Santa Clara, California, USA and a holder of Bachelor of Science degree in Business Administration from Menlo College, California, USA. Mr Tang is currently the chairman and managing director of Richcom Company Limited, the vice chairman of publicly listed King Fook Holdings Limited, an executive director of publicly listed Miramar Hotel and Investment Company, Limited, an INED of publicly listed Hang Seng Bank Limited, and a director of various private business enterprises. Furthermore, Mr Tang is an advisor of Tang Shiu Kin and Ho Tim Charitable Fund.

**Kenneth W S TING**, *SBS, JP, Director (Age: 73)*

Mr Ting has been an INED of the Company since 2003. He also serves as a member and chairman of the Company’s Remuneration Committee as well as a member of the Company’s Audit Committee and Nomination Committee. Mr Ting is the chairman of publicly listed Kader Holdings Company Limited and of Kader Industrial Company Limited. He is also an INED of publicly listed Cheuk Nang (Holdings) Limited. Mr Ting currently serves as the honorary president of HK Wuxi Trade Association Limited, the Federation of Hong Kong Industries, the Chinese Manufacturers’ Association of Hong Kong, the Toys Manufacturers’ Association of Hong Kong Limited, and also the Honorary Life President of Hong Kong Plastics Manufacturers’ Association Limited.

Mr Ting also serves as a member of a number of other trade organisations and public committees such as HKGCC. He is also a Life Honorary Court member of The Hong Kong University of Science and Technology Court. Furthermore, he is a member of the Jiangsu Provincial Committee of the CPPCC.

**Nancy S L TSE, JP, Director (Age: 63)**

Ms Tse, *FCPA (HKICPA), CPA, CA (Canada)*, has been an INED of the Company since 2013. She also serves as a member of the Company's Audit Committee. Ms Tse is currently an INED of Link Asset Management Limited (formerly known as "The Link Management Limited") (as manager of Link Real Estate Investment Trust (formerly known as "The Link Real Estate Investment Trust"), a publicly listed company in Hong Kong) and DBS Bank (Hong Kong) Limited. She obtained her Bachelor of Arts (Honours) degree in Mathematics and Master of Business Administration degree in Finance/Accounting from the University of California, Los Angeles, United States; and qualified as Chartered Accountant in Toronto, Canada. She was the Chief Financial Officer and Director (Finance and Information Technology Services) of the Hong Kong Hospital Authority ("HA") until her retirement at the end of August 2013. She joined the HA in 1991 when it was established. She is an Adjunct Professor of The Jockey Club School of Public Health and Primary Care of The Chinese University of Hong Kong. She also serves as a member of Audit Committee of The University of Hong Kong and sits on the boards and committees of a number of other charitable organisations and non-government organisations.

**Glenn S YEE, Director (Age: 65)**

Mr Yee has been an INED of the Company since 2010. He also serves as a member of the Company's Audit Committee. Mr Yee is the founder, managing director and chairman of Pacific Can China Holdings Limited, which is one of the leading beverage can manufacturers in China. Mr Yee obtained a B.S. in Mechanical Engineering from Worcester Polytechnic Institute ("WPI") in Massachusetts, and an MBA Degree from Columbia University in New York. He started his career in General Electric Company in New York and later on joined Continental Can Company in Stamford, Connecticut. Mr Yee held senior positions in Marketing and Finance areas and was made managing director of Continental Can Hong Kong Ltd. in 1988. He resigned in 1991 and subsequently started Pacific Can. Mr Yee is a member of the Board of Trustees at WPI.

Note: The Company confirms that it has received written confirmation from each of the INEDs confirming their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), and considers them independent.

## (II) Senior Management

Various businesses of the Group are respectively under the direct responsibility of the Chairman & Managing Director, the Deputy Chairman, the Vice Chairman and the Executive Director & Group Chief Financial Officer of the Company as named under (A)(I) above, who are regarded as senior management of the Group.

## (B) Directors' Interests in Securities

### (I) Interests in Shares & Debt Securities

At 31 December 2015, present Directors of the Company had the following beneficial interests, all being long positions, in the shares and/or debt securities of the Company, of three subsidiaries of the Company, namely, Wharf, i-CABLE and Wheelock Finance Limited, and also of Greentown, which is regarded as an associated corporation of the Company. The percentages which the relevant shares represented as compared to the total numbers of shares in issue of the relevant companies respectively are also set out below:

## REPORT OF THE DIRECTORS (CONTINUED)

	Quantity (percentage, where applicable) held	Nature of Interest
<b>The Company</b> – Ordinary Shares		
Stephen T H Ng	300,000 (0.0148%)	Personal Interest
<b>Wharf</b> – Ordinary Shares		
Stephen T H Ng	804,445 (0.0266%)	Personal Interest
Kenneth W S Ting	659,024 (0.0217%)	Personal Interest
<b>i-CABLE</b> – Ordinary Shares		
Stephen T H Ng	1,265,005 (0.0629%)	Personal Interest
<b>Wheelock Finance Limited</b>		
– HKD Guaranteed Notes due 2017		
Ricky K Y Wong	HK\$5,000,000	Personal Interest
– USD Guaranteed Notes due 2018		
Ricky K Y Wong	US\$1,300,000	Personal Interest
– HKD Guaranteed Notes due 2022		
Ricky K Y Wong	HK\$5,000,000	Personal Interest
<b>Greentown China Holdings Limited</b>		
– Debenture		
Stephen T H Ng	RMB5,000,000	Personal Interest
– USD Bond due 2018		
Stewart C K Leung	US\$500,000	Personal Interest
– USD Fixed Rate Notes due 2018		
Ricky K Y Wong	US\$600,000	Personal Interest
– USD Fixed Rate Notes due 2020		
Ricky K Y Wong	US\$600,000	Personal Interest

Note: The interests in shares disclosed above do not include interests in share options of the Company and/or its subsidiary(ies) held by Directors of the Company as at 31 December 2015. Details of such interests in share options are separately set out below under subsection (B)(II) "Interests in Share Options of the Company" and subsection (B)(III) "Interests in Share Options of Wharf".

### (II) Interests in Share Options of the Company

Set out below are particulars of all interests (all being personal interests) in options held during the financial year ended 31 December 2015 by present Directors (and/or their respective associate(s)) of the Company to subscribe for ordinary shares of the Company granted/exercisable under the share option scheme of the Company:

Name of Director	Date of grant (Day/Month/Year)	No. of Wheelock's shares under option (percentage based on all issued shares)		Subscription price per share (HK\$)
		As at	As at	
		1 January 2015	31 December 2015	
Douglas C K Woo (Note b)	14/06/2013	3,000,000	3,000,000 (0.148%)	39.98
Stewart C K Leung	14/06/2013	3,000,000	3,000,000 (0.148%)	39.98
Paul Y C Tsui	14/06/2013	1,500,000	1,500,000 (0.074%)	39.98
Ricky K Y Wong	14/06/2013	3,000,000	3,000,000 (0.148%)	39.98

Notes:

- (a) The share options of the Company outstanding as at both 1 January 2015 and 31 December 2015 as stated above were/will be vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant options, i.e. exercisable to the extent of one-fifth of the relevant total number of Wheelock's shares, and with the 1st, 2nd, 3rd, 4th and 5th tranche becoming exercisable from 15th of June in the years 2013, 2014, 2015, 2016 and 2017 respectively.
- (b) As at both 1 January 2015 and 31 December 2015, an associate of Mr Douglas C K Woo, namely, Mr Peter K C Woo, who is the father of Mr Douglas C K Woo, held certain options for the Company's shares, particulars of which are set out below under section (C) "Substantial Shareholders' Interests". The share options so held by Mr Peter K C Woo are not included in the options held by Mr Douglas C K Woo as stated above.
- (c) No share option of the Company held by Directors of the Company and/or their associate(s) lapsed or was exercised or cancelled during the financial year and no share option of the Company was granted to any Director of the Company and/or any associate(s) of any Director during the financial year.

### (III) Interests in Share Options of Wharf

There was in existence during the financial year a share option scheme of Wharf (the "Wharf's Scheme"). Set out below are particulars of all interests (all being personal interests) in options held during the financial year ended 31 December 2015 by present Directors (and/or their respective associate(s)) of the Company to subscribe for ordinary shares of Wharf granted/exercisable under the Wharf's Scheme:

Name of Director	Total No. of Wharf's shares under option held as at 31 December 2015 (percentage based on all issued shares)	Date of grant (Day/Month/Year)	No. of Wharf's shares under option		Subscription price per share (HK\$)
			As at 1 January 2015	As at 31 December 2015	
Douglas C K Woo (Note iii)	800,000 (0.026%)	04/07/2011	800,000	800,000	55.15
Stephen T H Ng	3,500,000 (0.116%)	04/07/2011	1,500,000	1,500,000	55.15
		05/06/2013	2,000,000	2,000,000	70.20
Paul Y C Tsui	2,200,000 (0.073%)	04/07/2011	1,200,000	1,200,000	55.15
		05/06/2013	1,000,000	1,000,000	70.20
Ricky K Y Wong	800,000 (0.026%)	04/07/2011	800,000	800,000	55.15

Notes:

- (i) The Wharf's share options granted on 4 July 2011 outstanding as at both 1 January 2015 and 31 December 2015 as stated above were/are vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant Wharf's share options, i.e. exercisable to the extent of one-fifth of the relevant total number of Wharf's shares, and with the 1st, 2nd, 3rd, 4th and 5th tranche becoming exercisable from 5th of July in the years 2011, 2012, 2013, 2014 and 2015 respectively, with one exception. Such an exception is that regarding the relevant options outstanding as at 31 December 2015 held by Mr Paul Y C Tsui, the options were/are vested in four tranches within a period of 4 years, with each tranche covering one-fourth of the relevant Wharf's share options, i.e. exercisable to the extent of one-fourth of the relevant total number of Wharf's shares, and with the 1st, 2nd, 3rd and 4th tranche becoming exercisable from the 5th of July in the years 2012, 2013, 2014 and 2015 respectively.
- (ii) The Wharf's share options granted on 5 June 2013 outstanding as at both 1 January 2015 and 31 December 2015 as stated above were/will be vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant Wharf's share options, i.e. exercisable to the extent of one-fifth of the relevant total number of Wharf's shares, and with the 1st, 2nd, 3rd, 4th and 5th tranche becoming exercisable from 6th of June in the years 2013, 2014, 2015, 2016 and 2017 respectively.

## REPORT OF THE DIRECTORS (CONTINUED)

- (iii) As at both 1 January 2015 and 31 December 2015, an associate of Mr Douglas C K Woo, namely, Mr Peter K C Woo, who is the father of Mr Douglas C K Woo, held certain options for Wharf's shares, particulars of which are set out below under section (C) "Substantial Shareholders' Interests". The share options so held by Mr Peter K C Woo are not included in the options held by Mr Douglas C K Woo as stated above.
- (iv) No Wharf's share option held by Directors of the Company and/or their associate(s) lapsed or was exercised or cancelled during the financial year and no Wharf's share option was granted to any Director of the Company and/or any associate(s) of any Director during the financial year.

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the Securities and Futures Ordinance ("SFO") in respect of information required to be notified to the Company and the Stock Exchange by the Directors and/or Chief Executive of the Company pursuant to the SFO or to the Listing Rules, there were no interests, both long and short positions, held as at 31 December 2015 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), nor had there been any rights to subscribe for any shares, underlying shares or debentures of the Company and its associated corporations held by any of them as at 31 December 2015.

### (C) Substantial Shareholders' Interests

Given below are the names of all parties who/which were, directly or indirectly, interested in 5% or more of any class of voting shares of the Company as at 31 December 2015, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the "Register"), and the percentages which the shares represented as compared to the total number of shares in issue of the Company:

Names	Number (percentage) of Ordinary Shares
(i) Mr Peter K C Woo (Notes 1 & 5)	241,979,652 (11.91%)
(ii) Mrs Bessie P Y Woo (Note 5)	241,979,652 (11.91%)
(iii) HSBC Trustee (C.I.) Limited	995,221,678 (48.98%)

Notes:

- (1) The interests of party (i) stated above do not include his personal interests in certain share options of the Company, particulars of which are given in note (3) below.
- (2) Duplication occurred in respect of the shareholdings stated against parties (i) and (ii) above to the extent that they represented the same block of shares.
- (3) As at both 1 January 2015 and 31 December 2015, party (i) stated above held options granted by the Company on 14 June 2013 covering 2,000,000 shares (0.098% based on all issued shares) of the Company, with the subscription price and the vesting/exercise periods thereof being the same as the relevant price/periods which are (as stated above under subsection (II) in section (B) "Directors' Interests in Securities", with the relevant periods as described in note (a) therein) applicable to options granted on the same date by the Company to its Directors. No share option of the Company held by party (i) lapsed or was exercised or cancelled during the financial year and no share option of the Company was granted to party (i) during the financial year.
- (4) As at both 1 January 2015 and 31 December 2015, party (i) stated above held options granted by Wharf on 4 July 2011 and 5 June 2013 covering 1,500,000 and 2,000,000 Wharf's shares respectively, with the subscription prices and vesting/exercise periods thereof being the same as the respective prices/periods which are (as stated above under subsection (III) in section (B) "Directors' Interests in Securities", with the relevant periods as described in notes (i) and (ii) therein) applicable to options granted on the respective dates by Wharf to certain Directors of the Company (other than for the exceptional case in respect of Mr Paul Y C Tsui as stated in note (i) in that subsection (III)). No share option of Wharf held by party (i) lapsed or was exercised or cancelled during the financial year and no share option of Wharf was granted to party (i) during the financial year.
- (5) For the purpose of disclosure of interests in share options of the Company and Wharf under applicable laws and/or the Listing Rules, party (i) is an associate of party (ii), and Mr Douglas C K Woo is an associate of each of party (i) and party (ii). Particulars of the interests in the relevant share options held by party (i) (the relevant share options of the Company so held are not included in the deemed interests in the Company's shares held by party (ii) mentioned above) are given in notes (3) and (4) above, and particulars of the interests in the relevant share options held by Mr Douglas C K Woo (not included in the deemed interests held by party (i) and/or party (ii) mentioned above) are set out above under subsections (II) and (III) in section (B) "Directors' Interests in Securities".



All the interests stated above represented long positions and as at 31 December 2015, there were no short position interests recorded in the Register.

## (D) Share Option Schemes

### (I) Summary of the Share Option Scheme of the Company (the "Company's Scheme")

- (a) Purpose of the Company's Scheme:  
To provide directors and/or employees with the opportunity of acquiring an equity interest in the Company, to continue to provide them with the motivation and incentive to give their best contribution towards the Group's continued growth and success.
- (b) Eligibility:  
Eligible participants include any person(s) who is/are full-time and/or part-time employee(s) and/or Director(s) of the Company, any of its subsidiary(ies), and/or any of its associate(s). "Associates" include joint venture(s) and subsidiary(ies) of associates and of joint ventures.
- (c) (i) Total number of ordinary shares of the Company (the "Share(s)") available for issue under the Company's Scheme as at the date of this annual report:  
190,684,928
- (ii) Percentage which the 190,684,928 ordinary shares represent to the total number of Shares in issue as at the date of this annual report:  
9.38%
- (d) Maximum entitlement of each eligible participant under the Company's Scheme:  
Not to exceed 1% of all the Shares in issue in any 12-month period unless approved by Shareholders of the Company
- (e) Period within which the Shares must be taken up under an option:  
Within 10 years from the date on which the option is offered or such shorter period as the Directors may determine
- (f) Minimum period for which an option must be held before it can be exercised:  
No minimum period unless otherwise determined by the Board
- (g) (i) Price payable on application or acceptance of the option:  
HK\$10.00
- (ii) The period within which payments or calls must or may be made:  
28 days after the offer date of an option or such shorter period as the Directors may determine
- (iii) The period within which loans for the purposes of the payments or calls must be repaid:  
Not applicable

## REPORT OF THE DIRECTORS (CONTINUED)

- (h) Basis of determining the subscription price:  
The subscription price shall be determined by the Directors at the time of offer but shall not be less than whichever is the highest of: –
- (i) the indicative price per share for subscription of Shares under the option as specified in the written offer containing the offer of the grant of the option to an eligible participant;
  - (ii) the closing price of the Shares as stated in the Stock Exchange’s daily quotation sheet on the date of grant of an option, which must be a Stock Exchange trading day; and
  - (iii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotation sheets for the five Stock Exchange trading days immediately preceding the date of grant of an option.
- (i) The remaining life of the Company’s Scheme:  
Approximately 5 years (expiring on 8 June 2021)

### (II) Details of Outstanding Options for Shares of the Company

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

Date of grant (Date/Month/Year)	No. of Wheelock’s shares under option		Vesting/Exercise Period (Day/Month/Year)	Price per share to be paid on exercise of options (HK\$)
	As at 1 January 2015	As at 31 December 2015		
14/06/2013	2,500,000	2,500,000	15/06/2013 – 14/06/2018	39.98
	2,500,000	2,500,000	15/06/2014 – 14/06/2018	39.98
	2,500,000	2,500,000	15/06/2015 – 14/06/2018	39.98
	2,500,000	2,500,000	15/06/2016 – 14/06/2018	39.98
	2,500,000	2,500,000	15/06/2017 – 14/06/2018	39.98
<b>Total:</b>	<b>12,500,000</b>	<b>12,500,000</b>		

Note: No share option of the Company lapsed or was granted, exercised or cancelled during the financial year.

### (III) Details of Outstanding Options for Shares of Wharf, etc.

The terms, conditions, and relevant information of the Wharf’s Scheme are, *mutatis mutandis*, identical to those of the Company’s Scheme (as set out under “Section (D)(I)” above) in all material respects, except that for (i) and (ii) under “Section (D)(I)(c)” above, the relevant number/percentage for the Wharf’s Scheme are 281,024,732 and 9.27% respectively.

Set out below are particulars and movement(s), if any, during the financial year of all outstanding Wharf’s share options which were granted to certain employees and/or directors of Wharf and/or its subsidiaries (some being also Directors of the Company), all working under employment contracts that are regarded as “continuous contracts” for the purposes of the Employment Ordinance and all being participants with options not exceeding the respective individual limits:

Date of grant (Day/Month/Year)	No. of Wharf's shares under option				Vesting/Exercise Period (Day/Month/Year)	Price per share to be paid on exercise of options (HK\$)
	As at 1 January 2015	Exercised during the year	Lapsed during the year	As at 31 December 2015		
(i) 04/07/2011:	1,540,000	-	-	1,540,000	05/07/2011 – 04/07/2016	55.15
	2,320,000	(300,000)	-	2,020,000	05/07/2012 – 04/07/2016	55.15
	2,320,000	(300,000)	-	2,020,000	05/07/2013 – 04/07/2016	55.15
	2,320,000	(300,000)	-	2,020,000	05/07/2014 – 04/07/2016	55.15
	2,320,000	-	(300,000)	2,020,000	05/07/2015 – 04/07/2016	55.15
	10,820,000	(900,000)	(300,000)	9,620,000		
(ii) 05/06/2013:	2,500,000	-	(400,000)	2,100,000	06/06/2013 – 05/06/2018	70.20
	2,500,000	-	(400,000)	2,100,000	06/06/2014 – 05/06/2018	70.20
	2,500,000	-	(400,000)	2,100,000	06/06/2015 – 05/06/2018	70.20
	2,500,000	-	(400,000)	2,100,000	06/06/2016 – 05/06/2018	70.20
	2,500,000	-	(400,000)	2,100,000	06/06/2017 – 05/06/2018	70.20
	12,500,000	-	(2,000,000)	10,500,000		
<b>Total:</b>	<b>23,320,000</b>	<b>(900,000)</b>	<b>(2,300,000)</b>	<b>20,120,000</b>		

Notes:

- (1) The weighted average closing price of Wharf's shares immediately before the date(s) of exercise(s) of the Wharf's options during the financial year as abovementioned was HK\$59.04 per share.
- (2) The lapse of share options during the financial year covering a total of 2,300,000 Wharf's shares as stated above was in accordance with the terms of Wharf's share option scheme.
- (3) Except as disclosed above, no share option of Wharf lapsed or was granted, exercised or cancelled during the financial year.

## (E) Retirement Benefits Schemes

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

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

## REPORT OF THE DIRECTORS (CONTINUED)

### (F) Major Customers & Suppliers

For the financial year ended 31 December 2015:

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

### (G) Bank Loans, Overdrafts and Other Borrowings

Particulars of any and all bank loans, overdrafts and/or other borrowings of the Company and of the Group as at 31 December 2015 which were repayable on demand or within a period not exceeding one year or after one year are set out in Note 20 to the Financial Statements on pages 87 to 88.

### (H) Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules throughout the financial year ended 31 December 2015.

### (I) Disclosure of Connected Transactions

Set out below is information in relation to certain connected transactions involving the Company and/or its subsidiaries, particulars of which were previously disclosed in the announcement made by the Company dated 26 September 2014 and are required under the Listing Rules to be disclosed in the Annual Report and Financial Statements of the Company:

#### (I) Master Tenancy Agreement between Wharf and WGL

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

On 26 September 2014, Wharf entered into a master tenancy agreement (the "MTA") with WGL for a term of three years from 1 January 2015 to 31 December 2017. The MTA is for the purpose of, *inter alia*, regulating various continuing connected transactions in respect of the leasing of premises owned by members of the Wharf group to the Eligible Tenants and the fixing of the aggregate annual cap amount of rentals in relation thereto during the said three-year term.

As WGL is indirectly wholly-owned by a trust, the settlor of which is Mr Peter K C Woo, who was formerly the Senior Director of the Company and is also a substantial shareholder of the Company, the MTA and various transactions contemplated and/or governed thereunder (collectively, the "MTA Transactions") constituted continuing connected transactions for the Company under the Listing Rules.

The annual aggregate amount of rental under the MTA, which is subject to the relevant aggregate annual cap amount previously disclosed in the abovementioned announcement, received by the Wharf group from WGL group for the financial year ended 31 December 2015 amounted to HK\$1,050 million.

- (II) With regard to the Related Party Transactions as disclosed under Note 28 to the Financial Statements on page 102, the transactions stated under paragraph "(a)" therein constitute connected transactions (as defined under the Listing Rules) of the Company and the one under paragraph "(b)" does not constitute a connected transaction for the Company.

### (III) Confirmation from Directors etc.

The Directors, including the INEDs, of the Company have reviewed the MTA Transactions mentioned under section (I)(I) above and confirmed that the MTA Transactions were entered into:

- (a) by the Group in the ordinary and usual course of its business;
- (b) on normal commercial terms or better; and
- (c) according to the agreements governing such MTA Transactions on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

In accordance with paragraph 14A.56 of the Listing Rules, the Board of Directors engaged the Company's auditors to perform procedures on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditors of the Company have advised that nothing has come to their attention that causes them to believe that:

- (1) the MTA Transactions had not been approved by the Company's Board of Directors;
- (2) the MTA Transactions were not, in all material respects, entered into in accordance with the terms of the related agreements governing the MTA Transactions;
- (3) the relevant cap amounts, where applicable, have been exceeded during the financial year ended 31 December 2015; and
- (4) in the event that there would be any transactions involving the provision of goods and services by the Group, the transactions were not, in any material respects, in accordance with the pricing policies of the Group.

