



**WHEELOCK**

*Founded 1857*

**WHEELOCK AND COMPANY LIMITED**

**Annual Report 2016**

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# CORPORATE INFORMATION

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## **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, SBS, 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**

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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

## OPENING

The world is in a state of rather profound change. We have a new White House and Europe's future is hard to read. Huge clouds of uncertainty loom over the strategic and policy changes they face and need to steer.

In 2016, world economic growth was sluggish. China's economy rebalanced to a more sustainable 6.7%. The US economy grew at 1.6% which was its slowest pace of growth since 2012.

Stern property market policy measures remain in Hong Kong, Singapore and China due to global currency issues, excess capital driven by quantitative easing and low interest rates.

Hong Kong, with almost full employment, saw a modest 1.9% GDP growth in a year marked by outside currency volatility and a decline in tourism. Linked to the US dollar, this level of growth compares well with the US.

The Group ended the year with a record high core profit of HK\$11.8 billion whilst profit attributable to shareholders increased by 14% to HK\$16.3 billion.

## PERFORMANCE

### Hong Kong Development Properties ("DP")

Our core business saw record sales this year of HK\$22.1 billion in a buoyant H2 market. Over the year, five newly launched projects achieved over 90% blended sell-through rate from a variety of products, ranging from the *Peak Collection* to *Grade A Offices*, to *Low-Density Suburban* and *Bespoke Urban Residences*. Residential sales was once again the key contributor with HK\$16.9 billion. Mount Nicholson, the ultra-luxury residence on the Peak and a joint venture with Nan Fung Group, achieved HK\$11.6 billion of sales as of February 2017. There, two adjoining apartments were sold for a new record of HK\$104,800 per square foot.

In Commercial DP, One HarbourGate East Tower and East Retail Villa were sold en-bloc for HK\$4.5 billion, marking the fourth en-bloc office sales in four consecutive years. Contributing to the growth of Hong Kong's CBD critical mass, these projects have attracted multi-national corporations such as Manulife, Citigroup and China Life Insurance to commit long term to Hong Kong by setting up their regional offices. Today, approximately 8,000 people work at One Bay East alone.

It is not unknown that over the last 18 months, the land market has witnessed an increase in competitors and pricing levels, presenting new challenges. Our HKDP land bank stands at 8.2 million square feet at an average cost of \$3,480 per square foot (excluding the Peak portfolio), including the acquisition of a 826,546 square feet site in Kwun Tong for \$6.4 billion. Our land reserve comprises of 97% urban sites and 75% harbourfront sites, which is adequate for five to six years of development.

### The Wharf (Holdings) Limited

Steady growth has been sustained on the back of high occupancy and favourable rental reversion. Through constant asset enhancement and value-accretive initiatives, HKIP continued to underpin the solid performance. In China, despite currency shifts, IP reported a pleasant revenue growth that was driven by Chengdu International Finance Square ("IFS"). The opening of Ocean Terminal extension and Chongqing and Changsha IFS's retail malls in the second half of 2017 will add new momentum to future growth in IP contribution.

The Murray, a new 336-room urban chic hotel located in Central, Hong Kong, is scheduled to open in late 2017. It is a conservation project; an integral part of the "Conserving Central" initiative. It will breathe new life into the historic building.

## CHAIRMAN'S STATEMENT (CONTINUED)

A year-long strategic review on the Communications, Media & Entertainment ("CME") led Wharf to decide to exit this segment completely. Wharf T&T was disposed in November 2016 for HK\$9.5 billion. Secondly, no new funding support will be extended by Wharf to i-CABLE, a separately listed company.

### **Wheelock Properties (Singapore) Limited**

Wheelock Place continued to maintain high occupancy and residential projects drew favourable response.

### **CORPORATE SOCIAL RESPONSIBILITY AND BUSINESS-IN-COMMUNITY**

In 2016, Project *WeCan* continues to earn recognition with the number of supporting partners increasing to 42. They comprise of 31 corporations, five local universities, three consulates and three Government organisations. With their immense dedication and contribution, 43,000 students from 51 secondary schools have benefited. The vision is to inspire the next generation for a brighter future. Last year, 73 students were awarded Project *WeCan* Scholarship to continue their education in local universities.

Wheelock co-hosted the "Swim for Millions" with Community Chest for the fourth consecutive year to promote healthy lifestyle while raising funds for local youth services. This event has not only become one of the popular annual charity sport events but also a fun day for family with an array of children activities and cheering teams. Last year, the

number of teams involved increased to 123, with participants from 15 families, 71 corporations, 25 schools and 12 disciplinary forces. Over HK\$4 million was successfully raised in 2016.

As a property developer, sustainable development is fully embedded in our strategy. To create green living for our customers, nearly all of our DP projects in Hong Kong follow the BEAM Plus guidelines. In recognition of our achievements, One Bay East and One HarbourGate have been awarded the "Sustainability Achievement of the Year" by RICS Hong Kong and the "Best Green Development" by China Property. WPL was granted the "Social Responsibilities Award of the Year" by RICS Hong Kong for the third consecutive year.

### **OUTLOOK**

There will be huge challenges and uncertainties in 2017. At the forefront are China-US relations and developments in the Korean Peninsula.

On the other hand, there seems to be some positive signals. IMF forecasts global growth will improve year-on-year by 0.3% to 3.4% in 2017. And despite a lack of full clarity on US policy directions on tax and spending, a new surge of optimism has been seeping into the American economy and markets. China's "Second Wave" is progressing at the "New Normal" GDP growth rate of 6.5%. The economy is rebalancing to be services-led and the urbanization story is on-going. Maintaining stability is core.

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Hong Kong's GDP growth in 2017 is expected to be in the range of 2% to 3%. Relaxation of cooling measures on the property market is unlikely in the near term. Hong Kong's critical mass of being the financial centre of our time zone continues to grow with the debut of Shenzhen-Hong Kong Stock Connect and the coming completion of the Hong Kong-Zhuhai-Macao Bridge. They would bring new dimensions to the linkages with the Pearl River Delta.

We remain cautiously optimistic on both the region's and Hong Kong's future.

## **CLOSING**

Our core business is Hong Kong Development Properties. We will continue to actively manage a customer centric portfolio of quality products with a learning mindset. Prudent financial management and strengthening capabilities will remain central to the Group. We are well positioned to deal with challenges and capture the opportunities ahead in this changing world.

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

**Douglas C K Woo**  
*Chairman*

Hong Kong, 10 March 2017

# FINANCIAL HIGHLIGHTS

## RESULTS AND FINANCIAL POSITION

	2016 HK\$ Million	2015 HK\$ Million	Change
<b>Results</b>			
Revenue	60,579	57,431	+5%
Operating profit	21,135	20,053	+5%
Core profit (Note 1)	11,811	10,598	+11%
Profit before property revaluation gain	15,987	9,974	+60%
Profit attributable to equity shareholders	16,294	14,232	+14%
Total dividend for the year	2,644	2,337	+13%
Earnings per share			
Core profit	HK\$5.81	HK\$5.22	+11%
Before property revaluation gain	HK\$7.86	HK\$4.91	+60%
Attributable to equity shareholders	HK\$8.02	HK\$7.00	+14%
Dividend per share			
First interim	45.00¢	42.50¢	+6%
Second interim	85.00¢	72.50¢	+17%
Total for the year	130.00¢	115.00¢	+13%
<b>Financial Position</b>			
Total assets	520,435	512,758	+1%
Total business assets (Note 2)	468,116	474,960	-1%
Total investment properties	329,057	325,044	+1%
Net debt	50,977	78,927	-35%
Shareholders' equity	215,365	201,667	+7%
Total equity	349,520	340,859	+3%
Number of issued shares (in million)	2,035	2,032	+0%
Net asset value per share	HK\$105.85	HK\$99.26	+7%
Net debt to total equity	14.6%	23.2%	-8.6%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			
							Core profit HK\$	Before property revaluation gain HK\$	Attributable to equity shareholders HK\$	Dividends per share ¢
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
<b>2016</b>	<b>11,811</b>	<b>15,987</b>	<b>16,294</b>	<b>349,520</b>	<b>215,365</b>	<b>105.85</b>	<b>5.81</b>	<b>7.86</b>	<b>8.02</b>	<b>130.00</b>

Notes:

- (1) Core profit primarily excludes attributable net investment property revaluation gain and other exceptional items. Please refer to note (a) to the Ten-year Financial Summary on page 155.
- (2) Business assets exclude unallocated corporate assets, mainly comprising certain equity and bond 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 Ten-year Financial Summary on pages 154 to 155.

## GROUP PROFIT AND ASSETS COMPOSITION

	Profit attributable to equity shareholders				Shareholders' equity			
	2016		2015		2016		2015	
	HK\$ Million	%	HK\$ Million	%	HK\$ Million	%	HK\$ Million	%
Wheelock & Company Limited	3,085	26	4,012	38	37,765	15	39,309	17
Wheelock Properties (Singapore) Limited	428	4	263	2	12,212	5	12,610	5
The Wharf (Holdings) Limited	8,298	70	6,323	60	195,062	80	182,006	78
Core profit	11,811	100	10,598	100	245,039	100	233,925	100
Exceptional items (Note 1)	4,176		(624)					
	15,987		9,974					
Investment property revaluation gain	307		4,258					
Profit to shareholders	16,294		14,232					
Earnings per share	HK\$8.02		HK\$7.00					
Corporate items (Note 2)					(29,674)		(32,258)	
Shareholders' equity					215,365		201,667	
Net asset value per share					HK\$105.85		HK\$99.26	

### Notes:

- (1) Please refer to note (a) to the Ten-year Financial Summary on page 155.
- (2) Corporate items represent the net debt of the Company and other subsidiaries.



# BUSINESS REVIEW

## CORE BUSINESS – HONG KONG DEVELOPMENT PROPERTIES (“DP”)

**Contracted sales** increased by 71% to reach a new record of **HK\$22.1 billion**, of which residential contracted sales accounted for 76%. This solid growth was driven by contribution from the successful launch of a diverse mix of products, including the Peak luxury residence, O'South residence and Grade A office, demonstrating our all-rounded sales capabilities.

**Residential contracted sales** was the growth driver, increasing by 156% to **HK\$16.9 billion**, and ranking Wheelock among the top selling developers in 2016. Four new developments were launched during the year and achieved 92% average sell-through rate on all units launched. Not only has this encouraging result demonstrated an increasing recognition of our commitment to deliver customer-focused products and services, it has also affirmed our proven execution of a fast asset turnover business strategy.

At **Mount Nicholson**, an ultra-luxury residential project on the Peak which debuted in February 2016, six houses and 16 apartments were sold during the year for HK\$10.0 billion, of which HK\$5.0 billion is attributable to the Group. House No. 1, the largest house in the development which features 9,950 square feet of living space, spectacular harbour views, private gardens and an outdoor swimming pool, was sold for HK\$1.1 billion. Apartments 16A & B, the two adjoining units with a total of 8,702 square feet, were sold for a record of HK\$104,800 per square foot. The promising results once again reflect the continuous demand for prestigious and exclusive living on the Peak.





MOUNT NICHOLSON

8 Mount Nicholson Road  
The Peak

RESIDENTIAL  
CONTRACTED SALES

**HK\$16.9 billion**





ONE HARBOURGATE

18 Hung Luen Road  
Hung Hom

**ONE HOMANTIN** has gained gradual momentum since its debut in March 2016, and presold 86% of 423 units launched for HK\$4.3 billion. The opening of Ho Man Tin MTR station in October further enhances its attractiveness and market demand. Following ONE HOMANTIN, **SAVANNAH** was launched in May and successfully presold 99% of 798 units launched for HK\$5.4 billion, following on the success of The Parkside and CAPRI in O'South. **NAPA**, a low-density development surrounded by lush green hills, was launched in October and presold 74% of 201 units launched for HK\$1.0 billion.

**Commercial contracted sales** during the year amounted to **HK\$5.2 billion**. The East Office Tower and East Retail Villa of One HarbourGate were sold en-bloc for HK\$4.5 billion in July, marking the fourth en-bloc office transaction in four consecutive years. One HarbourGate was handed over to China Life Insurance and Cheung Kei Group in 2016. Together with One Bay East, these two Grade A office developments successfully attracted major multinational corporations such as Manulife, Citigroup and China Life Insurance to set up their regional headquarters which could house more than 10,000 employees. The projects have also become important new landmarks in the new CBDs.

In terms of **project completion**, four developments were realised during the year, including One HarbourGate, Kensington Hill, Mount Nicholson and Peninsula East. Presold but not yet completed contracted sales, i.e. **net order book**, increased by 27% to **HK\$15.9 billion**, locking in future revenue stream.