### (J) Principal Risks and Uncertainties

The following is a list of principal risks and uncertainties that are considered to be of significance as it currently stands and with potential affecting the Group's businesses, results of operations and financial conditions. However, this is non-exhaustive as there may be other risks and uncertainties arise resulting from changes in economic and other conditions over time. The Group employs a risk management and internal control framework to identify current and foreseeable risks at different levels of the organisation so as to take preventive actions to avoid or mitigate their adverse impacts.

#### Risks pertaining to Development Properties ("DP")

DP segment is the Group's core business, primarily in Hong Kong, Mainland China and Singapore. Accordingly, the DP segment is subject to economic, political and legal developments in Hong Kong, Mainland China and Singapore.

In Hong Kong, the DP market has been affected by the economic and market conditions, escalating construction costs, environmental issues, government approval and the policies of the government through legislative or administrative measures. In recent years, the Government of HKSAR has imposed control measures including First-hand Sales Ordinance, heavier stamp duties and home loan curbs.

In recent years, the DP market in Mainland China has been concurrently affected by the economic trend and government policies such as the adoption of category-based regulatory measures and the bilateral regulatory measures for the real estate market, policy changes in mortgage levels and ownership, interest rate changes, supply and demand conditions as well as the overall economic volatility in Mainland China. The DP market in Singapore has also been recently affected by the cooling measures imposed by the Singapore government.

## REPORT OF THE DIRECTORS (CONTINUED)

The Group's DP segment is expected to continue exposing to these risks, which may affect the Group's investment strategy and business model as well as the performance in DP. In this respect, the Group actively assesses the overall economic, political and legal developments as well as the property markets in Hong Kong, Mainland China and Singapore for deciding viable acquisitions and selling strategies. For each potential project, detailed feasibility and stress test with regard to all aspects will be carried out before acquisition to minimise the commercial and legal risks.

### Risks pertaining to Investment Properties ("IP")

IP segment is the Group's another core business with IP asset accounted for over 63% of the Group's total. With the majority of the properties locating in Hong Kong and Mainland China, the general economic climate, regulatory changes, government policies and the political conditions in both Hong Kong and Mainland China may have a significant impact on the Group's overall financial results and positions.

IPs are stated at fair values in accordance with the Hong Kong Financial Reporting Standards in the statement of financial position at each reporting period and the changes in fair value are recognised to the income statement. Given the size of the Group's IP portfolio, any significant change in the IP values may overwhelmingly affect the Group's results that may not be able to reflect the Group's operating and cash flow performance.

In this respect, the Group regularly assesses changes in economic environment and keeps alert to market needs and competitors' offensives in order to maintain competitiveness. Continuously up keeping the quality of the assets and building up a diversified and high-quality tenant-mix also help the Group to grow revenue and to resist sluggish economy. In addition, long-range planned and tactical promotions are seamlessly executed for maintaining the IPs' leading brands and value.

### Non property related businesses

The Group operates container terminals both in Hong Kong and Mainland China. The low global trade growth environment is likely to continue through 2016, impacting volume growth and putting pressure on shipping lines to economise and rationalise their networks further.

The Group operates 14 hotels in the Asia Pacific region, six of which are owned by the Group. Hotel performance is usually subject to a high degree of fluctuation caused by both predictable and unpredictable factors including seasonality, social stability, epidemic diseases and changes in economic conditions.

The Group's CME segment is faced with fast changing user behavior enabled by new technologies in a crowded market.

### Legal and Regulatory Compliance risks

Whilst the Group has a diversified portfolio of business operations across Hong Kong, various Mainland cities and various Asia Pacific regions, any failure to anticipate the trend of regulatory changes or cope with relevant requirements may result in non-compliance of local laws or regulations, leading to not only financial loss but also reputational damage to the Group. In mitigation of relevant risks, the Group actively assesses the effect of relevant developments and engages closely with regulatory authorities and external advisors on new laws and regulations and also trending legislation to ensure relevant requirements are properly complied in an effective manner.

### Financial risks

The Group is exposed to financial risks related to interest rate, foreign currency, equity price and credit in the normal course of the business. For further details of such risks and relevant management policies, please refer to Note 23 to the Financial Statements from pages 92 to 98.

## (K) Directors of Subsidiaries

The names of all persons who, during the financial year and/or during the period from the end of the financial year to 10 March 2016 (the date of the Report of the Directors of the Company), serve/served as directors of all those companies included as subsidiaries in the consolidated financial statements of the Company for the financial year ended 31 December 2015 are set out below:

Name	Name	Name
Admirable Corporation	LEE Yuk Fong Doreen	TO King Yan Adam
Andrea Limited	LENG Yen Thean	TSANG Chin Cheung Samuel
CHAN Kai Cheuk	LEUNG Chi Kin	TSO Hok Chiu Vivian
CHAN King Chuen Lourice	LEUNG Kam Cheung	TSOI Kwong Ki
CHAN Kwok Pong	LEUNG Kwan Yuen Andrew	TSUI Yiu Cheung Paul
CHAN Sik Wah	LEUNG Ping Chiu	WEI Qing Shan
CHAN Wai Leung	LEUNG Yan Yee Hester	WILLIAMS Richard Gareth
CHAN Wing Sang Wilson	LEVESQUE Peter Jon	WONG Che Kwong
CHAN Wing Yee Almira	LI Jun	WONG Chi Kit
CHAVALIT Uttasart	LI Lei	WONG Kwong Yiu
CHEUNG Ka Lung Tom*	LI Qingan	WONG Pui Chee Gigi
CHEUNG Kwai Nang	LI Yongqian	WONG Sin Yue Cynthia*
CHEUNG Mark Quintin	LI Yubin*	WONG Wing Sing
CHIANG Sui Fook Lilian	LIM Tik En David	WOO Chun Kuen Douglas
CHIU Ying Chun Ronald	LING Miu Ngan	WOO Kwong Ching Peter*
CHOI Margaret	LO Wai Man	WU Fu Liang*
CHOW Ming Kuen Joseph	LUK Koon Hoo Roger	WU Guan
CHOW On Kiu	MA Wai Shin Vincent	WU Yung Wei Patrick
de LACY STAUNTON	MACLEOD Malcolm	XIAO Zheng Guang*
Hugh Maurice Victor	MCCARTHY Colm Martin	YE Zhong Xiao
DENG Weidong*	MILLIKEN Andrew	YEUNG HO Ingrid Poi Yan
DOMMESTRUP Anders*	NG Tin Hoi Stephen	YICK Chi Ming Frankie
FU Chi Yuen Patrick	NGAN Chiu Long Sunny*	YIM Kong
FU Wai Hung	OFLANAGAN Aidan	YOUNG Ying Yuen Stephen
GUO Yong	OON Hock Neo	YU Ka Kai Simon
HAO Jian Min	PAO Zen Kwok Peter	YUNG Yung Cheng Frank
HEBERT Dominic	POON Kwok Fai	ZEMAN Allan
HENNIG Hans Helmuth	SEOW Fook Hin Greg	ZERBE Jared Heath
HU Shao Ming Herman	SHOU Bainian*	ZHANG Lu
HUANG Xuan	SIT Kien Ping Peter	ZHANG Vicky Yuanyuan
HUI Chung Ying Kevin	SIU Man Ho Simon	ZHANG Yi
HUNG Hing On	SIU Wing Koon	ZUO Yong Quan
KELLY Sean Aloysius	SIU Yau Chung Joseph	毛立鵬
KELLY Simon	SUN Qi	毛滿金*
KWAN Hon Kong William*	SZE Tsai Ping Michael	王玲
KWAN Jut Ho	TAKIZAWA Kazumasa	李春農*
KWOK Khien Kevin	TAM Chi Wai*	高璟山*
LAI Tse Ming Benjamin	TAM Wai Choi	凌學風
LAM Chun On	TAN Bee Kim	陳小平
LAM Man Shing	TAN Zing Yan	郭志成
LAM Yuk Lau	TANG See King	陸美麗
LEE Wai Chung	TANG Sing Ming Sherman	趙長清*

\* ceased to be a director on or before 10 March 2016

# INDEPENDENT AUDITOR'S REPORT



**TO THE SHAREHOLDERS OF WHELOCK AND COMPANY LIMITED**

*(Incorporated in Hong Kong with limited liability)*

We have audited the consolidated financial statements of Wheelock and Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 55 to 127, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

## Directors' Responsibility for the Consolidated Financial Statements

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

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

**KPMG**

*Certified Public Accountants*

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

10 March 2016



# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

	Note	2015 HK\$ Million	2014 HK\$ Million
<b>Revenue</b>	1	<b>57,431</b>	40,953
Direct costs and operating expenses		<b>(31,879)</b>	(20,555)
Selling and marketing expenses		<b>(2,217)</b>	(1,541)
Administrative and corporate expenses		<b>(1,727)</b>	(1,600)
Operating profit before depreciation, amortisation, interest and tax		<b>21,608</b>	17,257
Depreciation and amortisation	2	<b>(1,555)</b>	(1,528)
<b>Operating profit</b>	1 & 2	<b>20,053</b>	15,729
Increase in fair value of investment properties		<b>7,360</b>	28,087
Other net charge	3	<b>(240)</b>	(1,758)
Finance costs	4	<b>27,173</b>	42,058
Share of results after tax of:		<b>(2,092)</b>	(2,195)
Associates		<b>1,241</b>	2,203
Joint ventures	11(d)	<b>222</b>	918
Profit before taxation		<b>26,544</b>	42,984
Income tax	5	<b>(4,710)</b>	(4,015)
<b>Profit for the year</b>		<b>21,834</b>	38,969
<b>Profit attributable to:</b>			
Equity shareholders		<b>14,232</b>	22,009
Non-controlling interests		<b>7,602</b>	16,960
		<b>21,834</b>	38,969
<b>Earnings per share</b>	7		
Basic		<b>HK\$7.00</b>	HK\$10.83
Diluted		<b>HK\$7.00</b>	HK\$10.83

The notes and principal accounting policies on pages 62 to 127 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 6.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	<b>2015</b> <b>HK\$ Million</b>	2014 HK\$ Million
<b>Profit for the year</b>	<b>21,834</b>	38,969
<b>Other comprehensive income</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange losses on:	<b>(6,654)</b>	(1,126)
Translation of foreign operations	<b>(6,537)</b>	(1,126)
Transferred to profit or loss on disposal of a subsidiary	<b>(117)</b>	–
Net (losses)/gains on revaluation of available-for-sale investments:	<b>(3,215)</b>	1,558
(Deficit)/surplus on revaluation	<b>(2,573)</b>	1,460
Transferred to profit or loss on disposal	<b>(642)</b>	98
Share of other comprehensive income of associates/joint ventures	<b>(1,355)</b>	(288)
Others	<b>10</b>	9
<b>Other comprehensive income for the year</b>	<b>(11,214)</b>	153
<b>Total comprehensive income for the year</b>	<b>10,620</b>	39,122
<b>Total comprehensive income attributable to:</b>		
Equity shareholders	<b>7,279</b>	22,484
Non-controlling interests	<b>3,341</b>	16,638
	<b>10,620</b>	39,122

The notes and principal accounting policies on pages 62 to 127 form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Note	2015 HK\$ Million	2014 HK\$ Million
<b>Non-current assets</b>			
Investment properties	8	325,044	316,860
Property, plant and equipment	9	22,804	25,052
Interest in associates	10	20,857	25,648
Interest in joint ventures	11	18,481	19,911
Available-for-sale investments	12	12,475	11,390
Goodwill and other intangible assets	13	305	305
Deferred tax assets	22	732	673
Derivative financial assets	16	769	1,041
Other non-current assets		289	212
		<b>401,756</b>	401,092
<b>Current assets</b>			
Properties for sale	14	76,184	88,148
Inventories		46	48
Trade and other receivables	15	7,154	6,713
Derivative financial assets	16	352	287
Bank deposits and cash	17	27,266	21,279
		<b>111,002</b>	116,475
<b>Total assets</b>		<b>512,758</b>	517,567
<b>Non-current liabilities</b>			
Derivative financial liabilities	16	(2,102)	(1,408)
Deferred tax liabilities	22	(10,836)	(10,529)
Other deferred liabilities		(334)	(315)
Bank loans and other borrowings	20	(95,681)	(107,134)
		<b>(108,953)</b>	(119,386)
<b>Current liabilities</b>			
Trade and other payables	18	(26,493)	(26,231)
Deposits from sale of properties	19	(23,092)	(18,508)
Derivative financial liabilities	16	(620)	(1,124)
Taxation payable	5(d)	(2,229)	(1,658)
Bank loans and other borrowings	20	(10,512)	(10,744)
		<b>(62,946)</b>	(58,265)
<b>Total liabilities</b>		<b>(171,899)</b>	(177,651)
<b>NET ASSETS</b>		<b>340,859</b>	339,916
<b>Capital and reserves</b>			
Share capital	24(a)	2,949	2,949
Reserves		198,718	188,257
<b>Shareholders' equity</b>		<b>201,667</b>	191,206
<b>Non-controlling interests</b>		<b>139,192</b>	148,710
<b>TOTAL EQUITY</b>		<b>340,859</b>	339,916

The notes and principal accounting policies on pages 62 to 127 form part of these financial statements.

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

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Shareholders' equity							
	Share capital HK\$ Million	Share premium HK\$ Million	Investments revaluation and other reserves HK\$ Million	Exchange reserves HK\$ Million	Revenue reserves HK\$ Million	Total shareholders' equity HK\$ Million	Non-controlling interests HK\$ Million	Total equity HK\$ Million
<b>At 1 January 2014</b>	1,016	1,914	915	6,292	156,445	166,582	144,990	311,572
<b>Changes in equity for 2014:</b>								
Profit	-	-	-	-	22,009	22,009	16,960	38,969
Other comprehensive income	-	-	1,282	(811)	4	475	(322)	153
Transferred to revenue reserves on disposal (Note 10d)	-	-	(1,200)	(14)	1,214	-	-	-
Total comprehensive income	-	-	82	(825)	23,227	22,484	16,638	39,122
Acquisition of additional interest in a subsidiary	-	-	-	-	4,159	4,159	(9,840)	(5,681)
Equity settled share-based payments	-	-	84	-	-	84	38	122
Share options lapsed in a subsidiary	-	-	(6)	-	6	-	-	-
Redemption of convertible bonds issued by a subsidiary	-	-	(55)	-	55	-	-	-
2013 second interim dividend paid	-	-	-	-	(1,321)	(1,321)	-	(1,321)
2014 first interim dividend paid	-	-	-	-	(782)	(782)	-	(782)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(3,116)	(3,116)
Transition to no-par value regime on 3 March 2014 (Note 24a)	1,933	*(1,914)	*(19)	-	-	-	-	-
<b>At 31 December 2014 and 1 January 2015</b>	<b>2,949</b>	<b>-</b>	<b>1,001</b>	<b>5,467</b>	<b>181,789</b>	<b>191,206</b>	<b>148,710</b>	<b>339,916</b>
<b>Changes in equity for 2015:</b>								
Profit	-	-	-	-	14,232	14,232	7,602	21,834
Other comprehensive income	-	-	(2,208)	(4,749)	4	(6,953)	(4,261)	(11,214)
Total comprehensive income	-	-	(2,208)	(4,749)	14,236	7,279	3,341	10,620
Shares issued by a subsidiary	-	-	(9)	-	-	(9)	59	50
Acquisition of additional interest in a subsidiary	-	-	-	-	5,397	5,397	(11,010)	(5,613)
Disposal of a subsidiary	-	-	-	-	-	-	(4)	(4)
Equity settled share-based payments	-	-	45	-	-	45	17	62
Share options lapsed in a subsidiary	-	-	(16)	-	16	-	-	-
2014 second interim dividend paid	-	-	-	-	(1,387)	(1,387)	-	(1,387)
2015 first interim dividend paid	-	-	-	-	(864)	(864)	-	(864)
Capital contribution from non-controlling interests of a subsidiary	-	-	-	-	-	-	876	876
Dividends paid to non-controlling interests	-	-	-	-	-	-	(2,797)	(2,797)
<b>At 31 December 2015</b>	<b>2,949</b>	<b>-</b>	<b>(1,187)</b>	<b>718</b>	<b>199,187</b>	<b>201,667</b>	<b>139,192</b>	<b>340,859</b>

\* Share premium of HK\$1,914 million and capital redemption reserve of HK\$19 million under investments revaluation and other reserves were transferred to share capital on 3 March 2014 in accordance with the Hong Kong Companies Ordinance (Cap. 622).

The notes and principal accounting policies on pages 62 to 127 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	2015 HK\$ Million	2014 HK\$ Million
Operating cash inflow	(a)	20,930	16,298
Changes in working capital	(a)	16,634	2,632
<b>Cash generated from operations</b>	(a)	<b>37,564</b>	18,930
Net interest paid		(2,943)	(2,807)
Interest paid		(3,402)	(3,642)
Interest received		459	835
Dividends received from associates		871	559
Dividends received from joint ventures		172	255
Dividends received from investments		333	354
Hong Kong profits tax paid		(1,759)	(1,492)
Overseas tax paid		(1,562)	(1,866)
Net cash generated from operating activities		<b>32,676</b>	13,933
<b>Investing activities</b>			
Additions to investment properties		(6,118)	(7,191)
Additions to property, plant and equipment		(1,306)	(1,708)
Additions to programming library		(116)	(118)
Net increase in interest in associates		(1,592)	(2,103)
Net decrease in interest in joint ventures		250	2,091
Acquisition of additional interest in a subsidiary		(5,613)	(5,681)
Purchase of available-for-sale investments		(8,557)	(339)
Net proceeds from disposal of a subsidiary and a joint venture	(c)	1,275	–
Proceeds from disposal of available-for-sale investments		10,541	1,210
Proceeds from disposal of investment properties		–	47
Net proceeds from disposal of property, plant and equipment		5	9
(Addition to)/repayment of long term receivables		(49)	1
Redemption of convertible securities		–	2,729
Net placement of bank deposits with maturity greater than three months		(1)	(70)
Net cash used in investing activities		<b>(11,281)</b>	(11,123)
<b>Financing activities</b>			
Drawdown of bank loans and other borrowings		24,908	39,237
Repayment of bank loans and other borrowings		(35,078)	(44,783)
Proceeds from the issue of shares under the share option scheme of a subsidiary		50	–
Capital contribution from non-controlling interests of a subsidiary		876	–
Dividends paid to equity shareholders		(2,251)	(2,103)
Dividends paid to non-controlling interests		(2,797)	(3,116)
Net cash used in financing activities		<b>(14,292)</b>	(10,765)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>7,103</b>	(7,955)
Cash and cash equivalents at 1 January		21,179	29,315
Effect of exchange rate changes		(1,117)	(181)
<b>Cash and cash equivalents at 31 December</b>	(b)	<b>27,165</b>	21,179

The notes and principal accounting policies on pages 62 to 127 form part of these financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2015

### Notes to Consolidated Statement of Cash Flows

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

	2015 HK\$ Million	2014 HK\$ Million
Operating profit	20,053	15,729
Adjustments for:		
Interest income	(454)	(733)
Dividend income from investments	(333)	(352)
Depreciation and amortisation	1,555	1,528
Impairment of property, plant and equipment	45	–
Loss on disposal of property, plant and equipment	2	4
Equity settled share-based payment expenses	62	122
Operating cash inflow	20,930	16,298
Increase in properties under development for sale	(15,679)	(15,458)
Decrease in completed properties for sale	26,592	14,522
Decrease/(increase) in inventories	2	(1)
Increase in trade and other receivables	(510)	(1,641)
Increase in trade and other payables	2,248	3,311
Increase in deposits from sale of properties	4,584	2,129
Decrease in derivative financial instruments	(167)	(24)
Exchange differences on working capital changes	(421)	(220)
Other non-cash items	(15)	14
Changes in working capital	16,634	2,632
Cash generated from operations	37,564	18,930

#### b) Cash and cash equivalents

	2015 HK\$ Million	2014 HK\$ Million
Bank deposits and cash in the consolidated statement of financial position (Note 17)	27,266	21,279
Less: Bank deposits with maturity greater than three months	(101)	(100)
Cash and cash equivalents in the consolidated statement of cash flows	27,165	21,179

**c) Net proceeds from disposal of a subsidiary and a joint venture**

During the year ended 31 December 2015, the Group disposed of its equity interest in a subsidiary and a joint venture to third parties. The cash flows and the net assets of the subsidiary and joint venture were as follows:

	<b>HK\$ Million</b>
Property, plant and equipment	<b>2,064</b>
Other assets	<b>360</b>
Liabilities	<b>(2,130)</b>
Non-controlling interests	<b>(4)</b>
<b>Net assets disposed of</b>	<b>290</b>
Total consideration	<b>744</b>
Fair value of remaining equity interest realised	<b>328</b>
Carrying amount of net assets disposed of	<b>(290)</b>
Direct expenses	<b>(29)</b>
Exchange reserves derecognised	<b>155</b>
<b>Gain on disposal</b>	<b>908</b>
Analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary and a joint venture:	
Total consideration	<b>744</b>
Less: Cash and cash equivalents disposed of	<b>(22)</b>
Less: Direct expenses and others	<b>(46)</b>
	<b>676</b>
Settlement of shareholder loan from the purchaser	<b>599</b>
<b>Net inflow of cash and cash equivalents on disposal of a subsidiary and a joint venture</b>	<b>1,275</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Segment Information

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

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

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

Hotels segment includes hotel operations in the Asia Pacific region. Currently, The Wharf (Holdings) Limited (“Wharf”) operates 14 hotels in the Asia Pacific region, six of which are owned by Wharf.