The **land bank** under management was maintained at **8.2 million square feet**. The sizeable land bank not only fulfills our development requirement for the next five to six years; its urban-focused nature also encompasses some of Hong Kong's key strategic regions, including the Peak, CBDs, O'South and LOHAS. To replenish and strengthen this urban land bank, a residential site in Kwun Tong was acquired in November

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## CONTRACTED SALES REACHED A RECORD

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**HK\$22.1**  
billion

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for HK\$6.4 billion, or HK\$7,700 per square foot, via public tender. The site has a maximum total Gross Floor Area ("GFA") of 826,546 square feet and is well located in a mature residential district with well-developed transportation network to key CBDs.

### **CORPORATE SOCIAL RESPONSIBILITY ("CSR") AND BUSINESS-IN-COMMUNITY**

Wheelock strives to contribute to sustainable development and create a positive impact in society. Under the banner of "Business-in-Community", our CSR efforts aim to bring lasting value to people, the environment and the community.

**Project WeCan** is a youth development programme launched in 2011, with an aim to provide underprivileged secondary school students with opportunities and care to pursue higher studies and future career. The number of supporting partners reached 42 in 2016, comprising of 31 corporations, five local universities, three consulates and three Government organisations. With their immense dedication and contribution, 43,000 students from 51 secondary schools have benefited. In 2016, 73 students were awarded Project WeCan Scholarship to pursue further



## BUSINESS REVIEW (CONTINUED)



### THE PARKSIDE

18 Tong Chun Street  
Tseung Kwan O

education in local universities. Together with the 58 awardees in 2015, a total of 131 students have received such support.

Riding on the successes of the previous three years, the Community Chest Wheelock **Swim for Millions** has become one of the most popular annual charity sport events in Hong Kong. The popularity of the event was marked by a jump in the number of relay teams to 123 in 2016, with participation from 15 families, 71 corporations, 25 schools and 12 disciplinary forces. Furthermore, the oldest swimmer was 74 while the youngest was only 5, underpinning our initiatives to promote healthy lifestyle. It has not only created unparalleled excitement for the competitors, but also a fun day for family with an array of game booths for children and cheering teams. During the year, the event raised over HK\$4 million to support local youth services under the Community Chest.

**Sustainable development, product and service excellence** are fully embedded in the Group's strategy throughout a project life cycle from planning, design, procurement, construction, sales and marketing to property management. We engage different partners within our value chain to achieve best practice. Nearly all of our projects follow the BEAM Plus guidelines, demonstrating our commitment to green building standards. Our efforts in this area have been recognised with international distinction: One HarbourGate has been awarded "Best Green Development" and "Best Office Development" by China Property Awards, while One Bay East won the "Sustainability Achievement of the Year" in RICS Hong Kong Awards 2016. On product and service excellence, Wheelock Properties Limited was named one of the "Top 10 Developers" by BCI Asia for the fifth consecutive year.

**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 2016.**

#### The Wharf (Holdings) Limited ("Wharf") 61.6% Equity Investment

Core profit from Hong Kong properties increased by 35% to exceed HK\$10.0 billion, while that from China properties, notwithstanding the devaluation of Renminbi, grew by 16% to exceed HK\$2.6 billion. As a result, properties' share of core profit surged to 92%, affirming its primary strategic focus. Investment Properties ("IP") core profit increased by 6% to HK\$8.8 billion, on the back of high occupancy and favourable rental reversion achieved. In Hong Kong, IP continued to underpin Wharf's solid performance with total revenue increasing by 6% to HK\$12.9 billion and operating profit by 7% to HK\$11.3 billion. Performance of Harbour City, Times Square and Plaza Hollywood remained solid with 3% to 6% increase in revenue. On office, steady demand continued to drive positive rental reversion and revenue.

In China, adverse impact of currency movements on translation to Hong Kong dollars slowed China IP growth in 2016. Revenue increased by 2% to HK\$2.4 billion and operating profit by 1% to HK\$1.3 billion. Chengdu International Finance Square ("IFS") continued to outshine the competition. The mega mall boasts an exquisite collection of nearly 300 global premium brands with over 100 debuts in western China, and has earned a host of reputable accolades including "VIVA Best-of-the-Best Design and Development Award" by the International Council of Shopping Centers in 2016, signifying China's first-ever commercial project winning this prestigious global title. Office demand from renowned tenants remained solid. Nearly 110,000 square metres (40% of total GFA) have been leased, with rental rates achieved among the highest in the city.



## BUSINESS REVIEW (CONTINUED)

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### CITY TRANSFORMATION WHELOCK PHOTOGRAPHY COMPETITION

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Open Category – Champion  
Yung Chi Wai Derek

A solid pipeline of IFS developments is progressing at full speed to strengthen the recurrent income base. Chongqing IFS, a 114,000-square-metre retail podium, and Niccolo Chongqing, are scheduled to open in the third quarter of 2017. Currently, over 90% of the retail floor plates were under offer to tenants or in serious discussion with key anchors. Changsha IFS, a massive 254,000-square-metre mall, is scheduled to open in late 2017, which will be the ultimate shopping, dining, lifestyle and leisure destination in Hunan province and the most coveted destination for a wide assortment of celebrated retailers. Over 85% of total retail areas were under offer to tenants or in discussion, a good testament to retailers' trust and confidence in the management's execution capabilities and the untapped potential of the city.

DP contracted sales and revenue in Hong Kong and China both soared to record highs at HK\$40 billion and HK\$37 billion respectively, while core profit nearly tripled to almost HK\$4 billion, inclusive of joint ventures and associates on an attributable basis. China DP's revenue increased by 12% to HK\$30.7 billion and operating profit by 22% to HK\$5.1 billion. Despite a new wave of cooling measures, favourable market sentiments drove up Wharf's attributable interest in contracted sales by 21% to RMB31.4 billion, which was 31% above target. The net order book increased to RMB27.4 billion for 1.2 million square metres at year-end.

The first Niccolo, which opened in Chengdu IFS in 2015 signalled the start of a new era of the group's brand extension. In Hong Kong, development of the former landmark Murray Building into The Murray is in full swing, and a new 336-room Niccolo hotel in Central is scheduled to open in late 2017.

Disposal of the entire equity interests in Wharf T&T recognised a gain on disposal of HK\$7.3 billion in 2016.

## Strategic Reviews

### *Communications, Media & Entertainment ("CME")*

A review on the CME segment started in early 2016 by Wharf with Goldman Sachs (Asia) L.L.C as financial advisor. Discussions with a variety of potential parties were conducted over an extended period. The conclusion was to exit the segment completely.

Wharf's entire equity interest in Wharf T&T was disposed in November 2016 for HK\$9.5 billion. A net gain on disposal of HK\$7.3 billion was recognized.

No disposal agreement has been entered into in respect of i-CABLE, the remaining interest in our CME segment, and all discussions with potential buyers have been terminated. Current funding commitments for i-CABLE will not be extended upon expiry.

### *Investment Properties*

Wharf has commenced a study to consider the possibility of separately listing some of the IP assets by way of introduction achieved by a distribution in specie to its shareholders. A simple segregation may provide investors with more and better choices. A proposal to evaluate all pros and cons will be provided for consideration as soon as practicable.

### *Wheelock Properties (Singapore) Limited ("WPSL") 76.2% Equity Investment*

WPSL continued to deliver stable performance. On DP, residential projects in Singapore and Hangzhou generated contracted sales of S\$435 million and RMB560 million respectively. On IP, Wheelock Place office tower and retail portion were near fully occupied as at 31 December 2016.



# FINANCIAL REVIEW

## (I) REVIEW OF 2016 RESULTS

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

Wheelock's own core profit, HK\$3,085 million (2015: HK\$4,012 million), was mainly due to smaller GFA completed and recognised in 2016.

### Wheelock Group

Group's record high core profit increased by 11% to HK\$11,811 million (2015: HK\$10,598 million). This was mainly attributable to higher China and Hong Kong DP profit and resilient rental revenue.

Group profit attributable to equity shareholders increased by 14% to HK\$16,294 million (2015: HK\$14,232 million), including the one-off attributable gain on disposal of Wharf's entire equity interest in Wharf T&T Limited ("Wharf T&T") of HK\$4,416 million though with a lower IP revaluation gain this year.

### Revenue and Operating Profit

Group revenue and operating profit both increased by 5% to HK\$60,579 million (2015: HK\$57,431 million) and HK\$21,135 million (2015: HK\$20,053 million) respectively.

#### *Investment Property*

Revenue and operating profit increased by 5% and 6% to HK\$15,736 million (2015: HK\$15,054 million) and HK\$12,837 million (2015: HK\$12,163 million) respectively. Hong Kong revenue and operating profit increased by 5% and 6% respectively, benefitting from firm retail base rent and stable positive office rental reversions. Mainland revenue and operating profit increased moderately by 2% and 1% respectively, or up by 9% and 7% in terms of RMB, which depreciated by 6% in 2016.

#### *Development Property*

Revenue and operating profit increased by 8% and 7% to HK\$36,539 million (2015: HK\$33,718 million) and HK\$7,253 million (2015: HK\$6,810 million) respectively.

In Hong Kong, recognised property sales and operating profit were HK\$13,497 million (2015: HK\$15,459 million) and HK\$3,772 million (2015: HK\$4,470 million) respectively. One HarbourGate was completed with all two towers sold, enabling a revenue recognition of HK\$10,350 million. Peninsula East and Kensington Hill were also completed with 100% and 93% residential units sold at year end and contributed revenue of HK\$1,985 million and HK\$1,145 million respectively.

In the Mainland, recognised property sales and operating profit increased by 20% and 43% to HK\$21,670 million (2015: HK\$18,018 million) and HK\$3,234 million (2015: HK\$2,266 million) respectively with more projects.

#### *Hotels*

Revenue and operating profit increased by 2% and 4% to HK\$1,587 million (2015: HK\$1,549 million) and HK\$289 million (2015: HK\$278 million) respectively. Hong Kong revenue was adversely impacted by the soft market while the newly opened hotels in the Mainland have started to contribute.

#### *Logistics*

Revenue decreased by 4% to HK\$2,748 million (2015: HK\$2,848 million). Operating profit increased by 4% to HK\$719 million (2015: HK\$689 million), mainly due to lower operating costs from Modern Terminals.

#### *Communications, Media and Entertainment*

Revenue and operating profit decreased by 10% and 47% to HK\$3,145 million (2015: HK\$3,501 million) and HK\$59 million (2015: HK\$112 million) respectively. Wharf disposed of Wharf T&T in November 2016, reducing its contributed revenue by 13% while operating profit increased by 3% to HK\$372 million (2015: HK\$362 million). i-CABLE's operating loss widened to HK\$313 million (2015: HK\$246 million).

### *Investment and Others*

Operating profit amounted to HK\$719 million (2015: HK\$752 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 2016 increased by 1% to HK\$329.1 billion (2015: HK\$325.0 billion), with HK\$309.6 billion thereof stated at fair value based on independent valuation as at that date. That resulted in a revaluation gain of HK\$597 million for the year (2015: HK\$7,360 million), which was credited to the consolidated income statement.

IP under development of HK\$19.5 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 Income/(Charge)

Other net income amounted to HK\$6,341 million (2015: charge of HK\$240 million), primarily included a gain of HK\$7,260 million arising from the disposal of Wharf's entire equity interest in Wharf T&T.

In 2015, the 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") upon reclassification of such interest as financial investment instead of an associate and the gain of HK\$908 million arising from the disposal of 50% equity interest in the Taicang container port businesses by Modern Terminals were recognised.

### Finance Costs

Finance costs charged to the consolidated income statement were HK\$1,484 million (2015: HK\$2,092 million). Excluding the unrealised mark-to-market gain of HK\$261 million (2015: loss of HK\$447 million) on swaps, finance costs decreased by 3% to HK\$3,262 million (2015: HK\$3,376 million) before capitalisation of HK\$1,517 million (2015: HK\$1,731 million), and HK\$1,745 million (2015: HK\$1,645 million) after capitalisation. The Group's effective borrowing rate for the year was 3.2% (2015: 2.8%) per annum.

### Share of Results of Associates and Joint Ventures

Share of profits of associates decreased by 4% to HK\$1,190 million (2015: HK\$1,241 million) with lower profit contributions from Mainland DP.

Share of profits of joint ventures increased significantly to HK\$1,984 million (2015: HK\$222 million), mainly attributable to Mount Nicholson in Hong Kong and more completed Mainland DP projects.

### Income Tax

The taxation charge was HK\$4,691 million (2015: HK\$4,710 million), which included deferred taxation of HK\$23 million (2015: HK\$488 million) provided for the revaluation gain of IP located in the Mainland.

Excluding the above deferred taxation, the taxation charge increased by 11% to HK\$4,668 million (2015: HK\$4,222 million), mainly due to higher profit recognised by IP and China DP segments.