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

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

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

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

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



## a) Analysis of segment revenue and results

	Revenue HK\$ Million	Operating profit HK\$ Million	Investment properties fair value HK\$ Million	Other net charge HK\$ Million	Finance costs HK\$ Million	Associates HK\$ Million	Joint ventures HK\$ Million	Profit before taxation HK\$ Million
For the year ended 31 December 2015								
Investment property	15,054	12,163	7,360	111	(1,311)	-	-	18,323
Hong Kong	12,387	10,690	6,555	-	(1,302)	-	-	15,943
Mainland China	2,305	1,243	968	111	(9)	-	-	2,313
Singapore	362	230	(163)	-	-	-	-	67
Development property	33,718	6,810	-	(1,498)	(112)	897	187	6,284
Hong Kong	15,459	4,470	-	-	-	2	(71)	4,401
Mainland China	18,018	2,266	-	(1,532)	(93)	895	258	1,794
Singapore	241	74	-	34	(19)	-	-	89
Hotels	1,549	278	-	-	(4)	-	-	274
Logistics	2,848	689	-	627	(194)	266	35	1,423
Terminals	2,739	676	-	668	(194)	188	35	1,373
Others	109	13	-	(41)	-	78	-	50
CME	3,501	112	-	2	(34)	-	-	80
i-CABLE	1,510	(246)	-	2	(3)	-	-	(247)
Telecommunications	1,991	362	-	-	(31)	-	-	331
Others	-	(4)	-	-	-	-	-	(4)
Inter-segment revenue	(437)	-	-	-	-	-	-	-
Segment total	56,233	20,052	7,360	(758)	(1,655)	1,163	222	26,384
Investment and others	1,198	752	-	518	(437)	78	-	911
Corporate expenses	-	(751)	-	-	-	-	-	(751)
Group total	57,431	20,053	7,360	(240)	(2,092)	1,241	222	26,544
For the year ended 31 December 2014								
Investment property	14,198	11,503	28,087	69	(1,381)	-	-	38,278
Hong Kong	11,780	10,208	27,973	18	(1,347)	-	-	36,852
Mainland China	1,984	991	429	51	(34)	-	-	1,437
Singapore	434	304	(315)	-	-	-	-	(11)
Development property	17,198	2,367	-	(1,917)	(101)	1,100	865	2,314
Hong Kong	1,669	718	-	-	-	2	906	1,626
Mainland China	15,426	1,669	-	(1,917)	(100)	1,098	(41)	709
Singapore	103	(20)	-	-	(1)	-	-	(21)
Hotels	1,600	387	-	-	(6)	-	-	381
Logistics	3,319	1,051	-	(61)	(246)	332	53	1,129
Terminals	3,206	1,034	-	(20)	(246)	234	53	1,055
Others	113	17	-	(41)	-	98	-	74
CME	3,616	211	-	1	(37)	-	-	175
i-CABLE	1,666	(140)	-	1	-	-	-	(139)
Telecommunications	1,950	352	-	-	(37)	-	-	315
Others	-	(1)	-	-	-	-	-	(1)
Inter-segment revenue	(469)	-	-	-	-	-	-	-
Segment total	39,462	15,519	28,087	(1,908)	(1,771)	1,432	918	42,277
Investment and others	1,491	1,039	-	150	(424)	771	-	1,536
Corporate expenses	-	(829)	-	-	-	-	-	(829)
Group total	40,953	15,729	28,087	(1,758)	(2,195)	2,203	918	42,984

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### b) Analysis of inter-segment revenue

	Total revenue HK\$ Million	2015 Inter- segment revenue HK\$ Million	Group revenue HK\$ Million	Total revenue HK\$ Million	2014 Inter- segment revenue HK\$ Million	Group revenue HK\$ Million
Investment property	15,054	(206)	14,848	14,198	(185)	14,013
Development property	33,718	–	33,718	17,198	–	17,198
Hotels	1,549	–	1,549	1,600	–	1,600
Logistics	2,848	–	2,848	3,319	–	3,319
CME	3,501	(78)	3,423	3,616	(94)	3,522
Investment and others	1,198	(153)	1,045	1,491	(190)	1,301
	<b>57,868</b>	<b>(437)</b>	<b>57,431</b>	41,422	(469)	40,953

### c) Analysis of segment business assets

	2015 HK\$ Million	2014 HK\$ Million
Investment property	326,522	318,516
Hong Kong	261,495	254,098
Mainland China	58,737	57,493
Singapore	6,290	6,925
Development property	118,548	134,668
Hong Kong	40,431	41,425
Mainland China	69,490	84,572
Singapore	8,627	8,671
Hotels	7,728	7,208
Logistics	18,244	20,197
Terminals	17,245	19,148
Others	999	1,049
CME	3,918	4,088
i-CABLE	1,189	1,284
Telecommunications	2,729	2,804
Total segment business assets	474,960	484,677
Unallocated corporate assets	37,798	32,890
Total assets	512,758	517,567

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

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

	2015 HK\$ Million	2014 HK\$ Million
Development property	33,273	40,267
Logistics	6,065	5,292
Group total	39,338	45,559

#### d) Other segment information

	Capital expenditure		Increase in interests in associates and joint ventures		Depreciation and amortisation	
	2015 HK\$ Million	2014 HK\$ Million	2015 HK\$ Million	2014 HK\$ Million	2015 HK\$ Million	2014 HK\$ Million
Investment property	<b>6,047</b>	8,012	–	–	<b>125</b>	104
Hong Kong	<b>1,892</b>	1,438	–	–	<b>37</b>	27
Mainland China	<b>4,137</b>	6,559	–	–	<b>86</b>	75
Singapore	<b>18</b>	15	–	–	<b>2</b>	2
Development property	–	–	<b>3,487</b>	4,644	–	–
Hong Kong	–	–	<b>155</b>	201	–	–
Mainland China	–	–	<b>3,332</b>	4,443	–	–
Hotels	<b>372</b>	759	–	–	<b>208</b>	204
Logistics	<b>294</b>	403	<b>8</b>	2	<b>457</b>	469
Terminals	<b>294</b>	402	<b>8</b>	2	<b>454</b>	466
Others	–	1	–	–	<b>3</b>	3
CME	<b>538</b>	504	–	–	<b>765</b>	751
i-CABLE	<b>207</b>	188	–	–	<b>351</b>	348
Telecommunications	<b>331</b>	316	–	–	<b>414</b>	403
Group total	<b>7,251</b>	9,678	<b>3,495</b>	4,646	<b>1,555</b>	1,528

In addition, the CME segment incurred HK\$116 million (2014: HK\$152 million) for its programming library. The Group had no significant non-cash expenses other than (i) a non-recurrent accounting loss of HK\$1,620 million arising from the deemed disposal of Wharf's entire 24.3% equity interest in Greentown China Holdings Limited ("Greentown") in 2015, (ii) provision for impairment of HK\$2,270 million for development property projects undertaken by the Group's subsidiaries in Mainland China in 2014, and (iii) depreciation and amortisation.

#### e) Geographical information

	Revenue		Operating profit	
	2015 HK\$ Million	2014 HK\$ Million	2015 HK\$ Million	2014 HK\$ Million
Hong Kong	<b>35,080</b>	21,386	<b>16,309</b>	12,728
Mainland China	<b>21,685</b>	18,977	<b>3,406</b>	2,701
Singapore	<b>666</b>	590	<b>338</b>	300
Group total	<b>57,431</b>	40,953	<b>20,053</b>	15,729

	Specified non-current assets		Total business assets	
	2015 HK\$ Million	2014 HK\$ Million	2015 HK\$ Million	2014 HK\$ Million
Hong Kong	<b>281,207</b>	273,492	<b>318,352</b>	312,144
Mainland China	<b>101,326</b>	106,406	<b>141,691</b>	156,938
Singapore	<b>9,363</b>	10,143	<b>14,917</b>	15,595
Group total	<b>391,896</b>	390,041	<b>474,960</b>	484,677

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

### 2. Operating Profit

#### a) Operating profit

	2015 HK\$ Million	2014 HK\$ Million
Operating profit is arrived at after charging/(crediting):		
Depreciation and amortisation on		
– assets held for use under operating leases	162	169
– property, plant and equipment	1,197	1,164
– leasehold land	69	74
– programming library	127	121
Total depreciation and amortisation	1,555	1,528
Staff costs (Note i)	4,057	4,141
Auditors' remuneration		
– audit services	30	30
– other services	4	4
Cost of trading properties for recognised sales	25,450	14,174
Rental charges under operating leases in respect of telecommunications equipment and services	74	63
Impairment of property, plant and equipment	45	–
Impairment of trade receivables	10	18
Gross rental revenue from investment properties (Note ii)	(15,054)	(14,198)
Direct operating expenses of investment properties	2,712	2,546
Rental income under operating leases in respect of owned plant and equipment	(16)	(9)
Interest income (Note iii)	(454)	(733)
Dividend income from investments	(333)	(352)
Loss on disposal of property, plant and equipment	2	4

Notes:

- (i) Staff costs included contributions to defined contribution pension schemes of HK\$308 million (2014: HK\$290 million), which included MPF schemes (after a forfeiture of HK\$3 million (2014: HK\$2 million)) and equity settled share-based payment expenses of HK\$62 million (2014: HK\$122 million).
- (ii) Rental income included contingent rentals of HK\$1,478 million (2014: HK\$2,039 million).
- (iii) Interest income of HK\$384 million (2014: HK\$622 million) was in respect of financial assets, which mainly comprise bank deposits, stated at amortised cost.

## b) Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance (Cap. 622) and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation was as follows:

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Contributions to pension schemes HK\$'000	2015 Total emoluments HK\$'000	2014 Total emoluments HK\$'000
<b>Board of Directors</b>						
Douglas C K Woo	225	5,715	11,000	568	17,508	13,139
Stephen T H Ng	197	7,243	15,500	18	22,958	21,452
Stewart C K Leung	150	5,456	10,000	-	15,606	13,560
Paul Y C Tsui	150	4,787	8,500	-	13,437	11,823
Ricky K Y Wong	150	4,194	9,000	624	13,968	11,694
<b>Non-executive Director</b>						
Mignonne Cheng	150	-	-	-	150	100
<b>Independent Non-executive Directors</b>						
T H Chau	150	-	-	-	150	100
Winston K W Leong	150	-	-	-	150	100
Alan H Smith (Note ii)	225	-	-	-	225	150
Richard Y S Tang	150	-	-	-	150	100
Kenneth W S Ting (Note ii)	225	-	-	-	225	150
Nancy S L Tse (Note ii)	225	-	-	-	225	128
Glenn S Yee (Note ii)	225	-	-	-	225	150
<b>Past Director</b>						
Peter K C Woo (Note iii)	140	6,653	-	-	6,793	45,735
	<b>2,512</b>	<b>34,048</b>	<b>54,000</b>	<b>1,210</b>	<b>91,770</b>	118,381
Total for 2014	1,828	42,402	73,000	1,151		118,381

Notes:

- (i) There were no compensation for loss of office and/or inducement for joining the Group paid/payable to the Directors of the Company in respect of the years ended 31 December 2015 and 2014.
- (ii) Includes Audit Committee Members' fee for the year ended 31 December 2015 of HK\$75,000 (2014: HK\$50,000) received/receivable by each relevant Directors. Ms Nancy S L Tse was appointed as an audit committee member of the Company with effect from 10 June 2014.
- (iii) Mr Peter K C Woo retired and ceased to be a director of the Company with effect from 19 May 2015.
- (iv) In addition to the above emoluments, certain Directors of the Company were granted share options under the share option schemes adopted by the Company and Wharf, details of which are disclosed in note 21.

## c) Five highest paid employees

For the year ended 31 December 2015, information regarding emoluments of 2 (2014: 3) employees of the Group who, not being Directors of the Company, were among the top five highest paid individuals (including Directors of the Company and other employees of the Group) employed by the Group has been set out below:

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### (i) Aggregate emoluments

	2015 HK\$ Million	2014 HK\$ Million
Salaries, allowances and benefits in kind	11	15
Contributions to pension schemes	1	1
Discretionary bonuses	19	43
	<b>31</b>	59

### (ii) Bandings

	2015 Number	2014 Number
<b>Bands (in HK\$)</b>		
\$15,000,001–\$15,500,000	1	–
\$15,500,001–\$16,000,000	1	–
\$16,000,001–\$16,500,000	–	1
\$17,500,001–\$18,000,000	–	1
\$24,500,001–\$25,000,000	–	1
	<b>2</b>	3

## 3. Other Net Charge

Other net charge for the year amounted to HK\$240 million (2014: HK\$1,758 million) and mainly comprised:

- a) A non-recurrent accounting loss of HK\$1,620 million arising from the deemed disposal of Wharf's entire 24.3% equity interest in Greentown upon reclassification of such interest as an available-for-sale investment at the prevailing market value when Wharf ceased to have significant influence over Greentown in June 2015.

The Greentown equity interest was acquired by Wharf in June 2012 at a cost of HK\$2,729 million, which included an accounting gain representing negative goodwill of HK\$2,233 million when the equity interest was equity-accounted for as an associate.

- b) A gain of HK\$908 million arising from the disposal of its 50% equity interest in the Taicang container port businesses by Modern Terminals.
- c) Net profit on disposal of available-for-sale investments of HK\$502 million (2014: HK\$43 million) which included a revaluation surplus, before deduction of non-controlling interests, of HK\$642 million (2014: deficit of HK\$98 million) transferred from the investments revaluation reserve.
- d) Net foreign exchange gain of HK\$40 million (2014: HK\$160 million) which included a fair value loss on forward foreign exchange contracts of HK\$150 million (2014: HK\$198 million).

In 2014, provisions for impairment of HK\$1,812 million was made by Wharf and HK\$458 million by Wheelock Properties (Singapore) Limited ("WPSL") for development property projects in Mainland China and profit on disposal of HK\$319 million was recognised for a development property project in Mainland China.

## 4. Finance Costs

	2015 HK\$ Million	2014 HK\$ Million
Interest charged on:		
Bank loans and overdrafts	1,332	1,351
Other borrowings	1,616	1,869
Total interest charge	2,948	3,220
Other finance costs	428	556
Less: Amount capitalised	(1,731)	(1,845)
	1,645	1,931
Fair value loss:		
Cross currency interest rate swaps	420	131
Interest rate swaps	27	133
	447	264
Total	2,092	2,195

- a) Interest was capitalised at an average annual rate of approximately 2.4% (2014: 2.3%).
- b) Included in the total interest charge are amounts totalling HK\$1,978 million (2014: HK\$2,343 million) in respect of interest bearing borrowings that are stated at amortised cost.
- c) The above interest charge has taken into account the interest paid/received in respect of interest rate swaps and cross currency interest rate swaps.

## 5. Income Tax

Taxation charged to the consolidated income statement includes:

	2015 HK\$ Million	2014 HK\$ Million
<b>Current income tax</b>		
Hong Kong		
– provision for the year	2,378	1,712
– overprovision in respect of prior years	(21)	(56)
Outside Hong Kong		
– provision for the year	1,214	946
– (over)/underprovision in respect of prior years	(9)	14
	3,562	2,616
<b>Land appreciation tax (“LAT”) in Mainland China</b> (Note 5c)	411	515
<b>Deferred tax</b> (Note 22)		
Change in fair value of investment properties	488	543
Origination and reversal of temporary differences	282	397
Benefit of previously unrecognised tax losses now recognised	(33)	(56)
	737	884
Total	4,710	4,015

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- a) The provision for Hong Kong profits tax is based on the profit for the year as adjusted for tax purposes at the rate of 16.5% (2014: 16.5%).
- b) Income tax on profits assessable outside Hong Kong is mainly China corporate income tax calculated at a rate of 25% (2014: 25%), China withholding income tax at a rate of up to 10% (2014: 10%) and Singapore income tax at a rate of 17% (2014: 17%).
- c) Under the Provisional Regulations on LAT, all gains arising from transfer of real estate property in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds on sales of properties less deductible expenditure including cost of land use rights, borrowing costs and all property development expenditure.
- d) Taxation payable in the consolidated statement of financial position is expected to be settled within one year.
- e) Tax attributable to associates and joint ventures for the year ended 31 December 2015 of HK\$1,111 million (2014: HK\$1,655 million) is included in the share of results after tax of associates and joint ventures.
- f) The China tax law imposes a withholding tax at 10%, unless reduced by a treaty or agreement, for dividends distributed by a PRC-resident enterprise to its immediate holding company outside Mainland China for earnings generated since 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. For the year ended 31 December 2015, the Group has provided HK\$145 million (2014: HK\$176 million) for withholding taxes on accumulated earnings generated by its Mainland China subsidiaries which will be distributed to their immediate holding companies outside Mainland China in the foreseeable future.
- g) Reconciliation between the actual total tax charge and profit before taxation at applicable tax rates:

	<b>2015</b> <b>HK\$ Million</b>	2014 HK\$ Million
Profit before taxation	<b>26,544</b>	42,984
Notional tax on profit before taxation calculated at applicable tax rates	<b>4,533</b>	7,446
Tax effect of non-deductible expenses	<b>500</b>	540
Tax effect of non-taxable income	<b>(333)</b>	(826)
Tax effect of non-taxable fair value gain on investment properties	<b>(1,061)</b>	(4,563)
Net overprovision in respect of prior years	<b>(30)</b>	(42)
Tax effect of tax losses not recognised	<b>499</b>	561
Tax effect of previously unrecognised tax losses utilised	<b>(179)</b>	(104)
Tax effect of previously unrecognised tax losses now recognised as deferred tax assets	<b>(33)</b>	(56)
LAT on trading properties	<b>411</b>	515
Deferred LAT on change in fair value of investment properties	<b>258</b>	368
Withholding tax on distributed/undistributed earnings	<b>145</b>	176
Actual total tax charge	<b>4,710</b>	4,015



## 6. Dividends Attributable to Equity Shareholders

	<b>2015</b> <b>HK\$ per share</b>	<b>2015</b> <b>HK\$ Million</b>	2014 HK\$ per share	2014 HK\$ Million
First interim dividend declared and paid	<b>0.425</b>	<b>864</b>	0.3850	782
Second interim dividend declared after the end of the reporting period	<b>0.725</b>	<b>1,473</b>	0.6825	1,387
	<b>1.150</b>	<b>2,337</b>	1.0675	2,169

- a) The second interim dividend declared 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\$1,387 million for 2014 was approved and paid in 2015.

## 7. Earnings per Share

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

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

	<b>2015</b> <b>HK\$ Million</b>	2014 HK\$ Million
Profit attributable to equity shareholders	<b>14,232</b>	22,009

### b) Weighted average number of ordinary shares

	<b>2015</b> <b>No. of shares</b>	2014 No. of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>2,031,849,287</b>	2,031,849,287
Effect of dilutive potential shares – Share options	–	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>2,031,849,287</b>	2,031,849,287

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 8. Investment Properties

	Completed HK\$ Million	Under development HK\$ Million	Total HK\$ Million
<b>a) Cost or valuation</b>			
At 1 January 2014	247,565	34,450	282,015
Exchange differences	(399)	(74)	(473)
Additions	1,268	6,619	7,887
Disposals	(29)	–	(29)
Reclassification	12,325	(12,952)	(627)
Revaluation surplus	28,086	1	28,087
At 31 December 2014 and 1 January 2015	<b>288,816</b>	<b>28,044</b>	<b>316,860</b>
Exchange differences	<b>(2,871)</b>	<b>(884)</b>	<b>(3,755)</b>
Additions	<b>821</b>	<b>5,059</b>	<b>5,880</b>
Reclassification	<b>(1,340)</b>	<b>39</b>	<b>(1,301)</b>
Revaluation surplus	<b>7,198</b>	<b>162</b>	<b>7,360</b>
At 31 December 2015	<b>292,624</b>	<b>32,420</b>	<b>325,044</b>

**b) The analysis of cost or valuation of the above assets is as follows:**

2015 valuation	<b>292,624</b>	<b>12,740</b>	<b>305,364</b>
At cost	–	<b>19,680</b>	<b>19,680</b>
	<b>292,624</b>	<b>32,420</b>	<b>325,044</b>
2014 valuation	288,816	9,577	298,393
At cost	–	18,467	18,467
	288,816	28,044	316,860

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

At 31 December 2015			
Held in Hong Kong			
Long term leases	<b>217,606</b>	<b>173</b>	<b>217,779</b>
Medium term leases	<b>27,724</b>	<b>15,184</b>	<b>42,908</b>
	<b>245,330</b>	<b>15,357</b>	<b>260,687</b>
Held outside Hong Kong			
Freehold	<b>1,282</b>	–	<b>1,282</b>
Long term leases	<b>4,998</b>	–	<b>4,998</b>
Medium term leases	<b>41,014</b>	<b>17,063</b>	<b>58,077</b>
	<b>292,624</b>	<b>32,420</b>	<b>325,044</b>
At 31 December 2014			
Held in Hong Kong			
Long term leases	211,285	250	211,535
Medium term leases	29,334	12,303	41,637
	240,619	12,553	253,172
Held outside Hong Kong			
Freehold	1,529	–	1,529
Long term leases	5,380	–	5,380
Medium term leases	41,288	15,491	56,779
	288,816	28,044	316,860

#### d) Investment properties revaluation

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

The investment properties stated at fair value as at 31 December 2015 were revalued by Knight Frank Petty Limited ("Knight Frank"), Knight Frank Pte Ltd ("Knight Frank Singapore") and Colliers International Consultancy & Valuation (Singapore) Pte Ltd ("Colliers"), independent firms of professional surveyors who have among their staff Fellows of the Hong Kong Institute of Surveyors and the Singapore Institute of Surveyors and Valuers respectively with extensive experience in the valuing properties in Hong Kong, Mainland China and Singapore. Knight Frank, Knight Frank Singapore and Colliers have valued the investment properties on a market value basis and have taken into account the net rental income allowing for reversionary potential and the redevelopment potential of the properties where appropriate.

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

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

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

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

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

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

	<b>Retail</b>	<b>Office</b>	<b>Level 3 Residential</b>	<b>Others</b>	<b>Total</b>
	<b>HK\$ Million</b>	<b>HK\$ Million</b>	<b>HK\$ Million</b>	<b>HK\$ Million</b>	<b>HK\$ Million</b>
Recurring fair value measurements					
At 31 December 2015					
Hong Kong	<b>150,163</b>	<b>82,062</b>	<b>25,282</b>	<b>563</b>	<b>258,070</b>
Mainland China	<b>18,292</b>	<b>21,493</b>	<b>1,229</b>	–	<b>41,014</b>
Singapore	<b>3,874</b>	<b>2,406</b>	–	–	<b>6,280</b>
	<b>172,329</b>	<b>105,961</b>	<b>26,511</b>	<b>563</b>	<b>305,364</b>
At 31 December 2014					
Hong Kong	146,123	79,177	24,487	409	250,196
Mainland China	18,237	21,752	1,299	–	41,288
Singapore	4,240	2,669	–	–	6,909
	168,600	103,598	25,786	409	298,393

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	<b>Completed</b> <b>HK\$ Million</b>	<b>Under development</b> <b>HK\$ Million</b>	<b>Total</b> <b>HK\$ Million</b>
At 1 January 2014	247,565	13,193	260,758
Exchange differences	(399)	–	(399)
Additions	1,268	281	1,549
Disposals	(29)	–	(29)
Reclassification	12,325	(3,898)	8,427
Revaluation surplus	28,086	1	28,087
<b>At 31 December 2014 and 1 January 2015</b>	<b>288,816</b>	<b>9,577</b>	<b>298,393</b>
Exchange differences	<b>(2,871)</b>	–	<b>(2,871)</b>
Additions	<b>821</b>	<b>481</b>	<b>1,302</b>
Reclassification	<b>(1,340)</b>	<b>2,520</b>	<b>1,180</b>
Revaluation surplus	<b>7,198</b>	<b>162</b>	<b>7,360</b>
<b>At 31 December 2015</b>	<b>292,624</b>	<b>12,740</b>	<b>305,364</b>

During the years ended 31 December 2015 and 2014, there were no transfers between Level 1 and Level 2 or transfers into or out of Level 3.