### Non-controlling Interests ("NCI")

Profit attributable to NCI increased by 15% to HK\$8,778 million (2015: HK\$7,602 million), mainly due to increase in net profit of Wharf.

## FINANCIAL REVIEW (CONTINUED)

### Profit attributable to Equity Shareholders

Group profit attributable to equity shareholders increased by 14% to HK\$16,294 million (2015: HK\$14,232 million). Earnings per share were HK\$8.02 based on weighted average of 2,033 million issued shares (2015: HK\$7.00 based on 2,032 million issued shares).

Excluding the attributable IP revaluation gain (after deducting related deferred tax and NCI) of HK\$307 million (2015: HK\$4,258 million), Group profit attributable to equity shareholders increased by 60% to HK\$15,987 million (2015: HK\$9,974 million).

Further stripping out the exceptional items, core profit increased by 11% to HK\$11,811 million (2015: HK\$10,598 million). Core earnings per share were HK\$5.81 (2015: HK\$5.22).

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

	<b>2016</b> <b>HK\$ Million</b>	2015 HK\$ Million
Profit attributable to		
Wheelock	<b>3,085</b>	4,012
WPSL group	<b>428</b>	263
Wharf group	<b>8,298</b>	6,323
Core profit	<b>11,811</b>	10,598
Attributable gain arising from the disposal of Wharf T&T	<b>4,416</b>	—
Attributable gain arising from the disposal of Taicang container port businesses	—	361
Attributable loss arising from the deemed disposal of Greentown	—	(916)
Others	<b>(240)</b>	(69)
Profit before IP revaluation gain	<b>15,987</b>	9,974
IP revaluation gain (after deferred tax)	<b>307</b>	4,258
Profit attributable to equity shareholders	<b>16,294</b>	14,232

WPSL's profit for the year ended 31 December 2016 was S\$58.3 million (2015: S\$40.3 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\$296 million (2015: HK\$217 million).

Wharf's profit for the year ended 31 December 2016 increased by 34% to HK\$21,440 million (2015: HK\$16,024 million). Excluding the exceptional items, Wharf's core profit increased by 25% to HK\$13,754 million (2015: HK\$10,969 million).

### Early adoption of HKFRS 9 “Financial Instruments”

The Group has early adopted the complete version of HKFRS 9 “Financial Instruments” in its consolidated financial statements with effect from 1 January 2016. As a result, the investments in equity securities of HK\$8,950 million that were previously classified as available-for-sale investments under HKAS 39 have been re-designated as equity investments measured at fair value through other comprehensive income. Accordingly, loss on disposal of equity securities of HK\$154 million in the year was recognised through other comprehensive income instead of the income statement as previously accounted for (2015: profit of HK\$387 million through the income statement).

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

### **Shareholders' and Total Equity**

Shareholders' equity increased by 7% to HK\$215.4 billion (2015: HK\$201.7 billion), or HK\$105.85 per share based on 2,035 million issued shares (2015: HK\$99.26 per share based on 2,032 million issued shares) as at 31 December 2016.

Including the NCI, the Group's total equity increased by 3% to HK\$349.5 billion (2015: HK\$340.9 billion).

### **Assets and Liabilities**

The Group's total assets increased by 1% to HK\$520.4 billion (2015: HK\$512.8 billion). Total business assets, i.e. excluding bank deposits and cash, financial and deferred tax assets, slightly decreased to HK\$468.1 billion (2015: HK\$475.0 billion), mainly due to selling down of DP but mitigating by IP increase.

Geographically, the Group's business assets in the Mainland, mainly properties and terminals, decreased to HK\$122.6 billion (2015: HK\$141.7 billion), representing 26% (2015: 30%) of the Group's total business assets.

#### ***Investment Properties***

The Group's IP portfolio, included in the Group's total assets, increased by 1% to HK\$329.1 billion (2015: HK\$325.0 billion), representing 70% of total business assets. Harbour City (excluding the three hotels) and Times Square in Hong Kong were valued at HK\$219.0 billion, representing 67% of the value of the portfolio. Wharf's IP in the Mainland amounted to HK\$58.5 billion, including IP under development at a cost of HK\$16.7 billion.

#### ***Properties for Sale***

DP amounted to HK\$70.1 billion (2015: HK\$76.2 billion), mainly comprised of properties in Hong Kong of HK\$39.7 billion, in China of HK\$25.5 billion and in Singapore of HK\$4.9 billion, which were held for sale as at 31 December 2016.

#### ***Interests in Associates and Joint Ventures***

Interests in associates and joint ventures amounted to HK\$35.1 billion (2015: HK\$39.3 billion), mainly represented by various joint-venture DP projects undertaken in the Mainland and Hong Kong.

#### ***Deposits from Sale of Properties***

Deposits from sale of properties increased by 33% to HK\$30.6 billion (2015: HK\$23.1 billion), reflecting the increase in contracted sales in the Mainland, Hong Kong and Singapore pending revenue recognition.

## FINANCIAL REVIEW (CONTINUED)

### Debt and Gearing

The Group's net debt was reduced by 35% or HK\$27.9 billion to HK\$51.0 billion (2015: HK\$78.9 billion) as at 31 December 2016, resulting from the Group's strong recurrent operating cash inflow, record DP sales and disposal of Wharf T&T. The net debt comprised debt of HK\$95.0 billion less bank deposits and cash of HK\$44.0 billion (including Wharf's deposits and cash of HK\$19.6 billion placed with banks in the Mainland and deposits of HK\$8.7 billion placed with banks in Hong Kong with maturity over three months). Excluding WPSL's net cash of HK\$2.5 billion and Wharf's net debt of HK\$23.8 billion, which were non-recourse to the Company and its wholly-owned subsidiaries, Wheelock's own net debt decreased by HK\$2.5 billion to HK\$29.7 billion (2015: HK\$32.2 billion). An analysis of the net debt by group is shown below:

Net debt/(cash)	<b>2016</b> <b>HK\$ Million</b>	2015 HK\$ Million
Wheelock	<b>29,674</b>	32,258
WPSL group	<b>(2,534)</b>	(528)
Wharf group	<b>23,837</b>	47,197
Group	<b>50,977</b>	78,927

As at 31 December 2016, the net debt to total equity (on a consolidated basis) was reduced to 14.6% (2015: 23.2%). 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 13.8% (2015: 16.0%).

### Finance and Availability of Facilities

As at 31 December 2016, the Group's available loan facilities and issued debt securities amounted to HK\$146.5 billion (2015: HK\$153.5 billion), of which HK\$95.0 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	68.8	34.2	34.6
WPSL group	—	—	—
Wharf group	77.7	60.8	16.9
Group	146.5	95.0	51.5

Of the above debt, HK\$13.6 billion (2015: HK\$15.1 billion) was secured by mortgages over certain DP, IP and property, plant and equipment with a total carrying value of HK\$43.5 billion (2015: HK\$51.8 billion).

The Group's debt was primarily denominated in United States dollars ("USD"), Hong Kong dollars ("HKD") and Renminbi ("RMB"). 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 currency exposures.

The Group continued to maintain a strong financial position with ample surplus cash denominated principally in RMB, HKD, USD and Singapore dollars, and undrawn committed facilities to facilitate the Group's business and investment activities. The Group also maintained a portfolio of equity and bond investments with an aggregate market value of HK\$9.5 billion (2015: HK\$12.5 billion) as at 31 December 2016, 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 inflows was HK\$21.8 billion (2015: HK\$20.9 billion). The changes in working capital and others of HK\$9.8 billion (2015: HK\$11.8 billion) increased the net cash inflow from operating activities to HK\$31.6 billion (2015: HK\$32.7 billion), mainly attributable to increase in DP pre-sales. For investing activities, the Group recorded a net cash outflow of HK\$5.9 billion (2015: HK\$11.3 billion), mainly attributable to the construction costs for Mainland IP, placement of bank deposits with maturity over three months and increase in interest in Wharf but partly compensating by the net proceeds from disposal of Wharf T&T.

## Major Capital and Development Expenditure and Commitments

The Group's major capital and development expenditure incurred in 2016 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	652	—	652
DP	14,767	—	14,767
	15,419	—	15,419
<b>WPSL group</b>			
IP	9	—	9
DP	488	140	628
	497	140	637
<b>Wharf group</b>			
IP	2,862	4,465	7,327
DP	219	12,356	12,575
Non property and others	1,836	113	1,949
	4,917	16,934	21,851
Analysis by segment:			
IP	3,523	4,465	7,988
DP	15,474	12,496	27,970
Non property and others	1,836	113	1,949
<b>Group total</b>	20,833	17,074	37,907

- i. Wheelock's own expenditure for IP and DP amounted to HK\$15.4 billion, mainly attributable to the land cost payment for the LOHAS Park Phase 9 and Kwun Tong project, and construction cost payments for its Hong Kong DP projects.
- ii. WPSL's expenditure of HK\$0.6 billion was mainly for construction cost payments for its Singapore and China DP projects.
- iii. Wharf's expenditure totalled HK\$21.9 billion, comprising expenditure of HK\$7.3 billion for IP (mainly construction costs of the Mainland IFS projects), HK\$12.6 billion for DP and HK\$1.9 billion for Hotels, Modern Terminals, Wharf T&T and i-CABLE. Wharf's expenditure has excluded the intra-group acquisition of Wheelock House from Wheelock during the year.

## FINANCIAL REVIEW (CONTINUED)

### B. Commitments to Capital and Development Expenditure

As at 31 December 2016, the Group's major commitments to capital and development expenditure to be incurred in the forthcoming years were estimated at HK\$61.4 billion, of which HK\$25.5 billion was committed. By segment, the commitments are analysed as follows:

	As at 31 December 2016		Total HK\$ Million
	Committed HK\$ Million	Uncommitted HK\$ Million	
<b>Wheelock</b>			
IP	—	—	—
DP	10,603	14,138	24,741
	10,603	14,138	24,741
<b>WPSL group</b>			
IP	7	—	7
DP	255	1,572	1,827
	262	1,572	1,834
<b>Wharf group</b>			
IP	5,025	6,730	11,755
DP	7,959	12,729	20,688
Non property and others	1,644	749	2,393
	14,628	20,208	34,836
Analysis by segment:			
IP	5,032	6,730	11,762
DP	18,817	28,439	47,256
Non property and others	1,644	749	2,393
<b>Group total</b>	25,493	35,918	61,411
Hong Kong IP	990	429	1,419
Hong Kong DP	10,603	14,138	24,741
China IP	4,035	6,301	10,336
China DP	8,073	14,098	22,171
Singapore	148	203	351
Properties total	23,849	35,169	59,018
Non property and others	1,644	749	2,393
<b>Group total</b>	25,493	35,918	61,411

- i. Wheelock's own commitments of HK\$24.7 billion mainly relate to construction costs for DP in Hong Kong.
- ii. WPSL's commitments of HK\$1.8 billion mainly relate to construction costs of HK\$0.3 billion for DP in Singapore and HK\$1.5 billion for DP in the Mainland.
- iii. Wharf's commitments of HK\$34.8 billion mainly comprise of expenditure of HK\$11.7 billion for IP, HK\$20.7 billion construction costs for DP and HK\$2.4 billion mainly for Hotels, Modern Terminals and i-CABLE.
- iv. The commitments and planned expenditure will be funded by the respective group's own internal financial resources including surplus cash, cash flows from operations as well as bank and other borrowings and pre-sale proceeds. Other available resources include equity and bond investments.

### **(III) HUMAN RESOURCES**

The Group had approximately 14,400 employees as at 31 December 2016, including about 2,300 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 IP has a book value of over HK\$329 billion. Its attributable land bank is 57 million square feet for development and 42 million square feet for investment.

The Group's core business is Hong Kong DP. Its urban-focused land bank currently under management amounts to 8.2 million square feet, including one of the largest collections of top end Peak residential properties, low-density and harbourfront O'South residential developments, MTR-linked residential developments in LOHAS, a significant share of residential properties in Kowloon East and urban portfolio in Kowloon South.

In 2016, contracted Hong Kong sales totalled HK\$22.1 billion. In 2017, the Group will maintain the momentum with four residential projects planned to launch.

Wharf is Wheelock's equity investment in the form of a listed company which focuses on prime IP in Hong Kong and the Mainland and owns one of the world's most prized portfolios, with a book value of HK\$319 billion as at the end of 2016. 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. Current portfolio of DP in the Mainland totals 4.2 million square metres. 2016 contracted sales totalled RMB31.4 billion for 1.5 million square metres.

Development in Singapore is spearheaded by WPSL. It currently 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:

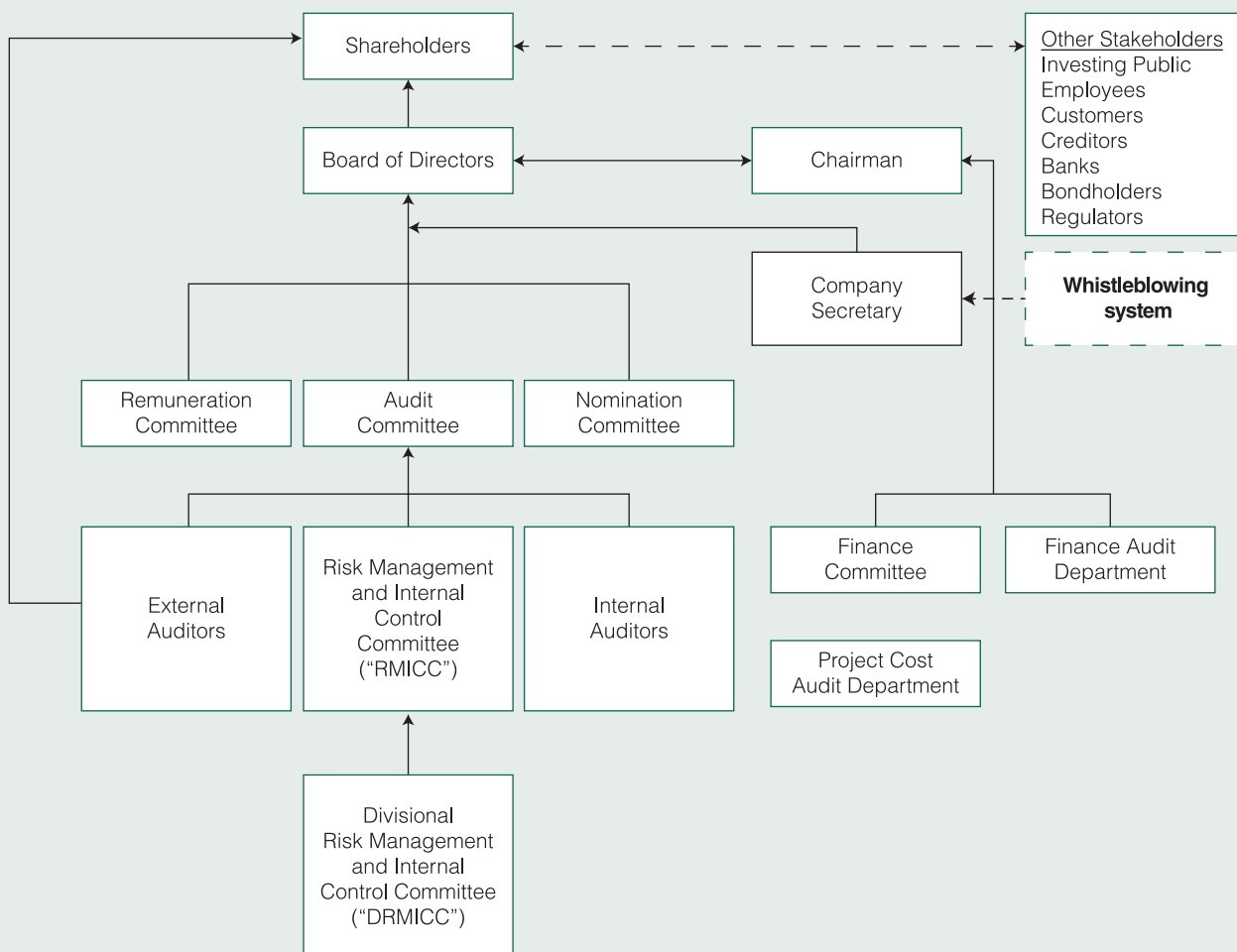
1. Building and maintaining a diversified and competitive land bank with timely acquisitions and constant turning of assets;
2. Competence in selection and acquisition, planning and design, execution, sales and marketing;
3. Building organisation and focusing professional team efforts in building brand; 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 2016, all the code provisions set out in the Corporate Governance Code (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") 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 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) CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

A set of the Company's own code of conduct (the "Company's Code") was adopted by the Company in 2014 to govern Directors' securities transactions 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 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 Company's Code during the financial year.

## (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 2016. 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> )	4/4	1/1
Paul Y C Tsui ( <i>Executive Director &amp; Group Chief Financial Officer</i> )	4/4	1/1
Ricky K Y Wong	4/4	1/1
<b>Non-executive Director</b>		
Mignonne Cheng (Mrs)	3/4	1/1
<b>Independent Non-executive Directors</b>		
Tak Hay Chau	3/4	1/1
Winston K W Leong	4/4	1/1
Alan H Smith	4/4	0/1
Richard Y S Tang	4/4	1/1
Kenneth W S Ting	4/4	1/1
Nancy S L Tse	4/4	1/1
Glenn S Yee	3/4	1/1

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 2016, the Chairman of the Company held a meeting with the Non-executive Directors (including Independent Non-executive Director ("INED(s)")) without the presence of the executive Directors.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

## (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 trainings</b> <i>(See Remarks)</i>
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
Winston K W Leong	A
Alan H Smith	A
Richard Y S Tang	A
Kenneth W S Ting	A
Nancy S L Tse	A, B, C
Glenn S Yee	A

*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. The relevant arrangement is deemed appropriate as it is considered to be more efficient for 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.

## (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 2016. Attendance of the AC members is set out below:

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

## CORPORATE GOVERNANCE REPORT (CONTINUED)

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- (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).

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- (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;
  - (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;

# CORPORATE GOVERNANCE REPORT (CONTINUED)

- (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 subsection headed "(II) Practices & Processes" on page 34.
- (iii) The other work performed by the AC for the financial year ended 31 December 2016 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 2016. Attendance of the RC members is set out below:

<b>Members</b>	<b>Attendance/Number of Meeting</b>
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;

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(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 2016 is summarised below:
- (a) review of the Company's policy and structure for all remuneration of Directors and Senior Management;
  - (b) consideration and approval of the emoluments for all Directors and Senior Management; and
  - (c) review of the level of fees for Directors, AC members and RC 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 (proposed to be increased to HK\$250,000 per annum with retroactive effect from 1 January 2017), the fee payable to each of the other Directors of the Company, currently at the rate of HK\$150,000 per annum (proposed to be increased to HK\$200,000 per annum with retroactive effect from 1 January 2017), 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 (proposed to be increased to HK\$100,000 per annum with retroactive effect from 1 January 2017), and the proposed fee payable to each of those Directors who are also members of the RC of the Company at the rate of HK\$50,000 per annum also with retroactive effect from 1 January 2017, is by reference to the level of fees of similar nature normally paid by a listed company in Hong Kong to its directors.



# CORPORATE GOVERNANCE REPORT (CONTINUED)

## (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 2016, 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 including various duties relating to corporate governance matters are set out in paragraph “(D) Oversight of the Company’s Corporate Governance Matters” on pages 29 to 30.

## (H) AUDITORS’ REMUNERATION

The fees in relation to the audit and other services for the financial year ended 31 December 2016 provided by KPMG, the external auditors of the Company, amounted to HK\$31 million and HK\$3 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 organisation.

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

RMICC was formally established in 2015 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 evolvement 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.  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	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.  Report to the AC on identified risks, relevant evaluations and risk management strategy.  Direct and monitor the proper functioning of DRMICCs and report to the AC on any major internal control issues from time to time.  Assume an advisory role on objective settings, formulation of internal control framework, policies and procedures.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

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.

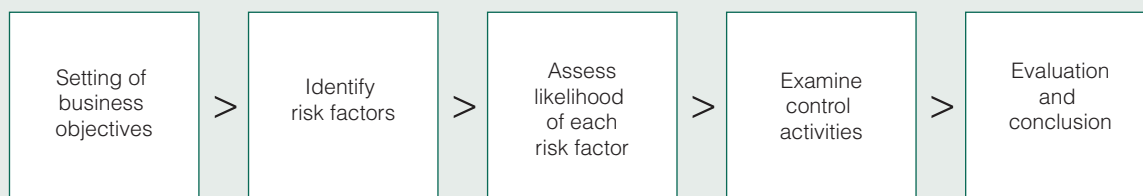
Areas of responsibility of each operational unit are clearly defined with specific limits of authority in place to ensure effective checks and balances. Procedures have been designed for safeguarding assets against unauthorised use or disposition, maintenance of proper accounting records, assurance of 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 a regular basis and affords good opportunities for the Group to identify and prioritise 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 2016, the AC, with assistance of RMICC and DRMICCs, has conducted a review of the effectiveness of the Group's risk management and internal control systems and procedures covering all material controls, including financial, operational and compliance control and risk management, and the adequacy of, *inter alia*, resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions. Confirmations from management in the form of certification that risk management and internal control systems 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 2016, 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 54 to 55 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 2016, 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 2016:

- (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 2016.

# REPORT OF THE DIRECTORS

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The Directors have pleasure in submitting their Report and the Audited Financial Statements for the financial year ended 31 December 2016.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on pages 135 to 139.

## 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 3 to 5)
- Business Review (pages 8 to 15)
- Financial Highlights (pages 6 to 7) and Financial Review (pages 16 to 23)
- Principal Risks and Uncertainties (pages 54 to 55)

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, Employment Ordinance, Minimum Wage Ordinance, Personal Data (Privacy) 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, the Group's policies and performance in the area of environmental, social and governance are discussed in section (K) "Environment, Social and Governance" on pages 55 to 56.

## RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the financial year ended 31 December 2016 are set out in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income on pages 65 to 66.

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 68 and Note 24 to the Financial Statements on pages 108 to 109.

## DIVIDENDS

A first interim dividend of 45.0 cents per share was paid in September 2016. In lieu of a final dividend, a second interim dividend of 85.0 cents per share will be paid on 28 April 2017 to Shareholders on record as at 12 April 2017. Total distribution for the year 2016 will amount to HK\$1.30 (2015: HK\$1.15) per share.

# REPORT OF THE DIRECTORS (CONTINUED)

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## SHARE CAPITAL

During the financial year, as a result of exercises of share options previously granted under the Company's share option scheme, a total of 2,850,000 ordinary shares of the Company, credited as fully paid, were allotted and issued for a total consideration of HK\$108,873,000.

Details of movements in share capital of the Company during the financial year are set out in Note 24 to the Financial Statements on pages 108 to 109.

## 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 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 Douglas C K Woo, Mr Ricky K Y Wong, Mr Tak Hay Chau, Mr Kenneth W S Ting and Mr Glenn S Yee 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 (L) "Directors of Subsidiaries" on page 57.

## 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.



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## 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, a total of 2,850,000 ordinary shares of the Company were allotted and issued to three Directors of the Company, namely, Mr Stewart C K Leung, Mr Paul Y C Tsui and Mr Ricky K Y Wong, and a total of 300,000 ordinary shares of Wharf were allotted and issued to Mr Paul Y C Tsui, on their exercises of options respectively under the Company’s and/or Wharf’s share option schemes. Further information of the share option schemes of the Company and Wharf is set out on pages 48 to 51.

## 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 2017



# REPORT OF THE DIRECTORS (CONTINUED)

## SUPPLEMENTARY CORPORATE INFORMATION

### (A) BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGERS ETC.

#### (i) Directors

**Douglas C K WOO**, *JP, Chairman & Managing Director (Age: 38)*

Mr Woo has been Chairman of the Company since 2014 and a Director and Managing Director since 2013. He is chairman and member of the Nomination Committee and a member of the Remuneration Committee. He is also vice chairman and managing director of Wheelock Properties Limited (“WPL”) and a director of certain other subsidiaries of the Company.

Mr Woo is a government-appointed Alternative Representative of Hong Kong, China to the APEC Business Advisory Council; a Non-official member of the Development Bureau’s Land and Development Advisory Committee and a member of the Land Sub-Committee; chairman of the Environment and Conservation Fund; a member of the Commission on Poverty’s Social Innovation and Entrepreneurship Development Fund Task Force; a director and Executive Committee member of The Real Estate Developers Association of Hong Kong (“REDA”); chairman of the HK General Chamber of Commerce’s Real Estate & Infrastructure Committee and a member of the Economic Policy Committee; and Patron of Project *WeCan*. Mr Woo is also a member of the Beijing Committee of the Chinese People’s Political Consultative Conference (“CPPCC”) and a member of the All-China Youth Federation. He was appointed a Justice of the Peace in 2016.

Mr Woo holds a Bachelor degree in Architecture from Princeton University in USA and a Master of Business Administration degree (EMBA Program) from The HKUST Business School and The Kellogg School of Management of Northwestern University. He was awarded an Honorary Doctor of Humane Letters degree by Savannah College of Art and Design (Hong Kong). Under the existing service contract between the Group and Mr Woo, his basic salary and various allowances for the year 2017, calculated on an annualised basis, would be approximately HK\$6.22 million (2016: HK\$6.04 million) per annum.