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

### Valuation processes

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

### Valuation methodologies

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

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

### Level 3 valuation methodologies

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

Completed investment properties	Weighted average			
	Capitalisation rate		Market rent	
	2015	2014	2015	2014
Hong Kong			(per square foot)	(per square foot)
– Retail	5.2%	5.2%	HK\$278	HK\$271
– Office	4.2%	4.2%	HK\$50	HK\$48
– Residential	4.0%	4.0%	HK\$58	HK\$57
Mainland China			(per square metre)	(per square metre)
– Retail	7.1%	7.5%	RMB388	RMB372
– Office	6.4%	6.4%	RMB186	RMB184
– Residential	5.0%	5.0%	RMB242	RMB236
Singapore			(per square foot)	(per square foot)
– Retail	5.2%	5.2%	S\$16.8	S\$16.8
– Office	4.3%	4.3%	S\$10.7	S\$11.0

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

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

- e) The Group leases out properties under operating leases, which generally run for a period of one to ten years. Lease income may be varied periodically to reflect market rentals and may contain a contingent rental element which is based on various percentages of tenants' sales receipts.
- f) The Group's total future minimum lease income under non-cancellable operating leases is receivable as follows:

	2015 HK\$ Million	2014 HK\$ Million
Within 1 year	12,028	10,249
After 1 year but within 5 years	17,719	15,151
After 5 years	1,345	1,574
	31,092	26,974

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 9. Property, Plant and Equipment

	Leasehold land HK\$ Million	Hotel and club properties HK\$ Million	Properties under redevelopment HK\$ Million	Other property, plant and equipment HK\$ Million	CME equipment HK\$ Million	Total HK\$ Million
<b>a) Cost</b>						
At 1 January 2014	4,904	6,770	2,089	17,615	11,786	43,164
Exchange differences	(11)	(5)	(7)	(20)	-	(43)
Additions	4	704	42	633	408	1,791
Disposals	-	-	-	(369)	(47)	(416)
Acquisition of a subsidiary	-	-	-	36	-	36
Reclassification	-	517	(14)	38	(1)	540
At 31 December 2014 and 1 January 2015	<b>4,897</b>	<b>7,986</b>	<b>2,110</b>	<b>17,933</b>	<b>12,146</b>	<b>45,072</b>
Exchange differences	(160)	(143)	(119)	(216)	-	(638)
Additions	5	344	32	562	428	1,371
Disposals	-	-	-	(108)	(42)	(150)
Disposal of a subsidiary	(606)	-	-	(2,148)	-	(2,754)
Written off	-	-	-	(14)	-	(14)
Reclassification	12	447	-	70	-	529
At 31 December 2015	<b>4,148</b>	<b>8,634</b>	<b>2,023</b>	<b>16,079</b>	<b>12,532</b>	<b>43,416</b>
<b>Accumulated depreciation, amortisation and impairment losses</b>						
At 1 January 2014	909	1,355	-	7,748	8,972	18,984
Exchange differences	(1)	(2)	-	(4)	-	(7)
Charge for the year	74	78	-	714	541	1,407
Written back on disposals	-	-	-	(358)	(45)	(403)
Acquisition of a subsidiary	-	-	-	34	-	34
Reclassification	-	-	-	5	-	5
At 31 December 2014 and 1 January 2015	<b>982</b>	<b>1,431</b>	<b>-</b>	<b>8,139</b>	<b>9,468</b>	<b>20,020</b>
Exchange differences	(19)	(45)	-	(57)	-	(121)
Charge for the year	69	92	-	724	543	1,428
Written back on disposals	-	-	-	(103)	(40)	(143)
Disposal of a subsidiary	(117)	-	-	(573)	-	(690)
Written off	-	-	-	(14)	-	(14)
Impairment	-	-	-	44	1	45
Reclassification	-	-	-	87	-	87
At 31 December 2015	<b>915</b>	<b>1,478</b>	<b>-</b>	<b>8,247</b>	<b>9,972</b>	<b>20,612</b>
<b>Net book value</b>						
At 31 December 2015	<b>3,233</b>	<b>7,156</b>	<b>2,023</b>	<b>7,832</b>	<b>2,560</b>	<b>22,804</b>
At 31 December 2014	3,915	6,555	2,110	9,794	2,678	25,052

The hotel properties under development comprise the Murray Building Project totalling HK\$4,947 million (2014: HK\$4,625 million) included in hotel and club properties for which the costs attributable to land and buildings cannot be allocated reliably. This amount is not subject to depreciation.

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

	Leasehold land HK\$ Million	Hotel and club properties HK\$ Million	Properties under redevelopment HK\$ Million	Other property, plant and equipment HK\$ Million	CME equipment HK\$ Million	Total HK\$ Million
At 31 December 2015						
Held in Hong Kong						
Long term leases	82	122	-	6	-	210
Medium term leases	886	5,023	-	2,923	-	8,832
	968	5,145	-	2,929	-	9,042
Held outside Hong Kong						
Medium term leases	2,265	2,011	2,023	1,613	-	7,912
	3,233	7,156	2,023	4,542	-	16,954
At 31 December 2014						
Held in Hong Kong						
Long term leases	82	140	-	6	-	228
Medium term leases	907	4,703	-	2,885	-	8,495
	989	4,843	-	2,891	-	8,723
Held outside Hong Kong						
Medium term leases	2,926	1,712	2,110	2,701	-	9,449
	3,915	6,555	2,110	5,592	-	18,172

**c) Impairment of property, plant and equipment**

The value of property, plant and equipment is assessed at the end of each reporting period for indications of impairment with reference to valuations undertaken by management. Such valuations assess the recoverable amount of each asset being the higher of its value in use or its fair value less costs to sell. In 2015, an impairment loss for certain obsolete equipment of HK\$45 million (2014: HK\$Nil) was recognised in the consolidated income statement.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 10. Interest in Associates

	<b>2015</b> <b>HK\$ Million</b>	2014 HK\$ Million
Listed in Hong Kong Share of net assets	–	7,384
Unlisted Share of net assets	<b>8,317</b>	8,023
Goodwill	<b>1,961</b>	1,853
	<b>10,278</b>	9,876
Amounts due from associates	<b>10,579</b>	8,388
	<b>20,857</b>	18,264
Total	<b>20,857</b>	25,648
Amounts due to unlisted associates (Note 18)	<b>(3,052)</b>	(2,781)
	<b>17,805</b>	22,867
Market value of listed associate	–	4,041

- a) Details of principal associates at 31 December 2015 are shown on pages 124 to 125.
- b) Amounts due from associates are unsecured, interest free and have no fixed terms of repayment, except for an advance of HK\$371 million (2014: HK\$371 million) made by the Group to an associate which is interest bearing. Amounts due from associates are not expected to be recoverable within the next twelve months. The amounts are neither past due nor impaired.
- Amounts due to associates are unsecured, interest free and have no fixed terms of repayment.
- c) The interest in the listed associate as at 31 December 2014 represented Wharf's 24.3% equity interest in Greentown, which was reclassified as an available-for-sale investment during 2015.
- d) Interest in unlisted associates includes the Group's 40% equity interest in 68 Holdings Pte. Ltd. ("68 Holdings"). 68 Holdings was formed by WPSL to undertake a mandatory general offer for all the interests in Hotel Properties Limited ("HPL").

In 2014, WPSL's share of negative goodwill of HK\$707 million arising on the acquisition of HPL was recognised in "Share of results after tax of associates" in the consolidated income statement, and WPSL transferred the related accumulated fair value reserve of HK\$1,871 million (the amount attributable to the Group was HK\$1,214 million) to revenue reserves relating to HPL shares previously held as an available-for-sale investment.

- e) Included in interest in unlisted associates is goodwill of HK\$1,961 million (2014: HK\$1,853 million) mainly relating to the acquisition of Mega Shekou Container Terminals Limited which is held by Modern Terminals, a 67.6%-owned subsidiary of Wharf, under an agreement for rationalisation of the interests in Shekou Container Terminals Phases I, II and III in 2007.



- f) All of the above associates are accounted for using the equity method in the consolidated financial statements.

g) **Summary financial information on associates**

At 31 December 2015, no associate is considered to be individually material to the Group. Set out below is the summarised financial information of a material associate as at 31 December 2014, Greentown, adjusted for any differences in accounting policies and reconciled to the carrying amounts in the consolidated financial statements. Greentown ceased to be an associate during 2015 (Note 3a).

	2014 RMB Million
Non-current assets	20,816
Current assets	106,328
Non-current liabilities	(24,524)
Current liabilities	(67,775)
Net assets	34,845
Revenue	32,049
Profit from continuing operations and total comprehensive income	3,210
Dividends received from associate	284
Reconciliation to the Group's interest in the associate	
Gross amounts of net assets of the associate	34,845
Non-controlling interests of the associate	(8,190)
Perpetual securities issued by the associate	(3,015)
Net assets of the associate after deducting non-controlling interests and perpetual securities	23,640
HK\$ Million equivalent	29,965
Group's effective interest	24.3%
	HK\$ Million
Group's share of net assets of the associate	7,304
Revaluation surplus on acquisition	80
Carrying amount in the consolidated financial statements	7,384

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

	2015 HK\$ Million	2014 HK\$ Million
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	<b>10,278</b>	9,876
Aggregate amounts of the Group's share of those associates		
Profit from continuing operations	<b>1,241</b>	1,529
Other comprehensive income	<b>(545)</b>	(19)
Total comprehensive income	<b>696</b>	1,510

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 11. Interest in Joint Ventures

	<b>2015</b> <b>HK\$ Million</b>	2014 HK\$ Million
Share of net assets	<b>8,860</b>	10,739
Goodwill	–	54
	<b>8,860</b>	10,793
Amounts due from joint ventures	<b>9,621</b>	9,118
Total	<b>18,481</b>	19,911
Amounts due to joint ventures (Note 18)	<b>(3,422)</b>	(2,299)
	<b>15,059</b>	17,612

- a) Details of principal joint ventures at 31 December 2015 are shown on page 125.
- b) Amounts due from joint ventures are unsecured, interest free and have no fixed terms of repayment, except for advances of HK\$3,121 million (2014: HK\$2,973 million) made by the Group to certain joint ventures which are interest bearing. Amounts due from joint ventures are not expected to be recoverable within the next twelve months. The amounts are neither past due nor impaired.

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

- c) All of the above joint ventures are accounted for using the equity method in the consolidated financial statements.
- d) Aggregate information of joint ventures that are not individually material is summarised below:

	<b>2015</b> <b>HK\$ Million</b>	2014 HK\$ Million
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	<b>8,860</b>	10,793
Aggregate amounts of the Group's share of those joint ventures		
Profit from continuing operations	<b>222</b>	918
Other comprehensive income	<b>(810)</b>	(68)
Total comprehensive income	<b>(588)</b>	850

### 12. Available-for-Sale Investments

	<b>2015</b> <b>HK\$ Million</b>	2014 HK\$ Million
Listed investments stated at market value		
– Hong Kong	<b>10,580</b>	8,951
– Outside Hong Kong	<b>1,862</b>	2,406
Unlisted investments at cost	<b>33</b>	33
	<b>12,475</b>	11,390

### 13. Goodwill and Other Intangible Assets

	<b>Goodwill HK\$ Million</b>	<b>Other intangible assets HK\$ Million</b>	<b>Total HK\$ Million</b>
<b>Cost</b>			
At 1 January 2014	297	12	309
Additions	8	–	8
At 31 December 2014 and 31 December 2015	305	12	317
<b>Accumulated amortisation</b>			
At 1 January 2014, 31 December 2014 and 31 December 2015	–	12	12
<b>Net carrying value</b>			
At 31 December 2015	305	–	305
At 31 December 2014	305	–	305

Goodwill mainly relates to the Group's terminals business. As at 31 December 2015, an impairment test was performed by comparing the attributable carrying amount of the business with the recoverable amount. The recoverable amount of the terminals business is based on value in use. No impairment was recorded.

### 14. Properties for Sale

	<b>2015 HK\$ Million</b>	2014 HK\$ Million
Properties under development for sale	<b>68,642</b>	79,043
Completed properties for sale	<b>7,542</b>	9,105
	<b>76,184</b>	88,148

- a) At 31 December 2015, properties under development for sale of HK\$43,972 million (2014: HK\$55,319 million) are expected to be completed after more than one year.
- b) As at 31 December 2015, deposits of HK\$394 million (2014: HK\$506 million) paid for the acquisition for certain land sites/properties located in Mainland China were included in properties under development for sale.
- c) Properties under development for sale and completed properties for sale are stated at the lower of cost and net realisable value. The total carrying value of properties stated at net realisable value at 31 December 2015 was HK\$12,227 million (2014: HK\$11,782 million).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- d) At 31 December 2015, the carrying value of leasehold land (including land deposits) and freehold land included in properties under development for sale and completed properties for sale is summarised as follows:

	2015 HK\$ Million	2014 HK\$ Million
Held in Hong Kong		
Long term leases	1,588	1,580
Medium term leases	22,404	26,171
	<b>23,992</b>	27,751
Held outside Hong Kong		
Freehold	3,876	4,202
Long term leases	26,319	33,423
Medium term leases	626	1,384
	<b>30,821</b>	39,009
	<b>54,813</b>	66,760

## 15. Trade and Other Receivables

### a) Ageing analysis

Included in this item are trade receivables (net of allowance for bad and doubtful debts) with an ageing analysis based on invoice dates as at 31 December 2015, shown as follows:

	2015 HK\$ Million	2014 HK\$ Million
Trade receivables		
0 – 30 days	750	783
31 – 60 days	171	169
61 – 90 days	77	74
Over 90 days	105	81
	<b>1,103</b>	1,107
Accrued sales receivables	647	16
Other receivables and prepayments	5,404	5,590
	<b>7,154</b>	6,713

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

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

## b) Impairment of trade receivables

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

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

	<b>2015</b> <b>HK\$ Million</b>	2014 HK\$ Million
At 1 January	<b>91</b>	91
Impairment loss recognised	<b>10</b>	18
Uncollectible amounts written off	<b>(15)</b>	(18)
At 31 December	<b>86</b>	91

## c) Trade receivables that are not impaired

As at 31 December 2015, 95% (2014: 93%) of the Group's trade receivables was not impaired, of which 88% (2014: 91%) was either not past due or less than two months past due.

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

## 16. Derivative Financial Instruments

	<b>2015</b>		2014	
	<b>Assets</b> <b>HK\$ Million</b>	<b>Liabilities</b> <b>HK\$ Million</b>	Assets HK\$ Million	Liabilities HK\$ Million
<b>At fair value through profit or loss</b>				
Fixed-to-floating interest rate swaps	<b>564</b>	<b>49</b>	611	287
Floating-to-fixed interest rate swaps	–	<b>447</b>	–	354
Cross currency interest rate swaps	<b>539</b>	<b>2,042</b>	583	1,449
Forward foreign exchange contracts	<b>13</b>	<b>184</b>	85	442
Other derivatives	<b>5</b>	–	49	–
Total	<b>1,121</b>	<b>2,722</b>	1,328	2,532
<b>Analysis</b>				
Non-current	<b>769</b>	<b>2,102</b>	1,041	1,408
Current	<b>352</b>	<b>620</b>	287	1,124
Total	<b>1,121</b>	<b>2,722</b>	1,328	2,532

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	2015		2014	
	Assets HK\$ Million	Liabilities HK\$ Million	Assets HK\$ Million	Liabilities HK\$ Million
<b>Fixed-to-floating interest rate swaps</b>				
Expiring within 1 year	6	–	–	–
Expiring after more than 1 year but not exceeding 5 years	305	35	425	278
Expiring after 5 years	253	14	186	9
	<b>564</b>	<b>49</b>	611	287
<b>Floating-to-fixed interest rate swaps</b>				
Expiring after more than 1 year but not exceeding 5 years	–	310	–	169
Expiring after 5 years	–	137	–	185
	–	<b>447</b>	–	354
<b>Cross currency interest rate swaps</b>				
Expiring within 1 year	1	154	–	–
Expiring after more than 1 year but not exceeding 5 years	309	780	370	542
Expiring after 5 years	229	1,108	213	907
	<b>539</b>	<b>2,042</b>	583	1,449
<b>Forward foreign exchange contracts</b>				
Expiring within 1 year	11	51	85	404
Expiring after more than 1 year but not exceeding 5 years	2	118	–	38
Expiring after 5 years	–	15	–	–
	<b>13</b>	<b>184</b>	85	442
<b>Other derivatives</b>				
Expiring within 1 year	5	–	–	–
Expiring after more than 1 year but not exceeding 5 years	–	–	49	–
	<b>5</b>	–	49	–
<b>Total</b>	<b>1,121</b>	<b>2,722</b>	1,328	2,532

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

	<b>2015</b> <b>HK\$ Million</b>	2014 HK\$ Million
Fixed-to-floating interest rate swaps	<b>37,816</b>	34,705
Floating-to-fixed interest rate swaps	<b>8,230</b>	8,230
Cross currency interest rate swaps	<b>25,882</b>	25,508
Forward foreign exchange contracts	<b>71,796</b>	37,651

- b) Derivative financial assets represent the amounts the Group would receive whilst derivative financial liabilities represent the amounts the Group would pay if the positions are closed at the end of the reporting period. Derivative financial instruments do not qualify for hedge accounting and their corresponding changes in fair values have been recognised in the consolidated income statement.
- c) During the year, a loss of HK\$150 million (2014: HK\$198 million) in respect of forward foreign exchange contracts was recognised in the consolidated income statement.
- d) During the year, fair value loss on cross currency interest rate swaps and interest rate swaps in the amounts of HK\$420 million (2014: HK\$131 million) and HK\$27 million (2014: HK\$133 million) respectively have been included within finance costs in the consolidated income statement.
- e) The Group enters into derivative transactions under International Swaps and Derivatives Association ("ISDA") master agreements providing offsetting mechanisms under certain circumstances. At 31 December 2015, the Group has not offset any of the financial instruments as no parties have exercised their rights to offset the recognised amounts in the financial statements.

## 17. Bank Deposits and Cash

	<b>2015</b> <b>HK\$ Million</b>	2014 HK\$ Million
Bank deposits and cash	<b>27,266</b>	21,279

At 31 December 2015, bank deposits and cash included:

- a) HK\$22,911 million equivalent (2014: HK\$16,945 million equivalent) placed with banks in Mainland China the remittance of which is subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.
- b) RMB3,178 million equivalent to HK\$3,793 million (2014: RMB3,361 million equivalent to HK\$4,260 million) which is solely for certain designated property development projects in Mainland China, and Singapore dollar balances of HK\$650 million (2014: HK\$208 million) equivalent in respect of certain proceeds received from the pre-sale of properties in Singapore held under the "Project Account Rules-1997 Ed", withdrawals from which are designated for payments for expenditure incurred for the respective projects.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The effective interest rate on bank deposits was 1.6% (2014: 2.6%) per annum.

Bank deposits and cash are denominated in the following currencies:

	<b>2015</b> <b>HK\$ Million</b>	2014 HK\$ Million
RMB	<b>22,772</b>	16,350
HKD	<b>728</b>	1,994
USD	<b>351</b>	642
SGD	<b>3,403</b>	2,278
Other currencies	<b>12</b>	15
	<b>27,266</b>	21,279

### 18. Trade and Other Payables

Included in this item are trade payables with an ageing analysis as at 31 December 2015, shown as follows:

	<b>2015</b> <b>HK\$ Million</b>	2014 HK\$ Million
Trade payables		
0 – 30 days	<b>414</b>	425
31 – 60 days	<b>274</b>	244
61 – 90 days	<b>34</b>	48
Over 90 days	<b>130</b>	127
	<b>852</b>	844
Rental and customer deposits	<b>4,140</b>	3,721
Construction costs payable	<b>9,979</b>	11,085
Amounts due to associates (Note 10)	<b>3,052</b>	2,781
Amounts due to joint ventures (Note 11)	<b>3,422</b>	2,299
Other payables	<b>5,048</b>	5,501
	<b>26,493</b>	26,231

The amount of trade and other payables that is expected to be settled after more than one year is HK\$3,922 million (2014: HK\$3,582 million), which is mainly for rental and customer deposits. The Group considers the effect of discounting these items would be immaterial. All of the other trade and other payables are expected to be settled or recognised as income within one year or are payable on demand.

### 19. Deposits from Sale of Properties

Deposits from sale of properties in the amount of HK\$5,558 million (2014: HK\$1,790 million) are expected to be recognised as income in the consolidated income statement after more than one year.



## 20. Bank Loans and Other Borrowings

	2015 HK\$ Million	2014 HK\$ Million
<b>Bonds and notes (Unsecured)</b>		
Due within 1 year	2,803	–
Due after 1 year but within 2 years	20,316	2,899
Due after 2 years but within 5 years	15,411	34,003
Due after 5 years	10,833	11,888
	<b>49,363</b>	48,790
<b>Bank loans (Secured)</b>		
Due within 1 year	3,200	4,557
Due after 1 year but within 2 years	1,975	3,822
Due after 2 years but within 5 years	9,939	10,787
	<b>15,114</b>	19,166
<b>Bank loans (Unsecured)</b>		
Due within 1 year	4,509	6,187
Due after 1 year but within 2 years	2,500	14,177
Due after 2 years but within 5 years	34,707	28,552
Due after 5 years	–	1,006
	<b>41,716</b>	49,922
Total bank loans and other borrowings	<b>106,193</b>	117,878
<b>Analysis of maturities of the above borrowings:</b>		
<b>Non-current borrowings</b>		
Due after 1 year but within 2 years	24,791	20,898
Due after 2 years but within 5 years	60,057	73,342
Due after 5 years	10,833	12,894
	<b>95,681</b>	107,134
<b>Current borrowings</b>		
Due within 1 year	10,512	10,744
Total bank loans and other borrowings	<b>106,193</b>	117,878

- a) The Group's borrowings are considered by the management to be denominated in the following currencies (after the effects of cross currency interest rate swaps and forward foreign exchange contracts as detailed in note 23b):

	2015 HK\$ Million	2014 HK\$ Million
HKD	101,242	42,761
SGD	2,631	2,820
RMB	2,320	3,501
USD	–	64,574
JPY	–	4,222
	<b>106,193</b>	117,878

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- b) The interest rate profile of the Group's borrowings (after the effects of interest rate swaps and cross currency interest rate swaps as detailed in notes 23a and 23b respectively) are as follows:

	2015		2014	
	Effective interest rate %	HK\$ Million	Effective interest rate %	HK\$ Million
<b>Fixed rate borrowings</b>				
Bonds and notes	3.0	3,887	3.0	3,909
Bank loans	2.6	8,230	2.6	8,230
		<b>12,117</b>		12,139
<b>Floating rate borrowings</b>				
Bonds and notes	3.0	45,476	3.0	44,881
Bank loans	1.9	48,600	2.0	60,858
		<b>94,076</b>		105,739
Total borrowings		<b>106,193</b>		117,878

- c) All the interest bearing borrowings are carried at amortised cost except for loans in an amount of HK\$33,189 million (2014: HK\$31,227 million) which are carried at their fair values. None of the non-current interest bearing borrowings are expected to be settled within one year.
- d) Included in the Group's total loans are bank loans and other borrowings of HK\$70,707 million and HK\$2,823 million (2014: HK\$77,984 million and HK\$3,872 million) borrowed by Wharf and WPSL respectively. The loans are without recourse to the Company and its other subsidiaries.
- e) At 31 December 2015, certain banking facilities of the Group were secured by mortgages over certain properties under development, investment properties and property, plant and equipment with an aggregate carrying value of HK\$51,817 million (2014: HK\$65,320 million).
- f) Certain of the above borrowings are attached with financial covenants which require that at any time, the consolidated tangible net worth is not less than and the ratio of borrowings to consolidated tangible net worth is not more than certain required levels of the relevant groups. During the year under review, all these covenants have been complied with by the Group.