**Stephen T H NG**, *Deputy Chairman (Age: 64)*

Mr Ng has been a Director of the Company since 1988 and became Deputy Chairman in 1995. He is chairman and managing director of The Wharf (Holdings) Limited (“Wharf”), the major publicly listed subsidiary of the Company. Among various other subsidiaries of the Company of which he serves as a director, Mr Ng 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 non-executive 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 chairman of the HK General Chamber of Commerce (“HKGCC”), council members of the Employers’ Federation of Hong Kong (“EFHK”) and the Hong Kong Trade Development Council. Under the existing service contract between the Group and Mr Ng, his basic salary and various allowances for the year 2017, calculated on an annualised basis, would be approximately HK\$8.06 million (2016: HK\$7.83 million) per annum.

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**Stewart C K LEUNG**, *Vice Chairman (Age: 78)*

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 2017, calculated on an annualised basis, would be approximately HK\$5.47 million (2016: HK\$5.46 million) per annum.

**Paul Y C TSUI**, *Executive Director & Group Chief Financial Officer (Age: 70)*

Mr Tsui, *FCCA, FCPA, FCMA, CGMA, CPA, CGA*, 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. Mr Tsui is currently a general committee member of EFHK and chairman of the Federation’s Property and Construction functional group. Under the existing service contract between the Group and Mr Tsui, his basic salary and various allowances for the year 2017, calculated on an annualised basis, would be approximately HK\$5.25 million (2016: HK\$5.09 million) per annum.

**Ricky K Y WONG**, *Director (Age: 52)*

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 general committee of EFHK and a member of the Legal Sub-committee of REDA. He is also a director of Hong Kong Green Building Council, a fellow member of Royal Institution of Chartered Surveyors, and a board member of Estate Agents Authority.

In February 2016, 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 three years from 2013 to 2016 and as a part-time member for the years 2009 and 2010. Mr Wong has also 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 September 2015 to August 2018. 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 2017, calculated on an annualised basis, would be approximately HK\$4.55 million (2016: HK\$4.41 million) per annum.

**Tak Hay CHAU**, *GBS, Director (Age: 74)*

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.

## REPORT OF THE DIRECTORS (CONTINUED)

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**Mignonne CHENG**, *Director (Age: 70)*

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 26 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 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.

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. Mrs Cheng was granted the “Private Banker of the Year-Hong Kong” by The Asset in September 2015 and “Outstanding Private Banker-Asia Pacific 2016” by Private Banker International in October 2016.

**Winston K W LEONG**, *Director (Age: 57)*

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: 73)*

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 of Hong Kong Limited (“Hong Kong 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 was 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 both listed on Hong Kong Stock Exchange.

Mr Smith was a director of Crown International Corporation Limited (formerly known as VXL Capital Limited) and Noble Group Limited, which are listed on Hong Kong Stock Exchange and Singapore Exchange Securities Trading Limited respectively, until he resigned from the office respectively on 27 May 2014 and 14 April 2016. He was also a director of American Indochina Resorts Limited, a private company incorporated in the British Virgin Islands which owned Nam Hai Resort in Danang, Vietnam, until his resignation on 16 May 2016.

**Richard Y S TANG**, SBS, JP, Director (Age: 64)

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: 74)

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 and managing director of publicly listed Kader Holdings Company Limited and chairman 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 and 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: 64)

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 (as manager of Link Real Estate Investment Trust and publicly listed in Hong Kong) and DBS Bank (Hong Kong) Limited, and was appointed as an INED of HSBC Provident Fund Trustee (Hong Kong) Limited on 29 July 2016. Ms Tse 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: 66)

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 ("Pacific Can"), 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.

# REPORT OF THE DIRECTORS (CONTINUED)

## (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 2016, Directors of the Company had the following interests, all being personal, beneficial and long position interests, 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, and 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:

	<b>Quantity</b> (percentage, where applicable) <b>held</b>
<b>The Company</b>	
Stephen T H Ng – Ordinary Shares	300,000 (0.0147%)
Ricky K Y Wong – Ordinary Shares	350,000 (0.0172%)
<b>Wharf</b>	
Stephen T H Ng – Ordinary Shares	4,445 (0.0001%)
Kenneth W S Ting – Ordinary Shares	659,024 (0.0217%)
<b>i-CABLE</b>	
Stephen T H Ng – Ordinary Shares	1,265,005 (0.0629%)
<b>Wheelock Finance Limited</b>	
Ricky K Y Wong – HKD Guaranteed Notes due 2017	HK\$5,000,000
Ricky K Y Wong – USD Guaranteed Notes due 2018	US\$1,300,000
Ricky K Y Wong – HKD Guaranteed Notes due 2022	HK\$5,000,000
<b>Greentown China Holdings Limited</b>	
Stewart C K Leung – USD Bond due 2018	US\$500,000
Ricky K Y Wong – USD Fixed Rate Notes due 2020	US\$600,000

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 2016. 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 2016 by Directors (and/or their respective associate(s)) of the Company to subscribe for ordinary shares of the Company (“the Company’s share(s)” or “Wheelock’s share(s)”) granted/exercisable under the share option scheme of the Company:

Name of Director	Total No. of Wheelock’s shares under option held as at 31 December 2016 (percentage based on all issued shares)	Date of grant (Day/Month/Year)	No. of Wheelock’s shares under option				Subscription price per share (HK\$)
			As at 1 January 2016	Granted during the year	Exercised during the year	As at 31 December 2016	
Douglas C K Woo (Note c)	8,000,000 (0.39%)	14/06/2013	3,000,000	N/A	—	3,000,000	39.98
		07/07/2016	N/A	5,000,000	—	5,000,000	36.60
Stewart C K Leung	4,800,000 (0.24%)	14/06/2013	3,000,000	N/A	(600,000) (Note d)	2,400,000	39.98
		07/07/2016	N/A	3,000,000	(600,000) (Note d)	2,400,000	36.60
Paul Y C Tsui	2,700,000 (0.13%)	14/06/2013	1,500,000	N/A	—	1,500,000	39.98
		07/07/2016	N/A	1,500,000	(300,000) (Note e)	1,200,000	36.60
Ricky K Y Wong	4,650,000 (0.23%)	14/06/2013	3,000,000	N/A	(750,000) (Note f)	2,250,000	39.98
		07/07/2016	N/A	3,000,000	(600,000) (Note f)	2,400,000	36.60

Notes:

- (a) The share options granted by the Company on 14 June 2013 (exercisable from 15 June 2013 to 14 June 2018) outstanding as at both 1 January 2016 and 31 December 2016 as stated above were/are 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 tranches becoming exercisable from 15th June in 2013, 2014, 2015, 2016 and 2017 respectively, subject to the following exceptions:
- (i) The relevant outstanding share options held by Mr Stewart C K Leung as at 31 December 2016 were/are vested in four tranches, exercisable within a period of 4 years, with each tranche covering one-fourth of the relevant Wheelock’s share options, i.e. exercisable to the extent of the one-fourth of the relevant total number of Wheelock’s shares, and with the 1st, 2nd, 3rd and 4th tranches becoming exercisable from 15th June in 2014, 2015, 2016 and 2017 respectively.
- (ii) The relevant outstanding share options held by Mr Ricky K Y Wong as at 31 December 2016 were/are vested in four tranches, exercisable within a period of 4 years, with the 1st tranche (covering options for 450,000 Wheelock’s shares) becoming exercisable from 15 June 2014, and the remaining three tranches each covering options for 600,000 Wheelock’s shares and with the 2nd, 3rd and 4th tranches becoming exercisable from 15th June in 2015, 2016 and 2017 respectively.

## REPORT OF THE DIRECTORS (CONTINUED)

- (b) The share options granted by the Company on 7 July 2016 (exercisable from 8 July 2016 to 7 July 2021) outstanding as at both the date of grant and 31 December 2016 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 tranches becoming exercisable from 8th July in 2016, 2017, 2018, 2019 and 2020 respectively, with the exception that the relevant outstanding share options held by each of Mr Stewart C K Leung, Mr Paul Y C Tsui and Mr Ricky K Y Wong as at 31 December 2016 were/are vested in four tranches, exercisable within a period of 4 years, with each tranche covering one-fourth of the relevant Wheelock's share options, i.e. exercisable to the extent of the one-fourth of the relevant total number of Wheelock's shares, and with the 1st, 2nd, 3rd and 4th tranches becoming exercisable from 8th July in 2017, 2018, 2019 and 2020 respectively.
- (c) As at both 1 January 2016 and 31 December 2016, 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 Wheelock'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.
- (d) The weighted average closing price of Wheelock's shares immediately before the date(s) of exercise(s) of options by Mr Stewart C K Leung during the year was HK\$45.70 per share.
- (e) The closing price of Wheelock's shares immediately before the date(s) of exercise(s) of options (all exercised on the same day) by Mr Paul Y C Tsui during the year was HK\$44.80 per share.
- (f) The weighted average closing price of Wheelock's shares immediately before the date(s) of exercise(s) of options by Mr Ricky K Y Wong during the year was HK\$45.83 per share.

### (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 2016 by 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 2016 (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 2016	Granted during the year	Exercised during the year	Lapsed during the year		As at 31 December 2016
Douglas C K Woo (Note 4)	Nil	04/07/2011	800,000	N/A	—	(800,000)	Nil	55.15
Stephen T H Ng	7,000,000 (0.23%)	04/07/2011	1,500,000	N/A	—	(1,500,000)	Nil	55.15
		05/06/2013	2,000,000	N/A	—	—	2,000,000	70.20
		07/07/2016	—	5,000,000	—	—	5,000,000	46.90
Paul Y C Tsui	2,200,000 (0.07%)	04/07/2011	1,200,000	N/A	—	(1,200,000)	Nil	55.15
		05/06/2013	1,000,000	N/A	—	—	1,000,000	70.20
		07/07/2016	—	1,500,000	(300,000) (Note 5)	—	1,200,000	46.90
Ricky K Y Wong	Nil	04/07/2011	800,000	N/A	—	(800,000)	Nil	55.15

Notes:

- (1) The Wharf's share options granted on 4 July 2011 (exercisable from 5 July 2011 to 4 July 2016) outstanding as at both 1 January 2016 and 4 July 2016 (the date on which the relevant options lapsed) as stated above were 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 tranches becoming exercisable from 5th July in 2011, 2012, 2013, 2014 and 2015 respectively, subject to one exception. Such an exception is that regarding the relevant options lapsed on 4 July 2016 held by Mr Paul Y C Tsui, the options were 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 tranches becoming exercisable from 5th July in 2012, 2013, 2014 and 2015 respectively.
- (2) The Wharf's share options granted on 5 June 2013 (exercisable from 6 June 2013 to 5 June 2018) outstanding as at both 1 January 2016 and 31 December 2016 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 tranches becoming exercisable from 6th June in 2013, 2014, 2015, 2016 and 2017 respectively.
- (3) The Wharf's share options granted on 7 July 2016 (exercisable from 8 July 2016 to 7 July 2021) outstanding as at both the date of grant and 31 December 2016 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 tranches becoming exercisable from 8th July in 2016, 2017, 2018, 2019 and 2020 respectively, subject to one exception. Such an exception is that regarding the relevant options outstanding as at 31 December 2016 held by Mr Paul Y C Tsui, the options will be 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 the one-fourth of the relevant total number of Wharf's shares, and with the 1st, 2nd, 3rd and 4th tranches becoming exercisable from 8th July in 2017, 2018, 2019 and 2020 respectively.
- (4) As at both 1 January 2016 and 31 December 2016, 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.
- (5) The closing price of Wharf's shares immediately before the date(s) of exercise(s) of the options (all exercised on the same day) by Mr Paul Y C Tsui during the year was HK\$55.65 per share.

Except as disclosed above:

- (1) no share option of the Company and/or Wharf held by Directors of the Company and/or their associate(s) (including Mr Peter K C Woo who, being an associate of Mr Douglas C K Woo, is also a substantial shareholder of the Company) lapsed or was exercised or cancelled during the financial year and no share option of the Company and/or Wharf was granted to any Director of the Company and/or any of their associate(s) during the financial year; and
- (2) 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 2016 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 2016.