## 21. Equity Settled Share-Based Transactions

### a) Company

The Company has a share option scheme which was adopted in June 2011 whereby the Directors of the Company are authorised, at their discretion, to invite eligible participants to take up options at a consideration of HK\$10 to subscribe for shares of the Company ("Shares"). The exercise price of the options must be not less than whichever is the highest of (i) the indicative price per share for subscription of Shares under the option as specified in the written offer containing the offer of the grant of the option to an eligible participants; (ii) the closing price of the Shares as stated in The Stock Exchange of Hong Kong Limited (the "Stock Exchange")'s daily quotations sheet on the date of grant; (iii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iv) the nominal value of a Share (not applicable since the abolition of par value upon implementation of the Companies Ordinance (Cap. 622) on 3 March 2014). The granted options are divided into five tranches, of which the first tranche vests immediately after the date of grant and the remaining four tranches vest between one year and four years after the date of grant.

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

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

- (ii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted date using the Binomial Model, taking into account the terms and conditions upon which the options were granted. During the year ended 31 December 2015, no new share options were granted.

- (iii) No share options were exercised, cancelled or lapsed throughout the years ended 31 December 2015 and 2014.

The options outstanding at 31 December 2015 had an exercise price of HK\$39.98 and a weighted average remaining contractual life of 2.5 years.

- (iv) In respect of share options granted to the Directors of the Company, the related charge recognised in the consolidated income statement for the years ended 31 December 2015 and 2014, estimated in accordance with the Group's accounting policy in note (y)(i) was as follows:

	2015 HK\$'000	2014 HK\$'000
Douglas C K Woo	5,303	9,087
Stewart C K Leung	5,303	9,087
Paul Y C Tsui	2,652	4,544
Ricky K Y Wong	5,303	9,087
Peter K C Woo (retired on 19 May 2015)	1,346	6,058
	<b>19,907</b>	37,863

## b) Wharf

Wharf has a share option scheme which was adopted in June 2011 whereby the directors of Wharf are authorised, at their discretion, to invite eligible participants to take up options at a consideration of HK\$10 to subscribe for shares of Wharf ("Wharf shares"). The exercise price of the options must be not less than whichever is the highest of (i) the indicative price per share for subscription of Wharf shares under the option as specified in the written offer containing the offer of the grant of the option to an eligible participants; (ii) the closing price of the Wharf shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (iii) the average closing price of the Wharf shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iv) the nominal value of a Wharf share (not applicable since the abolition of par value upon implementation of the Companies Ordinance (Cap. 622) on 3 March 2014). The granted options are divided into five tranches, of which the first tranche vests immediately after the date of grant and the remaining four tranches vest between one year and four years after the date of grant.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

- (ii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted date using the Black-Scholes Option-pricing Model and Binomial Model, taking into account the terms and conditions upon which the options were granted. During the year ended 31 December 2015, no new share options were granted.

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

Date of grant	Exercise price HK\$	Exercise period	2015 Number of share options				At 31 December 2015	Exercisable at 31 December 2015	Remaining contractual life
			At 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year			
4 July 2011	55.15	5 July 2011 to 4 July 2016	10,820,000	-	(900,000)	(300,000)	9,620,000	9,620,000	0.5 year
5 June 2013	70.20	6 June 2013 to 5 June 2018	12,500,000	-	-	(2,000,000)	10,500,000	6,300,000	2.5 years
			23,320,000	-	(900,000)	(2,300,000)	20,120,000	15,920,000	
Weighted average exercise price (HK\$)			63.22	-	55.15	68.24	63.00	61.11	

Date of grant	Exercise price HK\$	Exercise period	2014 Number of share options				At 31 December 2014	Exercisable at 31 December 2014	Remaining contractual life
			At 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year			
4 July 2011	55.15	5 July 2011 to 4 July 2016	11,220,000	-	-	(400,000)	10,820,000	8,500,000	1.5 years
5 June 2013	70.20	6 June 2013 to 5 June 2018	13,250,000	-	-	(750,000)	12,500,000	5,000,000	3.5 years
			24,470,000	-	-	(1,150,000)	23,320,000	13,500,000	
Weighted average exercise price (HK\$)			63.30	-	-	64.97	63.22	60.72	

The weighted average share price at the date of exercise for share options exercised during the year was HK\$59.12 (2014: HK\$Nil).

- (iv) In respect of Wharf's share options granted to its directors and employees, who are also Directors of the Company, the related charge recognised in the consolidated income statement for the years ended 31 December 2015 and 2014, estimated in accordance with the Group's accounting policy in note (y)(i) was as follows:

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Douglas C K Woo	<b>548</b>	1,225
Stephen T H Ng	<b>7,235</b>	12,890
Paul Y C Tsui	<b>4,131</b>	7,593
Ricky K Y Wong	<b>548</b>	1,225
Peter K C Woo (retired on 15 May 2015)	<b>2,656</b>	12,890
	<b>15,118</b>	35,823

## 22. Deferred Taxation

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

	<b>2015</b> <b>HK\$ Million</b>	2014 HK\$ Million
Deferred tax liabilities	<b>10,836</b>	10,529
Deferred tax assets	<b>(732)</b>	(673)
Net deferred tax liabilities	<b>10,104</b>	9,856

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

	<b>Depreciation allowances in excess of the related depreciation</b> <b>HK\$ Million</b>	<b>Surplus on investment properties</b> <b>HK\$ Million</b>	<b>Others</b> <b>HK\$ Million</b>	<b>Future benefit of tax losses</b> <b>HK\$ Million</b>	<b>Total</b> <b>HK\$ Million</b>
At 1 January 2014	2,731	6,976	(109)	(602)	8,996
Charged/(credited) to the consolidated income statement	277	543	(14)	78	884
Exchange differences	(2)	(21)	(1)	-	(24)
At 31 December 2014 and 1 January 2015	<b>3,006</b>	<b>7,498</b>	<b>(124)</b>	<b>(524)</b>	<b>9,856</b>
Charged/(credited) to the consolidated income statement	<b>260</b>	<b>488</b>	<b>(4)</b>	<b>(7)</b>	<b>737</b>
Exchange differences	<b>(45)</b>	<b>(456)</b>	<b>11</b>	<b>1</b>	<b>(489)</b>
At 31 December 2015	<b>3,221</b>	<b>7,530</b>	<b>(117)</b>	<b>(530)</b>	<b>10,104</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### b) Deferred tax assets not recognised

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

	2015		2014	
	Deductible temporary differences/ tax losses HK\$ Million	Deferred tax assets HK\$ Million	Deductible temporary differences/ tax losses HK\$ Million	Deferred tax assets HK\$ Million
Deductible temporary differences	1,430	278	1,732	338
Future benefits of tax losses				
– Hong Kong	5,427	895	5,057	835
– Outside Hong Kong	3,110	778	3,208	802
	8,537	1,673	8,265	1,637
	9,967	1,951	9,997	1,975

The Group has not recognised the deferred tax assets attributable to the future benefit of tax losses sustained in the operations of certain subsidiaries as the availability of future taxable profits against which the assets can be utilised is uncertain at 31 December 2015. The tax losses arising from Hong Kong and Singapore operations do not expire under current tax legislation. The tax losses arising from operations in Mainland China can be carried forward to offset against taxable profits of subsequent years for up to five years from the year in which they arose.

## 23. Financial Risk Management and Fair Values

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

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

#### **a) Interest rate risk**

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

In line with the Group's prevailing strategy, the Group has entered into a number of interest rate swaps ("IRS") and cross currency interest rate swaps ("CCS") which have the economic effect of converting certain fixed rate interest bearing notes with notional amounts totalling HK\$30,639 million (2014: HK\$29,354 million) into floating rate borrowings. For each of the IRS and CCS entered into by the Group, the tenor and timing of the IRS and CCS cash flows matches those of the notes.

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

As at 31 December 2015, after taking into account of IRS and CCS, approximately 89% (2014: 90%) of the Group's borrowings was at floating rates and the remaining 11% (2014: 10%) was at fixed rates (see note 20b).

Based on the sensitivity analysis performed as at 31 December 2015, it was estimated that a general increase/decrease of 1% (2014: 1%) in interest rates, with all other variables held constant, would have decreased/increased the post-tax profit and total equity of the Group by approximately HK\$491 million (2014: HK\$504 million). This takes into account the effect of interest bearing bank deposits.

The sensitivity analysis above indicates the instantaneous change in the Group's post-tax profit and total equity that would have arisen assuming that the change in interest rates had occurred at the end of reporting period and had been applied to remeasure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of reporting period, the impact on the Group's post-tax profit and total equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis has been performed at the same basis as for 2014.

#### **b) Foreign currency risk**

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

The Group's borrowings are predominantly denominated in the functional currency of the entity taking out the borrowings. In the case of group companies whose functional currencies are HKD, their borrowings are mostly denominated in HKD or USD. For managing the overall financing costs of existing and future capital requirements for the projects in Mainland China, the Group has adopted a diversified funding approach and entered into certain CCS and forward foreign exchange contracts. Based on the prevailing accounting standards, the swaps and forward foreign exchange contracts are marked to market with the valuation movement recognised in the consolidated income statement.

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

	2015						2014							
	USD Million	RMB Million	JPY Million	SGD Million	HKD Million	AUD Million	USD Million	RMB Million	JPY Million	SGD Million	HKD Million	GBP Million	AUD Million	EURO Million
Bank deposits and cash	14	147	2	8	-	1	30	11	2	1	-	-	1	-
Available-for-sale investments	321	-	-	-	604	-	311	-	-	-	1,705	51	-	13
Trade and other receivables	10	-	-	-	-	-	17	-	-	-	-	1	-	-
Trade and other payables	(32)	-	(4)	-	-	(2)	(36)	(2)	(4)	-	-	-	(2)	-
Bank loans and other borrowings	(5,463)	(2,110)	(21,955)	(770)	-	(175)	(6,148)	(1,748)	(21,951)	(770)	-	-	(175)	-
Inter-company balances	23	330	-	(250)	-	-	51	326	-	(250)	-	-	-	(8)
Gross exposure arising from recognised assets and liabilities	(5,127)	(1,633)	(21,957)	(1,012)	604	(176)	(5,775)	(1,413)	(21,953)	(1,019)	1,705	52	(176)	5
Notional amount of forward foreign exchange contracts at fair value through profit or loss	7,233	-	62,764	-	(604)	-	(5,539)	-	62,764	-	(1,705)	(51)	-	(13)
Notional amount of CCS Highly probable forecast purchases	(1,519)	1,950	(40,764)	1,020	-	175	(1,480)	1,450	(40,764)	1,280	-	-	175	-
	(82)	-	-	-	-	-	(44)	-	-	-	-	-	-	-
Overall net exposure	505	317	43	8	-	(1)	(12,838)	37	47	261	-	1	(1)	(8)

In addition, the PRC subsidiaries of the Group with RMB as their functional currency were exposed to foreign currency risk with respect to HKD/USD by holding HKD/USD denominated bank deposits and cash, trade and other payables, bank loans and inter-company borrowings in the amount of HK\$332 million, HK\$8 million, HK\$1,851 million and HK\$328 million respectively as at 31 December 2015 (2014: HK\$413 million, HK\$13 million, HK\$4,227 million and HK\$555 million respectively).

Based on the sensitivity analysis performed as at 31 December 2015, it was estimated that the impact on the Group's post-tax profit and total equity would not be material in response to possible changes in the foreign exchange rates of foreign currencies to which the Group is exposed.

It is further analysed that the sensitivity on the translation of the Mainland operations from 1% (2014: 1%) increase/decrease of exchange rate of RMB against HKD, the Group's total equity would have increased/decreased by HK\$1,154 million (2014: HK\$1,270 million).



### c) Equity price risk

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

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

Based on the sensitivity analysis performed as at 31 December 2015, it is estimated that an increase/decrease of 10% (2014: 10%) in the market value of the Group's listed available-for-sale investments, with all other variables held constant, would not have affected the Group's post-tax profit unless there were impairments but would have increased/decreased the Group's total equity by HK\$1,244 million (2014: HK\$1,136 million). The analysis has been performed at the same basis as for 2014.

### d) Liquidity risk

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Contractual undiscounted cash flow					
	Carrying amount HK\$ Million	Total HK\$ Million	Within 1 year or on demand HK\$ Million	More than 1 year but less than 2 years HK\$ Million	More than 2 years but less than 5 years HK\$ Million	More than 5 years HK\$ Million
At 31 December 2015						
Bank loans and other borrowings	(106,193)	(112,491)	(10,478)	(27,209)	(62,997)	(11,807)
Trade and other payables	(26,493)	(26,493)	(22,571)	(2,136)	(1,577)	(209)
Interest rate swaps	68	329	105	129	16	79
Cross currency interest rate swaps	(1,503)	(349)	20	153	(208)	(314)
Forward foreign exchange contracts	(171)	(171)	(40)	(36)	(53)	(42)
Other derivatives	5	5	5	-	-	-
	<b>(134,287)</b>	<b>(139,170)</b>	<b>(32,959)</b>	<b>(29,099)</b>	<b>(64,819)</b>	<b>(12,293)</b>
At 31 December 2014						
Bank loans and other borrowings	(117,878)	(121,494)	(12,543)	(21,241)	(75,393)	(12,317)
Trade and other payables	(26,231)	(26,231)	(22,649)	(2,021)	(1,316)	(245)
Interest rate swaps	(30)	(44)	17	33	(1)	(93)
Cross currency interest rate swaps	(866)	296	185	106	209	(204)
Forward foreign exchange contracts	(357)	(357)	(319)	(37)	(1)	-
Other derivatives	49	49	-	49	-	-
	<b>(145,313)</b>	<b>(147,781)</b>	<b>(35,309)</b>	<b>(23,111)</b>	<b>(76,502)</b>	<b>(12,859)</b>

The Company is exposed to liquidity risk that arises from financial guarantees given by the Company on behalf of subsidiaries. The guarantees are callable if the respective subsidiary is unable to meet its obligations. The maximum amount callable as at 31 December 2015 was HK\$32,891 million (2014: HK\$31,156 million).

### e) Credit risk

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

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

The Group has no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. Except for the financial guarantees given by the Group as set out in note 26, the Group does not provide any other guarantee which would expose the Group to material credit risk.

### f) Fair value of assets and liabilities

#### (i) Assets and liabilities carried at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as defined in note 8d.

## Financial instruments carried at fair value

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

	Fair value measurements as at 31 December categorised into					
	Level 1 HK\$ Million	2015 Level 2 HK\$ Million	Total HK\$ Million	Level 1 HK\$ Million	2014 Level 2 HK\$ Million	Total HK\$ Million
<b>Assets</b>						
Available-for-sale investments:						
– Listed investments	12,442	–	12,442	11,357	–	11,357
Derivative financial instruments:						
– Interest rate swaps	–	564	564	–	611	611
– Cross currency interest rate swaps	–	539	539	–	583	583
– Forward foreign exchange contracts	–	13	13	–	85	85
– Other derivatives	5	–	5	49	–	49
	<b>12,447</b>	<b>1,116</b>	<b>13,563</b>	<b>11,406</b>	<b>1,279</b>	<b>12,685</b>
<b>Liabilities</b>						
Derivative financial instruments:						
– Interest rate swaps	–	(496)	(496)	–	(641)	(641)
– Cross currency interest rate swaps	–	(2,042)	(2,042)	–	(1,449)	(1,449)
– Forward foreign exchange contracts	–	(184)	(184)	–	(442)	(442)
Bank loans and other borrowings:						
– Bonds and notes	–	(30,858)	(30,858)	–	(29,904)	(29,904)
– Bank loans	–	(2,331)	(2,331)	–	(1,323)	(1,323)
	<b>–</b>	<b>(35,911)</b>	<b>(35,911)</b>	<b>–</b>	<b>(33,759)</b>	<b>(33,759)</b>

During the years ended 31 December 2015 and 2014, there were no transfers of financial instruments between Level 1 and Level 2 or transfers into or out of Level 3.

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

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

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

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

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

### (ii) Assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 31 December 2015 and 2014.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### g) Capital management

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

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

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

The net debt-to-equity ratios as at 31 December 2015 and 2014 were as follows:

	2015 HK\$ Million	2014 HK\$ Million
Total bank loans and other borrowings (Note 20)	<b>106,193</b>	117,878
Less: Bank deposits and cash (Note 17)	<b>(27,266)</b>	(21,279)
Net debt	<b>78,927</b>	96,599
Shareholders' equity	<b>201,667</b>	191,206
Total equity	<b>340,859</b>	339,916
Net debt-to-total equity ratio	<b>23.2%</b>	28.4%

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

## 24. Share Capital and Reserves

### a) Share capital

	2015 No. of shares	2014 No. of shares	2015 HK\$ Million	2014 HK\$ Million
Issued and fully paid ordinary shares				
At 1 January	<b>2,031,849,287</b>	2,031,849,287	<b>2,949</b>	1,016
Transition to no-par value regime on 3 March 2014	-	-	-	1,933
At 31 December	<b>2,031,849,287</b>	2,031,849,287	<b>2,949</b>	2,949

The transition to the no-par value regime under the Hong Kong Companies Ordinance (Cap. 622) occurred automatically on 3 March 2014. On that date, the share premium account and any capital redemption reserve were subsumed into share capital in accordance with section 37 of Schedule 11 to the Ordinance. These changes did not impact on the number of shares in issue or the relative entitlement of any of the shareholders. Since that date, all changes in share capital have been made in accordance with the requirements of Parts 4 and 5 of the Ordinance. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

- b) The Group's equity, apart from share capital and other statutory capital reserves, includes investments revaluation reserve for dealing with the movements on revaluation of available-for-sale investments, other capital reserves for dealing with the grant date fair value of the granted unexercised share options in accordance with accounting policy note (y)(i) and exchange reserves mainly for dealing with the exchange differences arising from the translation of the financial statements of foreign operations in accordance with the accounting policy (note (r)).

The revenue reserves of the Group at 31 December 2015 included HK\$1,382 million (2014: HK\$934 million) in respect of statutory reserves of the subsidiaries in Mainland China.

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

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

	Share capital HK\$ Million	Share premium HK\$ Million	Capital redemption reserve HK\$ Million	Other capital reserve HK\$ Million	Revenue reserves HK\$ Million	Total HK\$ Million
<b>Company</b>						
At 1 January 2014	1,016	1,914	19	46	3,095	6,090
Profit	-	-	-	-	2,846	2,846
Equity settled share-based payments	-	-	-	38	-	38
2013 second interim dividend paid	-	-	-	-	(1,321)	(1,321)
2014 first interim dividend paid	-	-	-	-	(782)	(782)
Transition to no-par value regime on 3 March 2014 (Note 24a)	1,933	(1,914)	(19)	-	-	-
At 31 December 2014 and 1 January 2015	<b>2,949</b>	-	-	<b>84</b>	<b>3,838</b>	<b>6,871</b>
Profit	-	-	-	-	2,907	2,907
Equity settled share-based payments	-	-	-	22	-	22
2014 second interim dividend paid	-	-	-	-	(1,387)	(1,387)
2015 first interim dividend paid	-	-	-	-	(864)	(864)
At 31 December 2015	<b>2,949</b>	-	-	<b>106</b>	<b>4,494</b>	<b>7,549</b>

- c) Reserves of the Company available for distribution to equity shareholders of the Company at 31 December 2015 amounted to HK\$4,494 million (2014: HK\$3,838 million).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 25. Company-Level Statement of Financial Position

	Note	2015 HK\$ Million	2014 HK\$ Million
<b>Non-current assets</b>			
Interest in subsidiaries		9,393	11,876
<b>Current assets</b>			
Receivables and prepayments		1	23
<b>Total assets</b>		<b>9,394</b>	11,899
<b>Non-current liabilities</b>			
Bank loans		–	(5,000)
<b>Current liabilities</b>			
Trade and other payables		(9)	(28)
Amount due to a subsidiary		(1,836)	–
		(1,845)	(28)
<b>Total liabilities</b>		<b>(1,845)</b>	(5,028)
<b>NET ASSETS</b>		<b>7,549</b>	6,871
<b>Capital and reserves</b>			
Share capital		2,949	2,949
Reserves		4,600	3,922
<b>TOTAL EQUITY</b>	24(b)	<b>7,549</b>	6,871

**Douglas C K Woo**

*Chairman & Managing Director*

**Paul Y C Tsui**

*Executive Director & Group Chief Financial Officer*

## 26. Contingent Liabilities

- a) As at 31 December 2015, there were contingent liabilities in respect of guarantees given by the Group on behalf of certain associates and joint ventures of HK\$9,401 million (2014: HK\$9,914 million), of which HK\$8,494 million (2014: HK\$9,259 million) had been drawn.
- b) As at 31 December 2015, there were guarantees of HK\$8,883 million (2014: HK\$7,839 million) provided by Wharf group to the banks in favour of their customers in respect of the mortgage loans provided by the banks to those customers for the purchase of Wharf group's development properties. There were also mortgage loan guarantees of HK\$1,428 million (2014: HK\$1,228 million) provided by associates and joint ventures of Wharf group to the banks in favour of their customers.
- c) The Group has not recognised any deferred income for the guarantees given in respect of borrowings and other banking facilities for subsidiaries, associates and joint ventures as their fair value cannot be reliably measured and their transaction price was HK\$Nil.