# REPORT OF THE DIRECTORS (CONTINUED)

## (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 2016 and the respective relevant numbers of shares (percentages based on all issued 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"):

Names	Number (percentage) of Ordinary Shares
(i) Mr Peter K C Woo (Notes 1 & 4)	241,979,652 (11.89%)
(ii) Mrs Bessie P Y Woo (Notes 1 & 4)	241,979,652 (11.89%)
(iii) HSBC Trustee (C.I.) Limited	995,221,678 (48.91%)

Notes:

- (1) The interests of party (i) (who is regarded as an associate of party (ii) and vice versa) and party (ii) stated above do not include the personal interests held by party (i) 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 2016 and 31 December 2016, 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, and options granted by Wharf on 4 July 2011 (relevant options lapsed on 4 July 2016) 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 those which are applicable to share options of the Company and of Wharf granted on the respective dates to Mr Stephen T H Ng as stated above in subsections (II) and (III) of section (B) "Directors' Interests in Securities".
- (4) For the purpose of disclosure of interests in share options of the Company and of Wharf under the Listing Rules, Mr Douglas C K Woo is regarded as an associate of each of party (i) and party (ii). Particulars of Mr Douglas C K Woo's relevant share option interests (not included in the interests held by party (i) and 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 2016, 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 Wheelock's shares available for issue under the Company's Scheme as at the date of this annual report:  
200,034,928
- (ii) Percentage which the 200,034,928 ordinary shares represent to the total number of Wheelock's shares in issue as at the date of this annual report:  
9.83%
- (d) Maximum entitlement of each eligible participant under the Company's Scheme:  
Not to exceed 1% of all Wheelock's shares in issue in any 12-month period unless approved by Shareholders of the Company
- (e) Period within which Wheelock's 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
- (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 Wheelock's 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 Wheelock's 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 Wheelock's 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 4 years (expiring on 8 June 2021)



## REPORT OF THE DIRECTORS (CONTINUED)

### (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 2016	Granted during the year	Exercised during the year	As at 31 December 2016		
(i) 14/06/2013:	2,500,000	N/A	(1,200,000)	1,300,000	15/06/2013 – 14/06/2018	39.98
	2,500,000	N/A	(150,000)	2,350,000	15/06/2014 – 14/06/2018	39.98
	2,500,000	N/A	—	2,500,000	15/06/2015 – 14/06/2018	39.98
	2,500,000	N/A	—	2,500,000	15/06/2016 – 14/06/2018	39.98
	2,500,000	N/A	—	2,500,000	15/06/2017 – 14/06/2018	39.98
	12,500,000	N/A	(1,350,000)	11,150,000		
(ii) 07/07/2016:	N/A	2,500,000	(1,500,000)	1,000,000	08/07/2016 – 07/07/2021	36.60
	N/A	2,500,000	—	2,500,000	08/07/2017 – 07/07/2021	36.60
	N/A	2,500,000	—	2,500,000	08/07/2018 – 07/07/2021	36.60
	N/A	2,500,000	—	2,500,000	08/07/2019 – 07/07/2021	36.60
	N/A	2,500,000	—	2,500,000	08/07/2020 – 07/07/2021	36.60
		12,500,000	(1,500,000)	11,000,000		
<b>Total:</b>	<b>12,500,000</b>	<b>12,500,000</b>	<b>(2,850,000)</b>	<b>22,150,000</b>		

Notes:

- (1) The closing price of Wheelock's shares on the last trading day immediately before the grant of share options on 7 July 2016 was HK\$36.20 per share.
- (2) The weighted average closing price of Wheelock's shares immediately before the date(s) of exercise(s) of the options during the financial year as abovementioned was HK\$45.67 per share.
- (3) Except as disclosed above, 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 276,144,732 and 9.11% 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 2016	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 December 2016		
(i) 04/07/2011:							
	1,540,000	N/A	—	(1,540,000)	Nil	05/07/2011 – 04/07/2016	55.15
	2,020,000	N/A	—	(2,020,000)	Nil	05/07/2012 – 04/07/2016	55.15
	2,020,000	N/A	—	(2,020,000)	Nil	05/07/2013 – 04/07/2016	55.15
	2,020,000	N/A	—	(2,020,000)	Nil	05/07/2014 – 04/07/2016	55.15
	2,020,000	N/A	—	(2,020,000)	Nil	05/07/2015 – 04/07/2016	55.15
	9,620,000	N/A	—	(9,620,000)	Nil		
(ii) 05/06/2013:							
	2,100,000	N/A	—	—	2,100,000	06/06/2013 – 05/06/2018	70.20
	2,100,000	N/A	—	—	2,100,000	06/06/2014 – 05/06/2018	70.20
	2,100,000	N/A	—	—	2,100,000	06/06/2015 – 05/06/2018	70.20
	2,100,000	N/A	—	—	2,100,000	06/06/2016 – 05/06/2018	70.20
	2,100,000	N/A	—	—	2,100,000	06/06/2017 – 05/06/2018	70.20
	10,500,000	N/A	—	—	10,500,000		
(iii) 07/07/2016:							
	N/A	2,900,000	(1,100,000)	—	1,800,000	08/07/2016 – 07/07/2021	46.90
	N/A	2,900,000	—	—	2,900,000	08/07/2017 – 07/07/2021	46.90
	N/A	2,900,000	—	—	2,900,000	08/07/2018 – 07/07/2021	46.90
	N/A	2,900,000	—	—	2,900,000	08/07/2019 – 07/07/2021	46.90
	N/A	2,900,000	—	—	2,900,000	08/07/2020 – 07/07/2021	46.90
	N/A	14,500,000	—	—	13,400,000		
<b>Total:</b>	<b>20,120,000</b>	<b>14,500,000</b>	<b>(1,100,000)</b>	<b>(9,620,000)</b>	<b>23,900,000</b>		

Notes:

- (1) The closing price of Wharf's shares on the last trading day immediately before the grant of share options on 7 July 2016 was HK\$46.60 per share.
- (2) The weighted average closing price of Wharf's shares immediately before the date(s) of exercise(s) of the options during the financial year as abovementioned was HK\$56.14 per share.
- (3) The lapse of share options during the financial year covering a total of 9,620,000 Wharf's shares as stated above was in accordance with the terms of Wharf's Scheme.
- (4) 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.

# REPORT OF THE DIRECTORS (CONTINUED)

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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.

## **(F) MAJOR CUSTOMERS & SUPPLIERS**

For the financial year ended 31 December 2016:

- (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 34% of the Group's total purchases;
- (b) the largest supplier accounted for 20% of the Group's total purchases;
- (c) none of the Directors of the Company or their associates holds, nor does any Shareholder owning (to the knowledge of the Directors) more than 5% of the Company's equity capital hold, any interests in any of the Group's five largest suppliers; and
- (d) 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 2016 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 96 to 97.

## **(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 2016.

## **(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 announcements made by the Company dated 26 September 2014 and 14 March 2016 respectively, 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 Wharf group for operating various retail businesses, including Lane Crawford stores and CitySuper 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 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 is 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 dated 26 September 2014, received by Wharf group from WGL group for the financial year ended 31 December 2016 amounted to HK\$942 million.

## (II) Acquisition of Unit C, Ground Floor, Wheelock House by Wharf

On 14 March 2016, City State Ventures Limited, which is a wholly-owned subsidiary of Wharf, entered into a sale and purchase agreement with Champion Honest International Limited (“CHIL”) to acquire the entire issued share capital and shareholder’s loan in Estcourt International Limited whose principal asset (held through its wholly-owned subsidiary) is the commercial premises known as Unit C located at Ground Floor of Wheelock House, for a consideration of approximately HK\$1,141 million. The consideration was payable in cash, fully paid on completion (which took place on 31 March 2016) as mentioned in the announcement dated 14 March 2016. The acquisition offered Wharf a rare opportunity to acquire a prime and very visible Central property at a reasonable yield to expand Wharf’s portfolio of investment properties in Hong Kong. CHIL was effectively owned and controlled by Mr Peter K C Woo and his spouse. As Mr Peter K C Woo is a substantial shareholder of the Company, the entering into of the transaction constituted a connected transaction for the Company under the Listing Rules.

(III) With regard to the Related Party Transactions as disclosed under Note 28 to the Financial Statements on page 112, the transactions stated under paragraphs “(a)” and “(b)” therein constitute connected transactions (as defined under the Listing Rules) of the Company and the one under paragraph “(c)” does not constitute a connected transaction for the Company.

## (IV) 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.

## REPORT OF THE DIRECTORS (CONTINUED)

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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 2016; 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 arising which result 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 Residential Properties (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.

The Group's DP segment is expected to continue to be exposed 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 another core business of the Group accounting for over 63% of the Group's total assets. 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 stays alert to market needs and competitors' offensives in order to maintain competitiveness. Continuously upkeeping 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 2017, 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 fluctuations 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 with local laws or regulations, leading to not only financial loss but also reputational damage to the Group. In mitigation of relevant risks, the Group has actively assessed the effect of relevant developments and engages closely with regulatory authorities and external advisors on new laws and regulations and also trending legislations 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 on pages 103 to 108.

## (K) ENVIRONMENT, SOCIAL AND GOVERNANCE

Wheelock strives to contribute to sustainable development and create positive impact in society. Under the banner of "Business-in-Community", our Corporate Social Responsibility ("CSR") efforts aim to bring lasting value to our people, environment and community.

The Group's full CSR report will be published in July 2017 on the Company's corporate website ([www.wheelockcompany.com](http://www.wheelockcompany.com)). The report will be prepared in accordance with the Environmental, Social and Governance Reporting Guide issued by the Stock Exchange, and with Global Reporting Initiative G4 reporting framework and will be independently audited.



# REPORT OF THE DIRECTORS (CONTINUED)

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## Environment

Wheelock is committed to optimising the use of natural resources and minimising the impact our operations have on the environment. We consider sustainability in all stages of project development, from inception, planning, design, procurement, construction and occupation to demolition or conversion. At a minimum, all of our construction projects follow the BEAM Plus green building guidelines. We track and analyse environmental metrics from all of our construction sites. We strive to surpass regulatory compliance and adopt international standards in minimising and effectively managing energy, water, materials consumption as well as controlling emissions and waste.

## People

Wheelock is an equal opportunity employer. We recruit candidates based on their ability and eligibility for the job. The Group has put in place policies and procedures which set labour and employment practice standards and requirements including, but not limited to, anti-corruption, anti-discrimination, human rights, talent recruitment and promotion, decent workplace, grievance mechanism and employee wellbeing. We are constantly investing in building capacity of our workforce through talent development and training, to deliver exemplary service to our customers.

## Health and Safety

Wheelock places great emphasis on health and safety for our staff and customers. Across our business units, corresponding task groups or departments are in place to monitor potential health and safety risks and to implement improvement plans where appropriate. We conduct relevant training on a timely basis for our employees and subcontracted workers, in particular on our construction sites to manage the risk of accidents.

## Products and Services

Given our diverse operations and customer base, the Group is dedicated to providing quality products and services to our customers. Regular product and service assessment and customer engagement are in place to ensure they comply with local laws and industry regulations and to fulfil customers' expectations. We manage and protect all collected customer data in compliance with the Personal Data (Privacy) Ordinance.

## Supplier Management

The Group and business units follow policies and procedures to select suppliers and contractors who share our social, environmental and labour practice standards. We address ethical conduct, labour standards, human rights, product responsibility and environmental impact. Regular reviews or assessments are in place to ensure our supply chain partners comply with local laws and our requirements.

## Stakeholder Engagement

Our business depends on strong relationships built on trust and transparency. To ensure our actions and our reporting continue to reflect our business and stakeholder priorities, we actively engage our key stakeholders — employees, customers, business partners, community partners, government and regulators, investors and the media — through regular meetings, calls, reports and events.

## (L) 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 2017 (the date of the Report of the Directors of the Company), serve/served as directors of subsidiary(ies) of the Company are set out below:

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

\* ceased to be a director on or before 10 March 2017

# INDEPENDENT AUDITOR'S REPORT

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## TO THE MEMBERS OF WHEELOCK AND COMPANY LIMITED

*(Incorporated in Hong Kong with limited liability)*

### OPINION

We have audited the consolidated financial statements of Wheelock and Company Limited (“the Company”) and its subsidiaries (“the Group”) set out on pages 65 to 143, which comprise the consolidated statement of financial position as at 31 December 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA’s *Code of Ethics for Professional Accountants* (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon and we do not provide a separate opinion on these matters.

## Valuation of completed investment properties (“IP”) and investment properties under development (“IPUD”)

Refer to accounting policy D(i) and note 8 to the consolidated financial statements

### The key audit matter

The Group holds a portfolio of IP (primarily retail and offices) located in Hong Kong, major cities across Mainland China and Singapore which accounted for 63% of the Group’s total assets as at 31 December 2016.

The fair values of the IP as at 31 December 2016 were assessed by the Group based on independent valuations prepared by a qualified external property valuer which take into account the net income of each property, allowing for reversionary potential and redevelopment potential where appropriate.

The net changes in fair value of IP recorded in the consolidated income statement represented 2% of the Group’s profit before taxation for the year ended 31 December 2016.