## 27. Commitments

The Group's outstanding commitments as at 31 December 2015 are detailed below:

### a) Planned expenditure

	2015			2014		
	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million
<b>(I) Properties</b>						
<b>Investment property</b>						
Hong Kong	2,027	477	2,504	1,728	1,011	2,739
Mainland China	8,714	5,144	13,858	6,221	9,909	16,130
Singapore	1	-	1	6	-	6
	<b>10,742</b>	<b>5,621</b>	<b>16,363</b>	<b>7,955</b>	<b>10,920</b>	<b>18,875</b>
<b>Development property</b>						
Hong Kong	13,224	12,833	26,057	5,323	15,159	20,482
Mainland China	11,939	17,891	29,830	12,700	27,204	39,904
Singapore	702	208	910	1,122	225	1,347
	<b>25,865</b>	<b>30,932</b>	<b>56,797</b>	<b>19,145</b>	<b>42,588</b>	<b>61,733</b>
<b>Properties total</b>						
Hong Kong	15,251	13,310	28,561	7,051	16,170	23,221
Mainland China	20,653	23,035	43,688	18,921	37,113	56,034
Singapore	703	208	911	1,128	225	1,353
	<b>36,607</b>	<b>36,553</b>	<b>73,160</b>	<b>27,100</b>	<b>53,508</b>	<b>80,608</b>
<b>(II) Non property and others</b>						
Hotels	1,999	235	2,234	173	2,042	2,215
Modern Terminals	150	24	174	277	16	293
Wharf T&T	119	50	169	106	109	215
i-CABLE	25	245	270	5	208	213
	<b>2,293</b>	<b>554</b>	<b>2,847</b>	<b>561</b>	<b>2,375</b>	<b>2,936</b>
<b>Total</b>	<b>38,900</b>	<b>37,107</b>	<b>76,007</b>	<b>27,661</b>	<b>55,883</b>	<b>83,544</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- (i) Properties commitments are mainly for land and construction costs to be incurred in the forthcoming years, including attributable land costs of HK\$4.0 billion (2014: HK\$0.7 billion) payable in 2016.
- (ii) The expenditure for development properties includes attributable amounts for developments undertaken by associates and joint ventures of HK\$0.1 billion (2014: HK\$0.5 billion) in Hong Kong and of HK\$11.4 billion (2014: HK\$14.9 billion) in Mainland China.
- b)** In addition to the above, the CME segment is committed to programming and other expenditure totalling HK\$734 million (2014: HK\$836 million) with HK\$670 million (2014: HK\$766 million) being committed.
- c)** The Group leases a number of properties and telecommunication network facilities under operating leases. The leases typically run for an initial period of two to fifteen years, with an option to renew each lease upon expiry when all terms are renegotiated. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals. Total operating leases commitments are detailed below:

	<b>2015</b> HK\$ Million	2014 HK\$ Million
<b>Expenditure for operating leases</b>		
Within one year	<b>50</b>	52
After one year but within five years	<b>97</b>	127
Over five years	<b>24</b>	33
	<b>171</b>	212

## 28. Material Related Party Transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Material transactions between the Group and other related parties during the year ended 31 December 2015 are as follows:

- a)** In respect of the year ended 31 December 2015, the Group earned rental income totalling HK\$1,208 million (2014: HK\$1,148 million) from various tenants which are wholly or partly owned by companies which in turn are wholly-owned by the family interests of close family members of, or by a trust the settlor of which is a close family member of, the chairman of the Company. These transactions are considered to be related party transactions, of which HK\$1,050 million (2014: HK\$998 million) constitute connected transactions as disclosed under the Listing Rules.
- b)** Remuneration for key management personnel of the Group, including amounts paid to the Directors of the Company and the five highest paid employees are disclosed in notes 2b and 2c.

In addition to the above transactions, details of the Group's amounts due from and to related parties are disclosed in notes 10 and 11.



## 29. Changes in Accounting Policies

The HKICPA has issued certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) which are first effective for the current accounting period of the Group.

Annual Improvements to HKFRSs 2010 – 2012 Cycle

Annual Improvements to HKFRSs 2011 – 2013 Cycle

The amendments do not have a significant impact on the Group’s results and financial position for the current or prior periods.

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

The “Principal accounting policies” set out on pages 104 to 120 summarise the accounting policies of the Group after the adoption of these policies to the extent that they are relevant to the Group.

## 30. Future Changes in Accounting Policies

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
Annual Improvements to HKFRSs 2012 – 2014 Cycle	1 January 2016
Amendments to HKFRS 10 and HKAS 28, Sales or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendments to HKFRS 11, Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to HKAS 1, Disclosure initiative	1 January 2016
Amendments to HKAS 16 and HKAS 38, Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKFRS 9, Financial instruments	1 January 2018
HKFRS 15, Revenue from contracts with customers	1 January 2018

The adoption of the amendments is not expected to have any material impact of the Group’s consolidated financial statements. The Group is in the process of making an assessment of the impact of HKFRS 9 and HKFRS 15.

## 31. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the Directors on 10 March 2016.

# PRINCIPAL ACCOUNTING POLICIES

## A. Statement of Compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 29 to the financial statements provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

## B. Basis of Preparation of the Financial Statements

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

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

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

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

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

## C. Basis of Consolidation

### (i) Subsidiaries and Non-controlling Interests

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

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

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

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

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

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

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

## **(ii) Associates and Joint Ventures**

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

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

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

## PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

### (iii) Goodwill

Goodwill represents the excess of

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

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

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

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

## D. Investment Properties and Property, Plant and Equipment

### (i) Investment Properties

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

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

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

**(ii) Hotel and Club Properties**

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

**(iii) Broadcasting and Communications Equipment**

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

**(iv) Other Property, Plant and Equipment Held for Own Use**

Other property, plant and equipment held for own use is stated at cost less accumulated depreciation and impairment losses.

- (v)** Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement on the date of retirement or disposal.

## **E. Depreciation of Property, Plant and Equipment**

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

**(i) Investment Properties**

No depreciation is provided on investment properties.

**(ii) Hotel and Club Properties**

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

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

**(iii) Broadcasting and Communications Equipment**

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

## PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### (iv) Other Property, Plant and Equipment Held for Own Use

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

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

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

## F. Investments in Debt and Equity Securities

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

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

- (i) Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in the consolidated income statement as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in the consolidated income statement. The net gain or loss recognised in the consolidated income statement does not include any dividends or interest earned as these are recognised in accordance with the policies set out in notes (s)(iv) and (s)(v).
- (ii) Dated debt securities that the Group and/or the Company has the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the statement of financial position at amortised cost less impairment losses.
- (iii) Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the investments revaluation reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note (k)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in note (s)(iv) and (s)(v), respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.
- (iv) When the investments are derecognised or impaired (see note (k)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

## G. Derivative Financial Instruments

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

## H. Hedging

### (i) Fair Value Hedge

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

### (ii) Cash Flow Hedge

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

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

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

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

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

### (iii) Hedge of Net Investment in a Foreign Operation

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

## PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### I. Leased Assets

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

#### (i) Classification of Leased Assets

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

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

#### (ii) Assets Held Under Operating Leases

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

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

#### (iii) Assets Held Under Finance Leases

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



## J. Programming Library

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

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

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

Both the period and method of amortisation are reviewed annually.

## K. Impairment of Assets

### (i) Impairment of Investments in Debt and Equity Securities and Other Receivables

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

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

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

## PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

### (ii) Impairment of Other Assets

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

#### – Calculation of Recoverable Amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

#### – Recognition of Impairment Losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs exceeds the recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

– **Reversals of Impairment Losses**

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

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

– **Interim Financial Reporting and Impairment**

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

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

## **L. Properties for Sale**

### **(i) Completed Properties for Sale**

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

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

### **(ii) Properties under Development for Sale**

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

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

## PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### M. Inventories

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

### N. Trade and Other Receivables

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

### O. Interest-Bearing Borrowings

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

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

### P. Trade and Other Payables

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

### Q. Cash and Cash Equivalents

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

### R. Foreign Currencies

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

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

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

## S. Recognition of Revenue

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

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

## T. Borrowing Costs

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

## PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

### U. Income Tax

- (i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the consolidated income statement except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.
- (ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.
- (iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases respectively. Deferred tax assets also arise from unused tax losses and unused tax credits.

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

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

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

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

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

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

## V. Related Parties

- (i) A person, or a close member of that person's family, is related to the Group if that person:
  - (a) has control or joint control over the Group;
  - (b) has significant influence over the Group; or
  - (c) is a member of the key management personnel of the Group.
- (ii) An entity is related to the Group if any of the following conditions applies:
  - (a) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (b) One entity is an associate or joint venture of the other entity (or an associate or a joint venture of a member of a Group of which the other entity is a member).
  - (c) Both entities are joint ventures of the same third party.
  - (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (f) The entity is controlled or jointly controlled by a person identified in (i).
  - (g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (h) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

## W. Financial Guarantees Issued, Provisions and Contingent Liabilities

### (i) Financial Guarantees Issued

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

## PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

### (ii) Other Provisions and Contingent Liabilities

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

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

## X. Segment Reporting

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

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

## Y. Employee Benefits

### (i) Share Based Payments

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



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

#### **(ii) Employee Benefits and Contributions to Defined Contribution Retirement Plans**

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

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

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

## **Z. Significant Accounting Estimates and Judgements**

Note 23 contains information about the assumptions and their risk relating to financial instruments. Other key sources of estimation uncertainty are as follows:

#### **(i) Valuation of Investment Properties**

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

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

#### **(ii) Assessment of the Useful Economic Lives for Depreciation of Property Plant and Equipment**

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

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

## PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### (iii) Assessment of Impairment of Non-current Assets

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

### (iv) Assessment of Provision for Properties for Sale

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

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

### (v) Recognition of Deferred Tax Assets

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

# PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

At 31 December 2015

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/ registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
<b>A) Wharf</b>				
* <b>The Wharf (Holdings) Limited</b>	Hong Kong	HK\$29,440,902,473 divided into 3,031,027,327 shares	59%	Holding company
<b>Properties</b>				
<b>Wharf Estates Limited</b>	Hong Kong	HK\$2 divided into 2 shares	59%	Holding company
Harbour City Estates Limited	Hong Kong	HK\$330,100,000 divided into 20,000 shares	59%	Property
Wharf Realty Limited	Hong Kong	HK\$2 divided into 2 shares	59%	Property
Times Square Limited	Hong Kong	HK\$20 divided into 2 shares	59%	Property
Plaza Hollywood Limited	Hong Kong	HK\$10,000,000 divided into 10,000,000 shares	59%	Property
Ridge Limited	Hong Kong	HK\$10,000 divided into 10,000 shares	59%	Property
<b>Wharf Development Limited</b>				
	Hong Kong	HK\$7,000,000,000 divided into 7,000,000,000 shares	59%	Holding company
Wharf Peak Properties Limited	Hong Kong	HK\$30,000,000 divided into 3,000,000 shares	59%	Property
Hong Tai Yuen Limited	Hong Kong	HK\$500,000 divided into 500,000 shares	59%	Property
Olinda Limited	Hong Kong	HK\$20 divided into 2 shares	59%	Property
New Tech Centre Limited	Hong Kong	HK\$10,000 divided into 10,000 shares	59%	Property
<b>Wharf China Holdings Limited</b>				
Wharf China Estates Limited	British Virgin Islands	5,129,000,000 US\$1 shares	59%	Holding company
	British Virgin Islands	1,000,000 US\$1 shares	59%	Holding company
iii Shanghai Long Xing Property Development Company Limited	The People's Republic of China	US\$45,000,000	59%	Property
ii Dalian Times Square Development Company Limited	The People's Republic of China	RMB200,000,000	59%	Property
ii Long Qing Property Development (Chongqing) Company Limited	The People's Republic of China	RMB223,533,440	59%	Property
i Shanghai Wheelock Square Development Limited	The People's Republic of China	US\$240,000,000	58%	Property
ii 龍昌綜合開發(成都)有限公司	The People's Republic of China	HK\$330,000,000	59%	Property
ii 龍錦綜合開發(成都)有限公司	The People's Republic of China	US\$2,377,000,000	59%	Property
ii 成都時代奧特萊斯商業有限公司	The People's Republic of China	HK\$170,000,000	59%	Property
ii 長沙時代奧特萊斯商業有限公司	The People's Republic of China	US\$40,000,000	59%	Property
ii 九龍倉(長沙)置業有限公司	The People's Republic of China	US\$1,192,000,000	59%	Property
ii 龍潤房地產開發(成都)有限公司	The People's Republic of China	RMB20,000,000	59%	Property
Wharf China Development Limited	British Virgin Islands	1,000,000 US\$1 shares	59%	Holding company
ii 漢龍實業綜合開發(武漢)有限公司	The People's Republic of China	US\$33,100,000	59%	Property
ii 九龍倉(武漢)置業有限公司	The People's Republic of China	US\$165,000,000	59%	Property
iii 上海九洲物業發展有限公司	The People's Republic of China	US\$3,500,000	50%	Property
i 上海龍申房地產發展有限公司	The People's Republic of China	US\$22,330,000	33%	Property
ii 上海利源房地產開發有限公司	The People's Republic of China	US\$745,000,000	59%	Property
ii 上海萊源房地產開發有限公司	The People's Republic of China	US\$155,000,000	59%	Property
ii 上海清源房地產開發有限公司	The People's Republic of China	US\$220,000,000	59%	Property
ii 九龍倉(無錫)置業有限公司	The People's Republic of China	US\$307,580,000	59%	Property
ii 龍茂房地產開發(成都)有限公司	The People's Republic of China	HK\$26,000,000	59%	Property
ii 龍悅房地產開發(成都)有限公司	The People's Republic of China	US\$240,000,000	59%	Property
ii 龍嘉房地產開發(成都)有限公司	The People's Republic of China	HK\$537,500,000	59%	Property
ii 蘇州蘇龍地產發展有限公司	The People's Republic of China	US\$166,800,000	59%	Property

## PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (CONTINUED)

At 31 December 2015

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/ registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
ii 蘇州瑞龍地產發展有限公司	The People's Republic of China	US\$187,000,000	59%	Property
ii 蘇州銀龍地產發展有限公司	The People's Republic of China	US\$274,000,000	59%	Property
ii 無錫港龍置業有限公司	The People's Republic of China	US\$140,900,000	59%	Property
ii 無錫河畔置業有限公司	The People's Republic of China	US\$111,400,000	59%	Property
ii 無錫都會置業有限公司	The People's Republic of China	US\$144,600,000	59%	Property
ii 港盈房地產(杭州)有限公司	The People's Republic of China	US\$146,990,000	59%	Property
ii 九龍倉(杭州)置業有限公司	The People's Republic of China	US\$310,000,000	59%	Property
ii 堡盈房地產(杭州)有限公司	The People's Republic of China	US\$320,000,000	59%	Property
ii 錦興房地產開發(杭州)有限公司	The People's Republic of China	US\$126,000,000	59%	Property
ii 洋立房地產(杭州)有限公司	The People's Republic of China	HK\$418,000,000	59%	Property
ii 望華房地產(杭州)有限公司	The People's Republic of China	HK\$1,080,000,000	59%	Property
ii 富景房地產開發(富陽)有限公司	The People's Republic of China	US\$106,000,000	59%	Property
ii 常州湖畔置業有限公司	The People's Republic of China	US\$180,000,000	59%	Property
ii 常州河畔置業有限公司	The People's Republic of China	US\$69,300,000	59%	Property
ii 寧波立成置業有限公司	The People's Republic of China	US\$172,000,000	59%	Property
<b>* Harbour Centre Development Limited</b>	Hong Kong	HK\$3,641,350,047 divided into 708,750,000 shares	42%	Holding company
i 蘇州高龍房產發展有限公司	The People's Republic of China	RMB4,000,000,000	34%	Property
ii 九龍倉(常州)置業有限公司	The People's Republic of China	US\$229,800,000	42%	Property
ii 上海綠源房地產開發有限公司	The People's Republic of China	RMB70,000,000	42%	Property
<b>Logistics</b>				
Wharf Transport Investments Limited	Hong Kong	HK\$2 divided into 2 shares	59%	Holding company
The "Star" Ferry Company, Limited	Hong Kong	HK\$7,200,000 divided into 1,440,000 shares	59%	Public transport
Modern Terminals Limited	Hong Kong	HK\$82,049,200 divided into 70,116 shares	40%	Container terminal
i Shenzhen Dachan Bay Modern Port Development Company, Limited	The People's Republic of China	RMB4,095,195,813	26%	Container terminal
<b>Hotels</b>				
<b>Wharf Hotels Limited</b>				
Wharf Hong Kong Hotels Limited	British Virgin Islands	500 US\$1 shares	59%	Holding company
(Formerly named Marco Polo Hotels Limited)	Cayman Islands	500,000,000 US\$1 shares	59%	Holding company
Marco Polo Hotels Management Limited	Hong Kong	HK\$20 divided into 2 shares	59%	Hotel
The Hongkong Hotel Limited	Hong Kong	HK\$100,000 divided into 100,000 shares	42%	Hotel and property
The Marco Polo Hotel (Hong Kong) Limited	Hong Kong	HK\$1,000 divided into 1,000 shares	59%	Hotel
The Prince Hotel Limited	Hong Kong	HK\$2 divided into 2 shares	59%	Hotel
Smart Event Investments Limited	Hong Kong	HK\$1 divided into 1 share	42%	Hotel
ii 武漢馬哥李羅酒店有限公司	The People's Republic of China	US\$3,850,000	59%	Hotel
ii 成都馬哥李羅酒店有限公司	The People's Republic of China	US\$8,000,000	59%	Hotel
ii 常州馬哥李羅酒店有限公司	The People's Republic of China	US\$7,000,000	42%	Hotel

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/ registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
<b>CME</b>				
<b>Wharf Communications Limited</b>	Hong Kong	HK\$10,000,000 divided into 1,000,000 shares	59%	Holding company
* i-CABLE Communications Limited	Hong Kong	HK\$6,857,598,956 divided into 2,011,512,400 shares	44%	Holding company
Hong Kong Cable Television Limited	Hong Kong	HK\$750,000,000 divided into 750,000,000 shares	44%	Pay TV, Internet and multimedia
Wharf T&T Limited	Hong Kong	HK\$740,000,000 divided into 740,000,000 shares	59%	Telecommunication
COL Limited	Hong Kong	HK\$20,000,000 divided into 40,000 shares	59%	IT services
<b>Investment and others</b>				
Wharf Limited	Hong Kong	HK\$20 divided into 2 shares	59%	Management services
Wharf Finance Limited	Hong Kong	HK\$2 divided into 2 shares	59%	Finance
Wharf Finance (BVI) Limited	British Virgin Islands/Hong Kong	500 US\$1 shares	59%	Finance
Wharf Hong Kong Limited	Cayman Islands	500,000,000 US\$1 shares	59%	Holding company
Wharf China Finance Limited	Hong Kong	HK\$5,000,000 divided into 5,000,000 shares	59%	Finance
Wharf Finance (No. 1) Limited	Hong Kong	HK\$2 divided into 2 shares	59%	Finance
Wharf Finance (BVI) No. 1 Limited	British Virgin Islands/Hong Kong	500 US\$1 shares	59%	Finance
Wharf Finance (HK) Limited (Formerly named Wharf Finance (2014) Limited)	British Virgin Islands/Hong Kong	10 US\$1 shares	59%	Finance
Wharf MTN (Singapore) Pte. Ltd.	Singapore	2 S\$1 shares	59%	Finance
<b>B) Wheelock (other than Wharf)</b>				
* <b>Wheelock Properties (Singapore) Limited</b>	Singapore	398,853,292 S\$1 shares and 797,706,584 S\$0.825 shares	76%	Holding company/ Property
Botanica Pte. Ltd.	Singapore	1,000,000 S\$1 shares	76%	Property
Everbilt Developers Pte Ltd	Singapore	160,000,000 S\$1 shares	76%	Property
Nassim Developments Pte. Ltd.	Singapore	2 S\$1 shares	76%	Investment
Pinehill Investments Pte. Ltd.	Singapore	1,000,000 S\$1 shares	76%	Property
ii 富匯房地產開發（富陽）有限公司	The People's Republic of China	US\$262,000,000	76%	Property
<b>Others</b>				
Amblegreen Company Limited	Hong Kong	HK\$1 divided into 1 share	100%	Property
Active Talent Holdings Limited	Hong Kong	HK\$1 divided into 1 share	100%	Property
Easy Merit Holdings Limited	Hong Kong	HK\$1 divided into 1 share	100%	Property
Ever Merits Investments Limited	Hong Kong	HK\$1 divided into 1 share	100%	Property
Fortune Precision Limited	Hong Kong	HK\$2 divided into 2 shares	100%	Property
Great Horwood Limited	Hong Kong	HK\$2 divided into 2 shares	100%	Property
Handy Solution Limited	Hong Kong	HK\$1 divided into 1 share	100%	Property
Harriman Property Management Limited	Hong Kong	HK\$19,800 divided into 198 shares	100%	Property management
Harriman Leasing Limited	Hong Kong	HK\$1,000,490 divided into 100,049 shares and HK\$500 divided into 50 non-voting shares	80%	Letting agent
Janeworth Company Limited	Hong Kong	HK\$550,000,000 divided into 550,000,000 shares	100%	Property
Joint Vision Limited	Hong Kong	HK\$10,000 divided into 10,000 shares	100%	Property

## PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (CONTINUED)

At 31 December 2015

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/ registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
Leading Elite Limited	Hong Kong	HK\$1 divided into 1 share	100%	Property
Marnav Holdings Limited	Hong Kong	HK\$1,000,000 divided into 1,000,000 shares	100%	Property
Max Bloom International Development Limited	Hong Kong	HK\$1 divided into 1 share	100%	Investment
Meritgold Holdings Limited	Hong Kong	HK\$1 divided into 1 share	100%	Property
Precise Treasure Limited	Hong Kong	HK\$1 divided into 1 share	100%	Property
Samover Company Limited	Hong Kong	HK\$2 divided into 2 shares	100%	Property
Titano Limited	Hong Kong	HK\$2 divided into 2 shares	100%	Property
Universal Sight Limited	Hong Kong	HK\$1 divided into 1 share	100%	Property
Ventures Smart Limited	Hong Kong	HK\$1 divided into 1 share	100%	Property
Wascott Property Limited	Hong Kong	HK\$1 divided into 1 share	100%	Property
Wheelock China Limited	Hong Kong	HK\$2 divided into 2 shares	100%	Holding company
Wheelock Corporate Services Limited	Hong Kong	HK\$10,000,000 divided into 10,000,000 shares	100%	Management services
Wheelock Finance Limited	Hong Kong	HK\$2 divided into 2 shares	100%	Finance
Wheelock Finance (BVI) Limited	British Virgin Islands/Hong Kong	500 US\$1 shares	100%	Finance
Wheelock Finance (No. 1) Limited	Hong Kong	HK\$2 divided into 2 shares	100%	Finance
Wheelock Properties Limited	Hong Kong	HK\$8,004,905,000 divided into 40,000,000,000 shares	100%	Holding company
Wheelock Properties (Hong Kong) Limited	Hong Kong	HK\$1,000 divided into 10 shares	100%	Property services and management
Wheelock Travel Limited	Hong Kong	HK\$500,000 divided into 50,000 shares	100%	Travel agency

Associates	Place of incorporation/ operation	Class of shares	Percentage of equity attributable to shareholders	Principal activities
<b>Wharf – Properties</b>				
Start Treasure Limited	Hong Kong	Ordinary	9%	Property
蘇州雙湖房地產有限公司	The People's Republic of China	Registered	30%	Property
天津港威房地產開發有限公司	The People's Republic of China	Registered	30%	Property
天津雍景灣房地產開發有限公司	The People's Republic of China	Registered	30%	Property
佛山招商九龍倉房地產有限公司	The People's Republic of China	Registered	30%	Property
佛山依雲上園房地產有限公司	The People's Republic of China	Registered	30%	Property
佛山依雲觀園房地產有限公司	The People's Republic of China	Registered	30%	Property
佛山鑫城房地產有限公司	The People's Republic of China	Registered	30%	Property
佛山信捷房地產有限公司	The People's Republic of China	Registered	30%	Property
佛山依雲孝德房地產有限公司	The People's Republic of China	Registered	30%	Property
廣州市萬尚房地產有限公司	The People's Republic of China	Registered	20%	Property
北京廣盈房地產開發有限公司	The People's Republic of China	Registered	20%	Property
北京亞林東房地產開發有限公司	The People's Republic of China	Registered	15%	Property
北京亞林西房地產開發有限公司	The People's Republic of China	Registered	15%	Property
杭州築家房地產開發有限公司	The People's Republic of China	Registered	30%	Property
杭州綠城九龍倉置業有限公司	The People's Republic of China	Registered	30%	Property
浙江綠九置業有限公司	The People's Republic of China	Registered	30%	Property
杭州綠九濱聞置業有限公司	The People's Republic of China	Registered	30%	Property

Associates	Place of incorporation/ operation	Class of shares	Percentage of equity attributable to shareholders	Principal activities
<b>Wharf – Logistics</b>				
Hong Kong Air Cargo Terminals Limited	Hong Kong	Ordinary	12%	Air cargo terminal
Mega Shekou Container Terminals Limited	British Virgin Islands	Ordinary	8%	Holding company
Taicang International Container Terminals Company Limited	The People's Republic of China	Registered	10%	Container terminal
Suzhou Modern Terminals Limited	The People's Republic of China	Registered	14%	Container terminal
<b>Wheelock Properties (Singapore) Limited</b>				
68 Holdings Pte. Ltd.	Singapore	Ordinary	30%	Investment holding
Hotel Properties Limited	Singapore	Ordinary	17%	Hotelier and investment holding

Joint ventures	Place of incorporation/ operation	Class of shares	Percentage of equity attributable to shareholders	Principal activities
<b>Wharf – Properties</b>				
Market Prospect Limited	Hong Kong	Ordinary	30%	Property
重慶嘉江房地產開發有限公司	The People's Republic of China	Registered	24%	Property
重慶嘉益房地產開發有限公司	The People's Republic of China	Registered	30%	Property
浙江金盈置業有限公司	The People's Republic of China	Registered	30%	Property
祥實投資(成都)有限公司	The People's Republic of China	Registered	18%	Property
天津贏超房地產開發有限公司	The People's Republic of China	Registered	30%	Property
寧波姚景房地產開發有限公司	The People's Republic of China	Registered	30%	Property
寧波瑞峰置業有限公司	The People's Republic of China	Registered	30%	Property
大連九龍倉綠城置業有限公司	The People's Republic of China	Registered	35%	Property
上海龍驤房地產開發有限公司	The People's Republic of China	Registered	30%	Property

\* Listed companies

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

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

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

Notes:

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

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

## PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (CONTINUED)

At 31 December 2015

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

Name of subsidiary/borrower	Description of debt securities	Outstanding principal amount
<b>A) Wharf</b> (guaranteed by Wharf)		
Wharf Finance (BVI) Limited	HK\$ Guaranteed Fixed Rate Notes due 2016	HK\$250 Million
	HK\$ Guaranteed Fixed Rate Notes due 2022	HK\$200 Million
Wharf Finance Limited	HK\$ Guaranteed Fixed Rate Notes due 2016	HK\$430 Million
	US\$ Guaranteed Fixed Rate Notes due 2017	US\$400 Million
	US\$ Guaranteed Fixed Rate Notes due 2017	US\$300 Million
	US\$ Guaranteed Fixed Rate Notes due 2017	US\$600 Million
	HK\$ Guaranteed Fixed Rate Notes due 2018	HK\$160 Million
	HK\$ Guaranteed Fixed Rate Notes due 2018	HK\$326 Million
	HK\$ Guaranteed Fixed Rate Notes due 2018	HK\$300 Million
	HK\$ Guaranteed Floating Rate Notes due 2018	HK\$100 Million
	JPY Guaranteed Fixed Rate Notes due 2018	JPY2,000 Million
	HK\$ Guaranteed Fixed Rate Notes due 2018	HK\$300 Million
	HK\$ Guaranteed Fixed Rate Notes due 2018	HK\$100 Million
	HK\$ Guaranteed Fixed Rate Notes due 2018	HK\$150 Million
	US\$ Guaranteed Fixed Rate Notes due 2019	US\$400 Million
	AUD Guaranteed Fixed Rate Notes due 2019	AUD70 Million
	AUD Guaranteed Fixed Rate Notes due 2019	AUD25 Million
	AUD Guaranteed Floating Rate Notes due 2019	AUD15 Million
	US\$ Guaranteed Floating Rate Notes due 2019	US\$10 Million
	US\$ Guaranteed Floating Rate Notes due 2020	US\$20 Million
	US\$ Guaranteed Fixed Rate Notes due 2021	US\$50 Million
	HK\$ Guaranteed Fixed Rate Notes due 2021	HK\$345 Million
	HK\$ Guaranteed Fixed Rate Notes due 2022	HK\$424 Million
	HK\$ Guaranteed Fixed Rate Notes due 2022	HK\$60 Million
	HK\$ Guaranteed Fixed Rate Notes due 2022	HK\$312 Million
	HK\$ Guaranteed Fixed Rate Notes due 2022	HK\$382 Million
	US\$ Guaranteed Fixed Rate Notes due 2022	US\$60 Million
	HK\$ Guaranteed Fixed Rate Notes due 2023	HK\$100 Million
	HK\$ Guaranteed Fixed Rate Notes due 2023	HK\$100 Million
	HK\$ Guaranteed Fixed Rate Notes due 2024	HK\$500 Million
	HK\$ Guaranteed Fixed Rate Notes due 2024	HK\$200 Million
	HK\$ Guaranteed Fixed Rate Notes due 2024	HK\$195 Million
	HK\$ Guaranteed Fixed Rate Notes due 2024	HK\$185 Million
	HK\$ Guaranteed Fixed Rate Notes due 2024	HK\$177 Million
	HK\$ Guaranteed Fixed Rate Notes due 2025	HK\$800 Million
	HK\$ Guaranteed Fixed Rate Notes due 2027	HK\$230 Million
	HK\$ Guaranteed Fixed Rate Notes due 2040	HK\$250 Million



Name of subsidiary/borrower	Description of debt securities	Outstanding principal amount
Wharf Finance (No. 1) Limited	HK\$ Guaranteed Fixed Rate Notes due 2016	HK\$167 Million
	SS\$ Guaranteed Fixed Rate Notes due 2016	SS\$160 Million
	RMB Guaranteed Fixed Rate Notes due 2016	RMB150 Million
	US\$ Guaranteed Floating Rate Notes due 2016	US\$58 Million
	HK\$ Guaranteed Fixed Rate Notes due 2017	HK\$113 Million
	RMB Guaranteed Fixed Rate Notes due 2018	RMB800 Million
	HK\$ Guaranteed Fixed Rate Notes due 2018	HK\$300 Million
	RMB Guaranteed Fixed Rate Notes due 2019	RMB200 Million
	HK\$ Guaranteed Fixed Rate Notes due 2019	HK\$240 Million
	HK\$ Guaranteed Fixed Rate Notes due 2020	HK\$550 Million
	HK\$ Guaranteed Fixed Rate Notes due 2020	HK\$180 Million
	HK\$ Guaranteed Fixed Rate Notes due 2020	HK\$200 Million
	HK\$ Guaranteed Fixed Rate Notes due 2020	HK\$100 Million
	RMB Guaranteed Fixed Rate Notes due 2020	RMB100 Million
	RMB Guaranteed Fixed Rate Notes due 2020	RMB200 Million
	RMB Guaranteed Fixed Rate Notes due 2020	RMB300 Million
	SS\$ Guaranteed Fixed Rate Notes due 2021	SS\$260 Million
	RMB Guaranteed Fixed Rate Notes due 2023	RMB200 Million
	JPY Guaranteed Fixed Rate Notes due 2026	JPY10,000 Million
	Wharf MTN (Singapore) Pte. Ltd.	SS\$ Guaranteed Fixed Rate Notes due 2018
<b>B) Wheelock (other than Wharf) (guaranteed by the Company)</b>		
Wheelock Finance Limited	HK\$ Guaranteed Fixed Rate Notes due 2016	HK\$440 Million
	HK\$ Guaranteed Fixed Rate Notes due 2017	HK\$300 Million
	HK\$ Guaranteed Fixed Rate Notes due 2017	HK\$500 Million
	HK\$ Guaranteed Fixed Rate Notes due 2017	HK\$1,100 Million
	US\$ Guaranteed Fixed Rate Notes due 2017	US\$500 Million
	US\$ Guaranteed Fixed Rate Notes due 2017	US\$535 Million
	HK\$ Guaranteed Fixed Rate Notes due 2018	HK\$100 Million
	HK\$ Guaranteed Fixed Rate Notes due 2018	HK\$200 Million
	US\$ Guaranteed Fixed Rate Notes due 2018	US\$500 Million
	HK\$ Guaranteed Fixed Rate Notes due 2019	HK\$300 Million
	AUD Guaranteed Fixed Rate Notes due 2019	AUD15 Million
	AUD Guaranteed Fixed Rate Notes due 2019	AUD50 Million
	HK\$ Guaranteed Fixed Rate Notes due 2021	HK\$100 Million
	HK\$ Guaranteed Fixed Rate Notes due 2021	HK\$200 Million
	SS\$ Guaranteed Fixed Rate Notes due 2021	SS\$350 Million
	HK\$ Guaranteed Fixed Rate Notes due 2022	HK\$100 Million
	HK\$ Guaranteed Fixed Rate Notes due 2022	HK\$445 Million
HK\$ Guaranteed Fixed Rate Notes due 2022	HK\$450 Million	

# SCHEDULE OF PRINCIPAL PROPERTIES

At 31 December 2015

Address	Approximate Gross Floor Areas (sq.ft.)					Remarks
	Total	Office	Retail	Residential	Others	
<b>HONG KONG</b>						
<b>Property – Investment</b>						
<b>Harbour City, Tsimshatsui</b>						
Ocean Terminal	511,000	–	511,000	–	–	
Ocean Centre	987,000	613,000	374,000	–	–	
Wharf T & T Centre	223,000	223,000	–	–	–	
World Commerce Centre	223,000	223,000	–	–	–	
World Finance Centre	512,000	512,000	–	–	–	
Ocean Galleries	460,000	–	460,000	–	–	
Gateway I	1,241,000	1,127,000	114,000	–	–	
Gateway II	2,636,000	1,551,000	415,000	670,000	–	
Marco Polo Hongkong Hotel	760,000	14,000	175,000	–	571,000	(A 665-room hotel)
Gateway	308,000	–	–	–	308,000	(A 397-room hotel)
Prince	350,000	–	–	–	350,000	(A 393-room hotel)
Pacific Club Kowloon	139,000	–	–	–	139,000	(Club House)
	8,350,000	4,263,000	2,049,000	670,000	1,368,000	
<b>Times Square</b>						
Sharp Street East, Causeway Bay	1,969,000	1,033,000	936,000	–	–	
<b>Plaza Hollywood</b>						
3 Lung Poon Street, Diamond Hill	562,000	–	562,000	–	–	
<b>Others</b>						
Wharf T&T Square, Hoi Bun Road, Kwun Tong	534,000	529,000	5,000	–	–	
Units at Cable TV Tower, Hoi Shing Road, Tsuen Wan	566,000	–	–	–	566,000	(Industrial)
Units at Strawberry Hill, 8 Plunkett's Road & 32 Plantation Road, The Peak	13,000	–	–	13,000	–	
Chelsea Court, 63 Mount Kellett Road, The Peak	43,000	–	–	43,000	–	
Mountain Court, 11 Plantation Road, The Peak	46,000	–	–	46,000	–	
1 Plantation Road, The Peak	91,000	–	–	91,000	–	
77 Peak Road, The Peak	42,200	–	–	42,200	–	
Kowloon Godown, 1-5 Kai Hing Road, Kowloon Bay	829,000	–	6,000	823,000	–	
Crawford House, 64-70A Queen's Road Central, Central	188,700	105,400	83,300	–	–	
Units at Star House, 3 Salisbury Road, Kowloon	50,800	–	50,800	–	–	
3/F-24/F, Wheelock House, 20 Pedder Street, Central	199,800	199,800	–	–	–	
One Island South, 2 Heung Yip Road, Wong Chuk Hang	90,500	–	90,500	–	–	
	5,225,000	1,867,200	1,733,600	1,058,200	566,000	
Murray Building, Cotton Tree Drive, Central	325,000	–	–	–	325,000	
<b>Total Hong Kong Property – Investment</b>	<b>13,900,000</b>	<b>6,130,200</b>	<b>3,782,600</b>	<b>1,728,200</b>	<b>2,259,000</b>	
<b>Property – Development</b>						
Peninsula East, 5 Tung Yuen Street, Yau Tong	255,600	–	42,600	213,000	–	
One HarbourGate, 18 Hung Luen Road, Hung Hom	673,400	647,800	25,600	–	–	
Kensington Hill, 98 High Street, Sai Ying Pun	60,100	–	–	60,100	–	
Island Residence, 163 Shau Kei Wan Road, Shau Kei Wan	81,200	–	14,900	66,300	–	
Capri, 33 Tong Yin Street, Tseung Kwan O	379,200	–	86,000	293,200	–	
Site at area 65C1, Tseung Kwan O	569,400	–	74,900	494,500	–	
Site at So Kwun Wat, Tuen Mun	376,900	–	–	376,900	–	
One Homantin, 1 Sheung Foo Street, Ho Man Tin	387,700	–	–	387,700	–	
Site at area 68B2, Tseung Kwan O	856,000	–	147,600	708,400	–	
Kai Tak Area 1H Site	412,900	–	8,300	404,600	–	
LOHAS Park Package 5, Tseung Kwan O	1,101,500	–	–	1,101,500	–	
LOHAS Park Package 7, Tseung Kwan O	756,300	–	–	756,300	–	
LOHAS Park Package 9, Tseung Kwan O	1,120,600	–	–	1,120,600	–	
	7,030,800	647,800	399,900	5,983,100	–	

Site Area (sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
346,719	KPP 83	2033	1966	N/A	59%
126,488	KML 11 S.A.	2880	1977	N/A	59%
	(a) KML 11 S.B.	2880	1981	N/A	59%
	(a) KML 11 S.B.	2880	1981	N/A	59%
	(a) KML 11 S.D.	2880	1983	N/A	59%
	(a) KML 11 S.B. & D.	2880	1981/83	N/A	59%
	(a) KML 11 R.P.	2880	1994	N/A	59%
	(a) KML 11 S.B. & D.	2880	1998/99	N/A	59%
58,814	KML 91 S.A. & KML 10 S.B.	2863	1969	N/A	42%
	(a) KML 11 S.B.	2880	1981	N/A	59%
	(a) KML 11 S.D.	2880	1983	N/A	59%
48,309	KIL 11179	2021	1990	N/A	59%
112,441	IL 731, IL 728, IL 727, IL 725 S.A. & R.P., IL 724 S.A.	2850/60/80	1993	N/A	59%
280,510	NKIL 6160	2047	1997	N/A	59%
48,438	KTIL 713	2047	2019	Foundation in progress	59%
N/A	TWTL 218	2047	1992	N/A	59%
N/A	RBL 512 & 1004	2027/28	1974/77	N/A	59%
29,640	RBL 556 S.A.R.P. & S.B.	2035	2001	N/A	59%
32,145	RBL 522, 639, 661	2027	2017	Superstructure in progress	59%
97,670	RBL 534 S.E., S.F. & R.P.	2028	2020	Foundation in progress	59%
76,726	RBL 836	2029	2017	Superstructure in progress	59%
165,809	NKIL 5805, 5806 & 5982	2047	1984	Planning for redevelopment	59%
12,286	IL 7 R.P. & IL 45 S.A.R.P.	2842	1977	N/A	59%
N/A	KML 10 S.A.	2863	1966	N/A	42%
N/A	ML 99 S.A., S.C. & R.P. & ML 100 S.A., S.B. & R.P.	2854	1984	N/A	100%
N/A	AIL 374	2121	2011	N/A	100%
68,136	9036	2063	2017	Renovation in progress	42%
42,625	YTIL 40 RP	2062	2016	Superstructure in progress	59%
147,499	KIL 11111	2061	2016	Superstructure in progress	100%
7,553	IL 767 S.B., S.C. & S.D.	2861	2016	Superstructure in progress	100%
9,709	SIL 547 R.P. & various lots of SIL 481 S.B.	2071	2017	Superstructure in progress	100%
171,890	TKOTL 125	2063	2017	Superstructure in progress	100%
149,856	TKOTL 112	2063	2017	Superstructure in progress	100%
289,918	TMTL 427	2063	2017	Superstructure in progress	100%
83,034	KIL 11228	2063	2018	Superstructure in progress	100%
295,159	TKOTL 126	2063	2018	Superstructure in progress	100%
82,603	NKIL 6541	2064	2019	Foundation work in progress	100%
200,199	Site G of TKOTL 70 R.P.	2052	2019	Foundation work in progress	100%
541,881	Site C1 of TKOTL 70 R.P.	2052	2020	Foundation work in progress	100%
138,479	Site J of TKOTL 70 R.P.	2052	2021	Planning Stage	100%

## SCHEDULE OF PRINCIPAL PROPERTIES (CONTINUED)

At 31 December 2015

Address	Approximate Gross Floor Areas (sq.ft.)					Remarks
	Total	Office	Retail	Residential	Others	
<b>Associates/Joint ventures</b>						
(Attributable – Note h)						
Various Lots at Yau Tong Bay, Yau Tong	596,000	–	11,000	585,000	–	
8 Mount Nicholson Road, The Peak	162,000	–	–	162,000	–	
	758,000	–	11,000	747,000	–	
<b>Total Hong Kong Property – Development</b>	<b>7,788,800</b>	<b>647,800</b>	<b>410,900</b>	<b>6,730,100</b>	<b>–</b>	
<b>HONG KONG TOTAL</b>	<b>21,688,800</b>	<b>6,778,000</b>	<b>4,193,500</b>	<b>8,458,300</b>	<b>2,259,000</b>	
<b>MAINLAND CHINA</b>						
<b>Property – Investment</b>						
<b>Completed Investment Properties</b>						
Shanghai Times Square	973,000	331,000	447,000	195,000	–	
93-111 Huai Hai Zhong Road, Shanghai						
Chongqing Times Square	591,800	13,800	578,000	–	–	
100 Zou Rong Road, Yuzhong District, Chongqing						
Wuhan Times Square	8,000	–	8,000	–	–	
160 Yan Jiang Da Dao, Jiangnan District, Wuhan						
Dalian Times Square	188,000	–	188,000	–	–	
50 Ren Min Road, Zhongshan District, Dalian						
Chengdu Times Outlets	680,000	–	680,000	–	–	
No. 633 Shuangnan Avenue (Middle Section)						
Shuangliu County, Chengdu						
Chengdu International Finance Square	5,349,000	3,136,000	2,213,000	–	–	
Junction of Hongxing Road and Da Ci Si Road,						
Jinjiang District						
Wuxi International Finance Square	1,592,000	1,592,000	–	–	–	
Taihu Plaza, Nanchang District, Wuxi						
Shanghai Wheelock Square	1,199,000	1,149,000	50,000	–	–	
1717 Nan Jing Xi Road, Jingan District, Shanghai						
	10,580,800	6,221,800	4,164,000	195,000	–	
<b>Investment Properties under Development</b>						
Chengdu International Finance Square	774,000	–	–	774,000	–	
Junction of Hongxing Road and Da Ci Si Road,						
Jinjiang District, Chengdu						
Wuxi International Finance Square	450,000	–	–	–	450,000	(A 253-room hotel)
Taihu Plaza, Nanchang District, Wuxi						
Suzhou International Finance Square	2,989,000	2,558,000	–	181,000	250,000	(A 133-room hotel)
Xing Hu Jie, Suzhou Industrial Park, Suzhou						
Changsha International Finance Square	7,805,000	4,799,000	2,425,000	–	581,000	(Two hotels with 417 rooms)
Furong District, Changsha						
Changsha Times Outlets	770,000	–	770,000	–	–	
168 Ou Zhou Bei Lu, Jinzhou New District Industrial						
Concentration Zone Changsha, Hunan China						
Chongqing International Finance Square	2,202,000	1,463,000	547,000	–	192,000	(A 246-room hotel on 100% ownership)
Zone A of Jiangbei City, Jiang Bei District,						
Chongqing (Attributable – Note h)						
	14,990,000	8,820,000	3,742,000	955,000	1,473,000	
Marco Polo Wuhan	405,000	–	–	–	405,000	(A 356-room hotel)
160 Yan Jiang Da Dao, Jiangnan District, Wuhan						
Marco Polo Changzhou	474,000	–	–	–	474,000	(A 271-room hotel, serviced apartment and a State Guest House)
88 Hehai East Road, Xinbei District, Changzhou						
Niccolo Chengdu	443,000	–	–	–	443,000	(A 230-room hotel)
Tower 3, IFS, No. 1, Section 3, Hongxing Road						
Jinjiang District, Chengdu, Sichuan						
	1,322,000	–	–	–	1,322,000	
<b>Total Mainland China Property – Investment</b>	<b>26,892,800</b>	<b>15,041,800</b>	<b>7,906,000</b>	<b>1,150,000</b>	<b>2,795,000</b>	

Site Area (sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
816,872	R.P. of YTML 22 & ext., YTML 28 & ext., YTML 29 & ext., and YTML 12, 32 and 33 together with adjoining lots at Yau Tong Bay	2047	N/A	Planning stage	9%
250,930	IL9007	2060	2016	Superstructure in progress	30%
148,703	N/A	2043	1999	N/A	59%
95,799	N/A	2050	2004	N/A	59%
(b)	N/A	2053	2008	N/A	59%
(c)	N/A	2039	2008	N/A	59%
(d)	N/A	2047	2009	N/A	59%
(e)	N/A	2047	2013/14	N/A	59%
(f)	N/A	2047/57	2014	N/A	59%
136,432	N/A	2049	2010	N/A	58%
(e)	N/A	2047	2016	Fitout work of remaining complex in progress	59%
(f)	N/A	2047/57	2016	Superstructure completed	59%
229,069	N/A	2047/77	2017	Superstructure in progress	34%
800,452	N/A	2051	2017	Superstructure in progress	59%
1,299,000	N/A	2055	2016	Superstructure completed and fitout in progress	59%
516,021	N/A	2050/60	2016	Superstructure in progress	30%
(b)	N/A	2053	2008	N/A	59%
842,531	N/A	2048	2014	N/A	42%
(e)	N/A	2047	2015	N/A	59%