We identified assessing the valuation of IP and IPUD as a key audit matter because these properties represent the majority of the Group’s total assets and a small adjustment to or variances in the assumptions and data used to compute the valuation of individual properties, when aggregated, could have a significant impact on the Group’s profit and because the valuation of IP and IPUD is inherently subjective requiring significant judgement and estimation, particularly in determining market rents and capitalisation rates, which increases the risk of error or potential management bias.

### How the matter was addressed in our audit

Our audit procedures to assess the valuation of IP and IPUD included the following:

- obtaining and inspecting the valuation reports prepared by the external property valuer engaged by the Group;
- meeting the external property valuer to discuss and challenge the key estimates and assumptions adopted in the valuations, including prevailing market rents, market yields and comparable market transactions, and to assess the independence, objectivity, qualifications and expertise of the external property valuer in the properties being valued;
- with the assistance of our internal property valuation specialists, assessing the valuation methodology adopted by the external property valuer and comparing the key estimates and assumptions adopted in the valuation of each IP, including market rents and market yields, with available market data and government statistics; and
- conducting site visits to IP and comparing tenancy information, including market rents and occupancy rates, adopted by the external property valuer with underlying contracts and related documentation, on a sample basis.

For IPUD our audit procedures also included the following:

- evaluating the design, implementation and operating effectiveness of key internal controls over the preparation, monitoring and management of the budgeted construction and other costs for each IPUD;
- comparing unit construction costs with research reports published by international property and construction consultants and other available data; and
- conducting site visits to IPUD on a sample basis, discussing with management the progress of each IPUD and comparing the observed progress with the latest development budgets provided by management.

# INDEPENDENT AUDITOR'S REPORT (CONTINUED)

## Assessing the net realisable value of properties under development for sale ("PUD") in Mainland China

Refer to accounting policy L(ii) and note 14 to the consolidated financial statements

### The key audit matter

The Group has a number of property development projects located in Hong Kong, major cities across Mainland China and Singapore which were stated at the lower of cost and net realisable value as at 31 December 2016 at an aggregate amount of HK\$70 billion.

The calculation of the net realisable value of each property development project at the financial reporting date is performed by the Group's internal property valuers.

The calculation of net realisable value of PUD involves significant management judgement and estimation in preparing and updating project feasibility studies and in estimating the costs to complete each property development project as well as in assessing the expected selling prices for each property (by reference to recent sales transactions in nearby locations and rates of new property sales) and the estimated future selling costs and requires the application of a risk-adjusted discount rate to estimate future discounted cash flows to be derived from each property development project.

Recent property market cooling measures imposed by the local governments in different cities in Mainland China, which include increased percentages for mortgage down payments and home purchase restrictions, could lead to volatility in property prices in these cities.

We identified assessing the net realisable value of PUD in Mainland China as a key audit matter because of the inherent risks involved in estimating the costs to complete each property development project and the future selling prices for each property development project, particularly in light of the current economic circumstances in Mainland China and because of the risk of management bias in the judgement and estimates used in the calculation of the net realisable value.

### How the matter was addressed in our audit

Our audit procedures to assess the net realisable value of PUD in Mainland China included the following:

- evaluating the design, implementation and operating effectiveness of key internal controls over the preparation, monitoring and management of the budgeted construction and other costs for each property development project;
- conducting site visits to all property development projects, discussing with the Group's internal property valuers the progress and comparing the observed progress with the latest development budgets for each property development project provided by management;
- assessing the internal property valuers' qualifications, experience and expertise in the properties being valued;
- evaluating the internal property valuers' valuation methodology and assessing the key estimates, data inputs and assumptions adopted in the valuations, which included comparing expected future average selling prices with available market data such as recently transacted prices for similar properties located in the nearby vicinity of each property development project and comparing costs to complete each property development project with publicly available construction cost information for similar properties (including both property type and location) and the sales budget plans maintained by the Group;
- re-performing the calculations made by the internal property valuers in arriving at the year end assessments of net realisable value, on a sample basis, and comparing the estimated costs to complete each property development project with the Group's updated budgets; and
- performing sensitivity analyses to determine the extent of change in those estimates that, either individually or collectively, would be required for the PUD to be materially misstated and considering the likelihood of such a movement in those key estimates arising and whether there was any evidence of management bias in their selection.

## Revenue recognition for investment properties (“IP”) and development properties (“DP”)

Refer to accounting policy P and note 1 to the consolidated financial statements

### The key audit matter

### How the matter was addressed in our audit

Revenue from the IP and DP segments accounted for 86% of the Group’s revenue for the year ended 31 December 2016.

Deposits from sale of properties as at 31 December 2016 totalled HK\$31 billion.

Revenue from IP is recognised in equal instalments over the accounting periods covered by the lease term and includes contingent rental which is determined based on the turnover of certain retail outlets.

Revenue from DP is recognised upon the later of the execution of a formal sale and purchase agreement and the issue of the occupation/completion certificate by the relevant government authorities.

We identified the recognition of revenue for IP and DP as a key audit matter because of its significance to the Group and because small errors in recognition of revenue, either individually or in aggregate for each property, could have a material impact on the Group’s profit for the year.

Our audit procedures to assess the recognition of revenue for IP and DP included the following:

- evaluating the design, implementation of operating effectiveness of key internal controls over the recording of revenue for the IP and DP segments;
- comparing fixed rental revenue received and receivable with underlying tenancy information, including monthly rents and rental periods as set out the signed rental agreements, on a sample basis, and assessing whether fixed rental revenue had been recorded in the appropriate accounting period;
- re-performing the calculation of contingent rental received and receivable with reference to turnover reports submitted by the relevant retail outlets, on a sample basis, and assessing whether the contingent rental had been recorded and accounted for in the appropriate accounting period; and
- inspecting occupation or completion certificates which had been issued by the relevant government authorities for a sample of sales and pre-sales for each development property project and assessing whether the cash, for the sample selected, had been received by comparing the amount received with bank statements and assessing whether revenue should be recorded in the current accounting period or should be deferred as deposits from pre-sale of properties.



# INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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## **INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON**

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheung Wing Han, Ivy.

### **KPMG**

*Certified Public Accountants*

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

10 March 2017

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	Note	2016 HK\$ Million	2015 HK\$ Million
<b>Revenue</b>	1	<b>60,579</b>	57,431
Direct costs and operating expenses		<b>(34,447)</b>	(31,879)
Selling and marketing expenses		<b>(1,956)</b>	(2,217)
Administrative and corporate expenses		<b>(1,629)</b>	(1,727)
Operating profit before depreciation, amortisation, interest and tax		<b>22,547</b>	21,608
Depreciation and amortisation	2	<b>(1,412)</b>	(1,555)
<b>Operating profit</b>	1 & 2	<b>21,135</b>	20,053
Increase in fair value of investment properties		<b>597</b>	7,360
Other net income/(charge)	3	<b>6,341</b>	(240)
		<b>28,073</b>	27,173
Finance costs	4	<b>(1,484)</b>	(2,092)
Share of results after tax of :			
Associates	10 (e)	<b>1,190</b>	1,241
Joint ventures	11 (d)	<b>1,984</b>	222
Profit before taxation		<b>29,763</b>	26,544
Income tax	5	<b>(4,691)</b>	(4,710)
<b>Profit for the year</b>		<b>25,072</b>	21,834
<b>Profit attributable to:</b>			
Equity shareholders		<b>16,294</b>	14,232
Non-controlling interests		<b>8,778</b>	7,602
		<b>25,072</b>	21,834
<b>Earnings per share</b>	7		
Basic		<b>HK\$8.02</b>	HK\$7.00
Diluted		<b>HK\$8.01</b>	HK\$7.00

The notes and principal accounting policies on pages 72 to 143 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 2016

	2016 HK\$ Million	2015 HK\$ Million
<b>Profit for the year</b>	<b>25,072</b>	21,834
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange losses on:	<b>(5,652)</b>	(6,654)
Translation of foreign operations	<b>(5,652)</b>	(6,537)
Transferred to profit or loss on disposal of a subsidiary	–	(117)
Net deficit on bond investments (2015: available-for-sale investments):	<b>(28)</b>	(3,215)
Deficit on revaluation	<b>(9)</b>	(2,573)
Transferred to profit or loss on disposal	<b>(19)</b>	(642)
Share of other comprehensive income of associates/joint ventures	<b>(1,099)</b>	(1,355)
Others	<b>14</b>	10
<b>Item that will not be reclassified to profit or loss:</b>		
Fair value changes on equity investments	<b>(747)</b>	–
<b>Other comprehensive income for the year</b>	<b>(7,512)</b>	(11,214)
<b>Total comprehensive income for the year</b>	<b>17,560</b>	10,620
<b>Total comprehensive income attributable to:</b>		
Equity shareholders	<b>11,911</b>	7,279
Non-controlling interests	<b>5,649</b>	3,341
	<b>17,560</b>	10,620

The notes and principal accounting policies on pages 72 to 143 form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Note	2016 HK\$ Million	2015 HK\$ Million
<b>Non-current assets</b>			
Investment properties	8	329,057	325,044
Property, plant and equipment	9	20,756	22,804
Interest in associates	10	17,539	20,857
Interest in joint ventures	11	17,578	18,481
Equity and bond investments	12	9,530	–
Available-for-sale investments	12	–	12,475
Goodwill and other intangible assets	13	298	305
Deferred tax assets	22	705	732
Derivative financial assets	16	324	769
Other non-current assets		609	289
		<b>396,396</b>	401,756
<b>Current assets</b>			
Properties for sale	14	70,050	76,184
Inventories		29	46
Trade and other receivables	15	9,567	7,154
Derivative financial assets	16	429	352
Bank deposits and cash	17	43,964	27,266
		<b>124,039</b>	111,002
<b>Total assets</b>		<b>520,435</b>	512,758
<b>Non-current liabilities</b>			
Derivative financial liabilities	16	(2,073)	(2,102)
Deferred tax liabilities	22	(10,700)	(10,836)
Other deferred liabilities		(305)	(334)
Bank loans and other borrowings	20	(69,055)	(95,681)
		<b>(82,133)</b>	(108,953)
<b>Current liabilities</b>			
Trade and other payables	18	(28,881)	(26,493)
Deposits from sale of properties	19	(30,599)	(23,092)
Derivative financial liabilities	16	(777)	(620)
Taxation payable	5(d)	(2,639)	(2,229)
Bank loans and other borrowings	20	(25,886)	(10,512)
		<b>(88,782)</b>	(62,946)
<b>Total liabilities</b>		<b>(170,915)</b>	(171,899)
<b>NET ASSETS</b>		<b>349,520</b>	340,859
<b>Capital and reserves</b>			
Share capital	24(a)	3,075	2,949
Reserves		212,290	198,718
<b>Shareholders' equity</b>		<b>215,365</b>	201,667
<b>Non-controlling interests</b>		<b>134,155</b>	139,192
<b>TOTAL EQUITY</b>		<b>349,520</b>	340,859

The notes and principal accounting policies on pages 72 to 143 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 2016

	Shareholders' equity						
	Share capital	Investments revaluation and other reserves	Exchange reserves	Revenue reserves	Total shareholders' equity	Non-controlling interests	Total equity
<b>At 1 January 2015</b>	2,949	1,001	5,467	181,789	191,206	148,710	339,916
<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
Equity settled share-based payments	-	45	-	-	45	17	62
Share options lapsed in a subsidiary	-	(16)	-	16	-	-	-
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)
Capital contribution from non-controlling interests of a subsidiary	-	-	-	-	-	876	876
2014 second interim dividend paid	-	-	-	(1,387)	(1,387)	-	(1,387)
2015 first interim dividend paid	-	-	-	(864)	(864)	-	(864)
Dividends paid to non-controlling interests	-	-	-	-	-	(2,797)	(2,797)
<b>At 31 December 2015 and 1 January 2016</b>	<b>2,949</b>	<b>(1,187)</b>	<b>718</b>	<b>199,187</b>	<b>201,667</b>	<b>139,192</b>	<b>340,859</b>
<b>Changes in equity for 2016:</b>							
Profit	-	-	-	16,294	16,294	8,778	25,072
Other comprehensive income	-	(374)	(4,015)	6	(4,383)	(3,129)	(7,512)
Total comprehensive income	-	(374)	(4,015)	16,300	11,911	5,649	17,560
Share issued under the share option scheme	126	(17)	-	-	109	-	109
Equity settled share-based payments	-	72	-	-	72	20	92
Share options lapsed in a subsidiary	-	(96)	-	96	-	-	-
Shares issued by a subsidiary	-	(2)	-	-	(2)	54	52
Acquisition of additional interest in subsidiaries	-	-	-	3,996	3,996	(7,685)	(3,689)
Transfer to revenue reserves upon de-recognition of equity investments	-	154	-	(154)	-	-	-
Net capital repatriated to non-controlling interests of subsidiaries	-	-	-	-	-	(48)	(48)
2015 second interim dividend paid	-	-	-	(1,473)	(1,473)	-	(1,473)
2016 first interim dividend paid	-	-	-	(915)	(915)	-	(915)
Dividends paid to non-controlling interests	-	-	-	-	-	(3,027)	(3,027)
<b>At 31 December 2016</b>	<b>3,075</b>	<b>(1,450)</b>	<b>(3,297)</b>	<b>217,037</b>	<b>215,365</b>	<b>134,155</b>	<b>349,520</b>