## SCHEDULE OF PRINCIPAL PROPERTIES (CONTINUED)

At 31 December 2015

Address	Approximate Gross Floor Areas (sq.ft.)					Remarks
	Total	Office	Retail	Residential	Others	
<b>Property – Development</b>						
Changzhou Times Palace China Dinosaur Park, Xinbei District, Jiangsu Province, Changzhou	1,426,000	–	–	1,426,000	–	
Changzhou Feng Huang Hu Xin Bei District and abutting Han Jiang Lu and Yu Long Lu, Changzhou	1,970,000	–	–	1,970,000	–	
Changzhou Feng Huang Hu Xin Bei District and abutting Huang He Lu and Feng Xiang Lu, Changzhou	2,638,000	–	–	2,638,000	–	
Hangzhou Palazzo Pitti Hangzhou Hangyimian Lot C/D Gongshu District Gongchen Bridge West, Hangzhou	825,000	–	–	825,000	–	
Hangzhou Royal Seal Lot#FG05 of Wenhui Road, Hangzhou	883,000	–	–	883,000	–	
Shi Ji Hua Fu Yingbin North Road / Fenshou Road, Fuchun District, Fuyang, Hangzhou	562,000	–	78,000	484,000	–	
Junting Hangzhou Qianjiang Economic Development Area 09 Provincial Road / Kangxin Road, Yuhang District, Hangzhou	1,666,000	–	–	1,666,000	–	
Longxi Site GS05-R21-14, Shenhua Unit, Gongshu District, Hangzhou	456,000	–	–	456,000	–	
Longxi Site GS05-R21-A01, Shenhua Unit, Gongshu District, Hangzhou	565,000	–	–	565,000	–	
Shanghai Xi Yuan D1 of Xinjiangwancheng of Yangpu District, Shanghai	3,000	–	–	3,000	–	
Shanghai Songjiang Xianhe Road Site #2 of Songjiang Xianhe Road, Shanghai	233,000	–	–	233,000	–	
Shanghai Pudong Huangpujiang Site #E18 of Pudong Huangpujiang Riverside, Shanghai	1,464,000	–	–	1,464,000	–	
Jingan Garden 398 Wanhangu Road, Jingan District, Shanghai	763,000	–	–	763,000	–	
Shanghai Pudong Zhoupu Site #08, Lot 06-05 of Zhoupu Town, Pudong District, Shanghai	1,053,000	–	–	1,053,000	–	
Suzhou Ambassador Villa Lot No. 68210 Suzhou Industrial Park, Suzhou	562,000	–	–	562,000	–	
Bellagio Wang Wu Lu, Guo Sin Lu, Wu Chong New District, Suzhou	2,802,000	–	–	2,802,000	–	
Suzhou Times City Xiandai Da Dao, Suzhou Industrial Park, Suzhou	3,740,000	–	–	3,740,000	–	
Wuxi Glory of Time Nanchang District and abutting on Jinhang Canal, Wuxi	1,625,000	313,000	–	1,312,000	–	
Wuxi Times City Taihu Plaza, Nanchang District, Wuxi	2,717,000	–	–	2,717,000	–	
Wuxi Xiyuan Nanchang District and abutting on Jinhang Canal, Wuxi	442,000	–	–	442,000	–	
River Pitti Nanchang District and abutting on Jinhang Canal, Wuxi	3,462,000	–	–	3,462,000	–	
Park Mansion Southeast of Kang Zhuang Road and Beihuan West Road crossings (North of Tianhe community), Jiangbei District, Ningbo	1,116,000	–	–	1,116,000	–	
The Orion Bounded by Dongdajie South, Jinhua Nan Lu East and Datiankan Jie North, Jinjiang District, Chengdu	387,000	–	–	387,000	–	
Tian Fu Times Square Junction of Dong Da Jie & Fu He, Jinjiang District, Chengdu	56,000	5,000	38,000	13,000	–	
Crystal Park, No. 10 Gaoxin District Junction of Zhan Hua Road and Fu Cheng Avenue, Chengdu	2,000	–	–	2,000	–	
Times Town, Shuangliu Development Zone Junction of Shuang Nan Avenue and Guang Hua Avenue, Shuangliu County, Chengdu	4,277,000	2,348,000	962,000	967,000	–	

Site Area (sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
3,585,273	N/A	2047/77	2016	Superstructure in progress	42%
2,563,134	N/A	2050/80	2018	Superstructure in progress	59%
1,180,262	N/A	2083	2017	Superstructure in progress	59%
914,000	N/A	2080	2016	Superstructure in progress	59%
258,358	N/A	2080	2016	Superstructure in progress	59%
553,442	N/A	2051/81	2015	N/A	59%
1,315,296	N/A	2081	2018	Superstructure in progress	59%
211,685	N/A	2086	2019	Planning stage	59%
198,596	N/A	2085	2017	Planning stage	59%
638,000	N/A	2077	2012	N/A	42%
877,772	N/A	2081	2014	N/A	59%
585,723	N/A	2081	2017	Superstructure in progress	59%
170,825	N/A	2043/63	2018	Superstructure in progress	33%
526,905	N/A	2083	2016	Superstructure in progress	59%
3,654,152	N/A	2076	2016	Superstructure in progress	59%
2,501,747	N/A	2081	2018	Superstructure in progress	59%
5,425,454	N/A	2077	2017	Superstructure in progress	34%
1,276,142	N/A	2078	2019	Superstructure in progress	59%
3,314,418	N/A	2078	2018	Superstructure in progress	59%
1,416,822	N/A	2078	2017	Superstructure in progress	59%
2,121,662	N/A	2048/78	2019	Superstructure in progress	59%
558,000	N/A	2083	2016	Superstructure in progress	59%
160,000	N/A	2079	2013	N/A	59%
761,520	N/A	2045/75	2013	N/A	59%
884,459	N/A	2046/76	2014	N/A	59%
(d)	N/A	2047/77	2019	Superstructure in progress	59%

## SCHEDULE OF PRINCIPAL PROPERTIES (CONTINUED)

At 31 December 2015

Address	Approximate Gross Floor Areas (sq.ft.)					Remarks
	Total	Office	Retail	Residential	Others	
Chengdu Times City Shuangliu Huayang Street, Qinghe Community Group 8 and Gongxing Street Outang Village Group 5	2,392,000	–	88,000	2,304,000	–	
Le Palais Lot No. 8 along Section 3 of the 2nd Ring Road East, Chenghua District, Chengdu	907,000	–	62,000	845,000	–	
Wuhan Lake Moon Site B Hanyang District, Qintai Road, Wuhan	710,000	–	–	710,000	–	
Dalian Times Square 50 Ren Min Road, Zhongshan District, Dalian	10,000	–	–	10,000	–	
Hangzhou Fuyang Shijiyuan Xianzhu Road/Xiangyang Road, Shouxiang Shijiyuan Village, Fuyang	3,629,000	–	–	3,629,000	–	
	43,343,000	2,666,000	1,228,000	39,449,000	–	
<b>Associates/Joint ventures</b>						
(Attributable – Note h)						
Suzhou Kingsville South of Lin Hu Road, East & West sides of Ying Hu Road, Suzhou	3,000	–	–	3,000	–	
Evian Town South of Tian Hong Lu and North of Yu He Lu Xincheng District, Foshan	40,000	–	13,000	3,000	24,000	
Evian Uptown North side of Kin Jin Lu, Chancheng District, Foshan	35,000	–	35,000	–	–	
Evian Buena Vista Foshan Nanhai District Shishan County Project	758,000	–	26,000	716,000	16,000	
Evian Riviera Foshan Nanhai District Guicheng A18 and A21 Project	2,000	–	2,000	–	–	
Evian Kingbay North of Jihua Bridge, Chancheng District, Foshan	902,000	–	41,000	859,000	2,000	
Evian Capital Beihu Yi Road, Luocun, Shishan, Nanhai District, Foshan	1,270,000	–	89,000	1,163,000	18,000	
Unique Garden East of Wenhua Lu, Chancheng District, Foshan	433,000	–	27,000	403,000	3,000	
Donghui City Guangzhou Development Zone KXCD-D1-2 Project	181,000	–	8,000	159,000	14,000	
Unique Garden Laiguangying Central Street, Chaoyang District, Beijing	398,000	–	11,000	387,000	–	
The Pearl on the Crown South 2nd Ring, Fengtai District, Beijing	429,000	–	–	319,000	110,000	
Crown Land South 2nd Ring, Fengtai District, Beijing	481,000	–	43,000	335,000	103,000	
The Magnificent Junction of Weiguo Road & Jingjiang Road, Hedong District, Tianjin	34,000	–	2,000	32,000	–	
Scenery Bay Intersection of Hedong Road and Kunlun Road, Hedong District, Tianjin	974,000	–	50,000	878,000	46,000	
Magnolia Mansion Tangzhen 5 Jiefang 180/1 Qiu, Pudong District, Shanghai	4,000	–	–	4,000	–	
Shanghai South Station (Vanke Center Xuhui) Caohejing Area Lot 278a-05 / 278b-02 / 278b-04 South Station Business Zone, Xuhui District, Shanghai	1,428,000	1,182,000	219,000	–	27,000	
Greentown Zhijiang No.1 Zhuantang Town, Zhijiang National Tourist Holiday Resort, Xihi District, Hangzhou	1,225,000	–	83,000	1,142,000	–	
Greentown Wharf Qian Tang Bright Moon Hangzhou Xiaoshan Jinhui Road, Hangzhou	1,010,000	–	76,000	934,000	–	
Park Mansion Site R21-02-A and Site R21-01, Shenhua Unit, Gongshu District, Hangzhou	669,000	–	44,000	617,000	8,000	
Qiantang Bright Moon•Jade Mansion Hangzhou Xiaoshan Chengbei Village	280,000	–	5,000	275,000	–	
Hangzhou Binjiang District Site R21-6, 7	410,000	–	–	410,000	–	



Site Area (sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
800,882	N/A	2053/83	2018	Superstructure in progress	59%
1,130,000	N/A	2050/80	2016	Superstructure in progress	59%
454,000	N/A	2080	2016	Superstructure in progress	59%
(c) N/A	N/A	2069	2009	N/A	59%
3,210,772	N/A	2082	2020	Superstructure in progress	76%
1,976,237	N/A	2077	2014	N/A	30%
2,867,600	N/A	2047/77	2012	N/A	30%
1,155,000	N/A	2048/78	2013	N/A	30%
1,526,900	N/A	2070	2017	Superstructure in progress	30%
603,900	N/A	2080	2014	N/A	30%
639,000	N/A	2083	2017	Superstructure in progress	30%
1,069,000	N/A	2083	2017	Superstructure in progress	30%
305,722	N/A	2055/85	2018	Superstructure in progress	30%
1,181,300	N/A	2081	2016	Superstructure in progress	20%
783,000	N/A	2082	2016	Superstructure in progress	20%
582,000	N/A	2085	2018	Foundation in progress	15%
680,000	N/A	2085	2018	Foundation in progress	15%
511,560	N/A	2079	2012	N/A	30%
902,000	N/A	2083	2017	Superstructure in progress	30%
648,056	N/A	2082	2015	N/A	30%
1,156,979	N/A	2052/62	2020	Superstructure in progress	11%
2,046,685	N/A	2047/77	2017	Superstructure in progress	30%
756,000	N/A	2053/83	2017	Superstructure completed	30%
448,224	N/A	2054/84	2016	Superstructure in progress	30%
114,539	N/A	2054/84	2018	Superstructure in progress	30%
207,772	N/A	2055/85	2019	Planning stage	30%

## SCHEDULE OF PRINCIPAL PROPERTIES (CONTINUED)

At 31 December 2015

Address	Approximate Gross Floor Areas (sq.ft.)					Remarks
	Total	Office	Retail	Residential	Others	
Petrus Bay Site 3#-2 of Baoqingsi, Ningbo	17,000	-	-	17,000	-	
The Berylville Site E-4#, 7#, 8#, 12# & 13#, Shuixianglinli Eastern New Town, Ningbo	395,000	-	-	395,000	-	
Garden Valley Taoyuan Area, Jiefang Road, Zhongshan District, Dalian	1,550,000	-	-	1,550,000	-	
Chengdu ICC South of Shuanggui Road, North of Niusha Road East of Erhuan Road, West of Shahe, Jinjiang District, Chengdu	3,659,074	1,236,264	390,903	1,865,277	166,630	
U World Zone B of Jiangbei City, Jiang Bei District, Chongqing	813,000	-	40,000	773,000	-	
The Throne Zone C of Jiangbei City, Jiang Bei District, Chongqing	2,796,000	-	169,000	2,627,000	-	
International Community Zone C of Danzishi, Nanan District, Chongqing	2,877,000	-	901,000	1,976,000	-	
Peaceland Cove Tiedonglu, Hebei District, Tianjin	26,000	-	26,000	-	-	
	23,099,074	2,418,264	2,300,903	17,842,277	537,630	
<b>Total Mainland China Property – Development</b>	66,442,074	5,084,264	3,528,903	57,291,277	537,630	
<b>MAINLAND CHINA TOTAL</b>	93,334,874	20,126,064	11,434,903	58,441,277	3,332,630	
<b>SINGAPORE</b>						
<b>Property – Investment</b>						
Wheelock Place, 501 Orchard Road	465,700	221,800	243,900	-	-	
Scotts Square (Retail Podium), 6 & 8 Scotts Road	130,900	-	130,900	-	-	
<b>Total Singapore Property – Investment</b>	596,600	221,800	374,800	-	-	
<b>Property – Development</b>						
Units at Ardmore Three, 3 Ardmore Park	136,200	-	-	136,200	-	
Units at Scotts Square, 6 & 8 Scotts Road	38,300	-	-	38,300	-	
The Panorama, Ang Mo Kio Avenue	655,600	-	-	655,600	-	
<b>Total Singapore Property – Development</b>	830,100	-	-	830,100	-	
<b>SINGAPORE TOTAL</b>	1,426,700	221,800	374,800	830,100	-	
<b>GROUP PROPERTY – INVESTMENT</b>	41,389,400	21,393,800	12,063,400	2,878,200	5,054,000	
<b>GROUP PROPERTY – DEVELOPMENT</b>	75,060,974	5,732,064	3,939,803	64,851,477	537,630	
<b>GROUP TOTAL (Note j)</b>	116,450,374	27,125,864	16,003,203	67,729,677	5,591,630	

Notes:

- These properties with total site area of 428,719 sq. ft. form part of Harbour City.
- This property forms part of Wuhan Times Square which has a total site area of 188,090 sq. ft.
- This property forms part of Dalian Times Square which has a total site area of 171,356 sq. ft.
- This property forms part of Chengdu Shuangliu Development Zone which has a total site area of 3,900,589 sq. ft.
- This property forms part of Chengdu International Finance Square which has a total site area of 590,481 sq. ft.
- This property forms part of Wuxi International Finance Square which has a total site area of 313,867 sq. ft.
- This property forms part of Scotts Square which has a total site area of 71,137 sq.ft.
- The floor areas of properties held through associates and joint ventures are shown on an attributable basis.
- The above areas included pre-sold development properties of 16,549,600 sq. ft. (Hong Kong 889,200 sq. ft., Mainland China 15,154,000 sq.ft. and Singapore 506,400 sq. ft.), which have not been recognised in the financial statements.
- In addition to the above floor areas, the Group has total attributable carpark areas of approximately 36 million sq. ft. mainly in Mainland China.
- In February 2016, the Group acquired a site for joint development project in Beijing with attributable GFA of 515,000 sq. ft.

Site Area (sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
524,250	N/A	2080	2015	N/A	30%
708,142	N/A	2080	2017	Superstructure in progress	30%
922,475	N/A	2083	2018	Superstructure in progress	35%
2,212,128	N/A	2048/78	2014 and beyond	Superstructure in progress	18%
1,002,408	N/A	2057	2016	Superstructure in progress	23%
2,335,535	N/A	2050/60	2018	Superstructure in progress	30%
6,080,656	N/A	2047/57	2019	Superstructure in progress	24%
1,619,360	N/A	2050/80	2016	Superstructure in progress	30%
N/A (g)	N/A N/A	2089 Freehold	1993 2011	N/A N/A	76% 76%
54,981 (g)	N/A N/A	Freehold Freehold	2014 2011	N/A N/A	76% 76%
198,942	N/A	2112	2017	Superstructure in progress	76%

# TEN-YEAR FINANCIAL SUMMARY

HK\$ Million	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006/07
<b>Consolidated Income Statement</b>									(Note e)	
Revenue	<b>57,431</b>	40,953	35,071	33,124	34,558	24,186	18,957	22,583	17,915	16,096
Operating profit	<b>20,053</b>	15,729	14,938	15,570	17,730	11,384	9,507	9,420	10,428	7,650
Core profit (Note a)	<b>10,598</b>	8,103	7,822	7,267	9,038	4,582	3,711	3,385	3,460	3,008
Profit before property revaluation gain	<b>9,974</b>	7,035	7,724	8,734	8,359	4,974	4,408	2,284	3,361	3,008
Profit attributable to equity shareholders	<b>14,232</b>	22,009	16,954	26,935	22,866	20,194	10,459	3,432	7,615	6,310
Dividends attributable to shareholders	<b>2,337</b>	2,169	2,032	2,235	1,016	254	254	254	254	254
<b>Consolidated Statement of Financial Position</b>										
Investment properties	<b>325,044</b>	316,860	282,015	250,729	200,497	161,953	126,789	108,830	105,836	95,085
Property, plant and equipment	<b>22,804</b>	25,052	24,180	19,888	19,002	18,410	18,522	21,866	19,554	16,171
Interest in associates	<b>20,857</b>	25,648	19,003	16,046	9,331	7,725	5,513	5,438	5,096	531
Interest in joint ventures	<b>18,481</b>	19,911	21,603	21,219	18,297	16,485	7,551	7,989	4,555	788
Financial investments	<b>12,475</b>	11,390	13,246	14,843	7,065	10,676	4,885	2,279	7,622	7,088
Properties for sale	<b>76,184</b>	88,148	87,178	65,007	60,909	37,233	25,824	24,660	19,805	15,386
Bank deposits and cash	<b>27,266</b>	21,279	29,345	30,016	42,668	27,540	27,756	22,927	13,079	10,235
Other assets	<b>9,647</b>	9,279	10,244	12,018	6,343	6,214	7,966	4,217	3,578	3,743
Total assets	<b>512,758</b>	517,567	486,814	429,766	364,112	286,236	224,806	198,206	179,125	149,027
Bank loans and other borrowings	<b>(106,193)</b>	(117,878)	(123,640)	(103,257)	(95,682)	(65,682)	(46,634)	(45,623)	(34,991)	(25,806)
Other liabilities	<b>(65,706)</b>	(59,773)	(51,602)	(40,629)	(33,236)	(27,478)	(19,621)	(16,681)	(29,975)	(23,679)
Net assets	<b>340,859</b>	339,916	311,572	285,880	235,194	193,076	158,551	135,902	114,159	99,542
Share capital	<b>2,949</b>	2,949	2,949	2,949	2,949	2,949	2,949	2,949	2,949	2,949
Reserves	<b>198,718</b>	188,257	163,633	149,092	119,613	97,423	73,949	62,159	53,702	46,313
Shareholders' equity	<b>201,667</b>	191,206	166,582	152,041	122,562	100,372	76,898	65,108	56,651	49,262
Non-controlling interests	<b>139,192</b>	148,710	144,990	133,839	112,632	92,704	81,653	70,794	57,508	50,280
Total equity	<b>340,859</b>	339,916	311,572	285,880	235,194	193,076	158,551	135,902	114,159	99,542
Net debt	<b>78,927</b>	96,599	94,295	73,241	53,014	38,142	18,878	22,696	21,912	15,571
<b>Financial Data</b>										
<i>Per share data</i>										
Earnings per share (HK\$)										
– Core profit	<b>5.22</b>	3.99	3.85	3.58	4.45	2.26	1.83	1.67	1.70	1.48
– Before property revaluation gain	<b>4.91</b>	3.46	3.80	4.30	4.11	2.45	2.17	1.12	1.65	1.48
– Attributable to equity shareholders	<b>7.00</b>	10.83	8.34	13.26	11.25	9.94	5.15	1.69	3.75	3.11
Net assets value per share (HK\$)	<b>99.26</b>	94.11	81.99	74.83	60.32	49.40	37.85	32.04	27.88	24.25
Dividends per share (c) (Note b)	<b>115.00</b>	106.75	100.00	110.00	50.00	12.50	12.50	12.50	12.50	12.50
<i>Financial ratios</i>										
Net debt to total equity (%)	<b>23.2%</b>	28.4%	30.3%	25.6%	22.5%	19.8%	11.9%	16.7%	19.2%	15.6%
Interest cover (Times) (Note c)	<b>6.4</b>	4.6	4.6	6.2	10.2	13.5	16.1	8.2	8.6	7.7
Return on shareholders' equity (%) (Note d)	<b>7.2%</b>	12.3%	10.6%	19.6%	20.5%	22.8%	14.7%	5.6%	14.4%	14.0%
Dividend payout (%)										
– Core profit	<b>22.1%</b>	26.8%	26.0%	30.8%	11.2%	5.5%	6.8%	7.5%	7.3%	8.4%
– Attributable to equity shareholders	<b>16.4%</b>	9.9%	12.0%	8.3%	4.4%	1.3%	2.4%	7.4%	3.3%	4.0%

Notes:

- (a) Core profit excludes attributable net investment property revaluation gain and exceptional items comprise mark-to-market changes and exchange on certain financial instruments, impairment provision for properties and other non-recurring items mainly including the gain arising from the disposal of 50% interest in the Taicang container port businesses and the loss arising from the deemed disposal of Greentown interest on reclassification as an available-for-sale investment in 2015, the negative goodwill arising on the acquisition of Hotel Properties Limited in 2014, the accounting gain arising on the acquisition of the interest in Greentown in 2012, revaluation of Hactl interest/tax write back in 2010 and profit on disposal of Beijing Capital Times Square/Fitfort in 2009.
- (b) 2012 and 2011 dividends per share included a special dividend of 25.0¢ per share each year.
- (c) Interest cover is based on EBITDA over finance costs (before capitalisation and fair value gain/loss).
- (d) Return on shareholders' equity is based on profit attributable to Shareholders over average shareholders' equity during the year.
- (e) The Company changed its financial year end date from 31 March to 31 December at the end of 2007. Accordingly, the Company's financial year 2007 covered nine months ended 31 December 2007 but consolidated the financial statements for Wharf for the full calendar year 2007.
- (f) Certain figures have been reclassified or restated to comply with the prevailing HKFRSs.

A Chinese version of this Annual Report is available from the Company upon request.  
如有需要，可向本公司索取本年報之中文版本。