The notes and principal accounting policies on pages 72 to 143 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	2016 HK\$ Million	2015 HK\$ Million
Operating cash inflow	(a)	21,831	20,930
Changes in working capital	(a)	14,185	16,634
<b>Cash generated from operations</b>	(a)	<b>36,016</b>	37,564
Net interest paid		(2,501)	(2,943)
Interest paid		(3,038)	(3,402)
Interest received		537	459
Dividends received from associates		869	871
Dividends received from joint ventures		699	172
Dividends received from investments		238	333
Hong Kong profits tax paid		(1,793)	(1,759)
Overseas tax paid		(1,892)	(1,562)
Net cash generated from operating activities		<b>31,636</b>	32,676
<b>Investing activities</b>			
Additions to investment properties		(7,511)	(6,118)
Additions to property, plant and equipment		(2,085)	(1,306)
Additions to programming library		(122)	(116)
Net decrease/(increase) in interest in associates		2,831	(1,592)
Net decrease in interest in joint ventures		1,452	250
Acquisition of additional interest in subsidiaries		(3,724)	(5,613)
Purchase of equity and bond investments/available-for-sale investments		(1,609)	(8,557)
Net proceeds from disposal of subsidiaries	(c)	9,388	–
Net proceeds from disposal of a subsidiary and a joint venture		–	1,275
Proceeds from disposal of equity and bond investments/ available-for-sale investments		3,683	10,541
Proceeds from disposal of investment properties		737	–
Net proceeds from disposal of property, plant and equipment		44	5
Addition to long term receivables		(324)	(49)
Net placement of bank deposits with maturity greater than three months		(8,552)	(1)
Placement of pledged deposits		(97)	–
Net cash used in investing activities		<b>(5,889)</b>	(11,281)
<b>Financing activities</b>			
Proceeds from the issue of shares under the share option scheme		109	–
Proceeds from the issue of shares under the share option scheme of a subsidiary		52	50
Drawdown of bank loans and other borrowings		23,573	24,908
Repayment of bank loans and other borrowings		(34,458)	(35,078)
Net capital (repatriation to)/contribution from non-controlling interests of subsidiaries		(48)	876
Dividends paid to equity shareholders		(2,388)	(2,251)
Dividends paid to non-controlling interests		(3,027)	(2,797)
Net cash used in financing activities		<b>(16,187)</b>	(14,292)
<b>Net increase in cash and cash equivalents</b>		<b>9,560</b>	7,103
Cash and cash equivalents at 1 January		27,165	21,179
Effect of exchange rate changes		(1,511)	(1,117)
<b>Cash and cash equivalents at 31 December</b>	(b)	<b>35,214</b>	27,165

The notes and principal accounting policies on pages 72 to 143 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2016

## NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2016 HK\$ Million	2015 HK\$ Million
Operating profit	21,135	20,053
Adjustments for:		
Interest income	(575)	(454)
Dividend income from investments	(238)	(333)
Depreciation and amortisation	1,412	1,555
Impairment of property, plant and equipment	–	45
Loss on disposal of property, plant and equipment	5	2
Equity settled share-based payment expenses	92	62
Operating cash inflow	21,831	20,930
Increase in properties under development for sale	(21,605)	(15,679)
Decrease in completed properties for sale	27,579	26,592
Decrease in inventories	7	2
Increase in trade and other receivables	(2,759)	(510)
Increase in trade and other payables	3,013	2,248
Increase in deposits from sale of properties	7,507	4,584
Increase/(decrease) in derivative financial instruments	609	(167)
Exchange differences on working capital changes	(187)	(421)
Other non-cash items	21	(15)
Changes in working capital	14,185	16,634
Cash generated from operations	36,016	37,564

### b) Cash and cash equivalents

	2016 HK\$ Million	2015 HK\$ Million
Bank deposits and cash in the consolidated statement of financial position (Note 17)	43,964	27,266
Less: Bank deposits with maturity greater than three months	(8,653)	(101)
Pledged bank deposits	(97)	–
Cash and cash equivalents in the consolidated statement of cash flows	35,214	27,165

### c) Net proceeds from disposal of subsidiaries

During the year ended 31 December 2016, the Group disposed of its equity interest in subsidiaries to third parties. The cash flows and the net assets of the subsidiaries were as follows:

	<b>HK\$ Million</b>
Property, plant and equipment	<b>2,111</b>
Other assets	<b>480</b>
Liabilities	<b>(560)</b>
Net assets disposed of	<b>2,031</b>
Total consideration	<b>9,500</b>
Carrying amount of net assets disposed of	<b>(2,031)</b>
Direct expenses	<b>(209)</b>
Gain on disposal (Note 3a)	<b>7,260</b>
Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:	
Total consideration	<b>9,500</b>
Less: Cash and cash equivalents disposed of	<b>(91)</b>
Less: Direct expenses and others	<b>(21)</b>
Net inflow of cash and cash equivalents on disposal of subsidiaries	<b>9,388</b>

# NOTES TO THE FINANCIAL STATEMENTS

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## 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 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, sales 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”). Wharf disposed of the entire equity interest in Wharf T&T in November 2016.

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 equity and bond 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 income/ (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 2016								
Investment property	15,736	12,837	597	(49)	(1,394)	-	-	11,991
Hong Kong	13,035	11,356	1,286	54	(1,349)	-	-	11,347
Mainland China	2,350	1,253	(376)	(103)	(45)	-	-	729
Singapore	351	228	(313)	-	-	-	-	(85)
Development property	36,539	7,253	-	(411)	(145)	875	1,973	9,545
Hong Kong	13,497	3,772	-	-	(81)	1	1,634	5,326
Mainland China	21,670	3,234	-	(457)	(52)	874	339	3,938
Singapore	1,372	247	-	46	(12)	-	-	281
Hotels	1,587	289	-	-	(4)	-	-	285
Logistics	2,748	719	-	(161)	(152)	244	11	661
Terminals	2,635	710	-	(120)	(152)	166	11	615
Others	113	9	-	(41)	-	78	-	46
CME	3,145	59	-	-	(29)	-	-	30
i-CABLE	1,406	(313)	-	1	(6)	-	-	(318)
Telecommunications	1,739	372	-	(1)	(23)	-	-	348
Inter-segment revenue	(430)	-	-	-	-	-	-	-
Segment total	59,325	21,157	597	(621)	(1,724)	1,119	1,984	22,512
Investment and others	1,254	719	-	6,962	240	71	-	7,992
Corporate expenses	-	(741)	-	-	-	-	-	(741)
Group total	60,579	21,135	597	6,341	(1,484)	1,190	1,984	29,763
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



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### b) Analysis of inter-segment revenue

	2016			2015		
	Total revenue HK\$ Million	Inter-segment revenue HK\$ Million	Group revenue HK\$ Million	Total revenue HK\$ Million	Inter-segment revenue HK\$ Million	Group revenue HK\$ Million
Investment property	15,736	(251)	15,485	15,054	(206)	14,848
Development property	36,539	–	36,539	33,718	–	33,718
Hotels	1,587	–	1,587	1,549	–	1,549
Logistics	2,748	–	2,748	2,848	–	2,848
CME	3,145	(63)	3,082	3,501	(78)	3,423
Investment and others	1,254	(116)	1,138	1,198	(153)	1,045
	<b>61,009</b>	<b>(430)</b>	<b>60,579</b>	57,868	(437)	57,431

### c) Analysis of segment business assets

	2016 HK\$ Million	2015 HK\$ Million
Investment property	330,337	326,522
Hong Kong	265,355	261,495
Mainland China	59,111	58,737
Singapore	5,871	6,290
Development property	110,493	118,548
Hong Kong	51,511	40,431
Mainland China	50,766	69,490
Singapore	8,216	8,627
Hotels	8,361	7,728
Logistics	17,732	18,244
Terminals	16,727	17,245
Others	1,005	999
CME	1,193	3,918
i-CABLE	1,193	1,189
Telecommunications	–	2,729
Total segment business assets	<b>468,116</b>	474,960
Unallocated corporate assets	<b>52,319</b>	37,798
Total assets	<b>520,435</b>	512,758

Unallocated corporate assets mainly comprise certain equity and bond 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:

	2016 HK\$ Million	2015 HK\$ Million
Development property	28,970	33,273
Logistics	5,974	6,065
Group total	<b>34,944</b>	39,338

d) Other segment information

	Capital expenditure		Increase in interests in associates and joint ventures		Depreciation and amortisation	
	2016 HK\$ Million	2015 HK\$ Million	2016 HK\$ Million	2015 HK\$ Million	2016 HK\$ Million	2015 HK\$ Million
Investment property	7,988	6,047	-	-	112	125
Hong Kong	3,514	1,892	-	-	37	37
Mainland China	4,465	4,137	-	-	74	86
Singapore	9	18	-	-	1	2
Development property	-	-	1,130	3,487	-	-
Hong Kong	-	-	243	155	-	-
Mainland China	-	-	887	3,332	-	-
Hotels	1,021	372	-	-	206	208
Logistics	431	294	-	8	421	457
Terminals	431	294	-	8	418	454
Others	-	-	-	-	3	3
CME	497	538	-	-	673	765
i-CABLE	238	207	-	-	324	351
Telecommunications	259	331	-	-	349	414
Group total	9,937	7,251	1,130	3,495	1,412	1,555

In addition, the CME segment incurred HK\$122 million (2015: HK\$116 million) for its programming library. The Group had no significant non-cash expenses other than (i) impairment provision of HK\$1,296 million made for certain development projects and assets, (ii) depreciation and amortisation and (iii) in 2015, the 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").

e) Geographical information

	Revenue		Operating profit	
	2016 HK\$ Million	2015 HK\$ Million	2016 HK\$ Million	2015 HK\$ Million
Hong Kong	33,538	35,080	16,422	16,309
Mainland China	25,240	21,685	4,205	3,406
Singapore	1,801	666	508	338
Group total	60,579	57,431	21,135	20,053

	Specified non-current assets		Total business assets	
	2016 HK\$ Million	2015 HK\$ Million	2016 HK\$ Million	2015 HK\$ Million
Hong Kong	285,975	281,207	331,395	318,352
Mainland China	94,239	101,326	122,634	141,691
Singapore	8,966	9,363	14,087	14,917
Group total	389,180	391,896	468,116	474,960

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Specified non-current assets exclude deferred tax assets, certain equity and bond 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

	2016 HK\$ Million	2015 HK\$ Million
Operating profit is arrived at after charging/(crediting):		
Depreciation and amortisation on		
– assets held for use under operating leases	161	162
– property, plant and equipment	1,081	1,197
– leasehold land	60	69
– programming library	110	127
Total depreciation and amortisation	1,412	1,555
Staff costs (Note i)	4,039	4,057
Auditors' remuneration		
– audit services	31	30
– other services	3	4
Cost of trading properties for recognised sales	27,769	25,450
Rental charges under operating leases in respect of telecommunications equipment and services	71	74
Impairment of property, plant and equipment	–	45
Impairment of trade receivables	1	10
Gross rental revenue from investment properties (Note ii)	(15,736)	(15,054)
Direct operating expenses of investment properties	2,743	2,712
Rental income under operating leases in respect of owned plant and equipment	(34)	(16)
Interest income (Note iii)	(575)	(454)
Dividend income from investments	(238)	(333)
Loss on disposal of property, plant and equipment	5	2

Notes:

- (i) Staff costs included contributions to defined contribution pension schemes of HK\$315 million (2015: HK\$308 million), which included MPF schemes (after a forfeiture of HK\$2 million (2015: HK\$3 million)) and equity settled share-based payment expenses of HK\$92 million (2015: HK\$62 million).
- (ii) Rental income included contingent rentals of HK\$1,114 million (2015: HK\$1,478 million).
- (iii) Interest income of HK\$523 million (2015: HK\$384 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	2016 Total emoluments HK\$'000	2015 Total emoluments HK\$'000
<b>Board of Directors</b>						
Douglas C K Woo	225	6,041	9,000	600	15,866	17,508
Stephen T H Ng	225	7,827	11,500	18	19,570	22,958
Stewart C K Leung	150	5,460	8,000	-	13,610	15,606
Paul Y C Tsui	150	5,094	6,500	-	11,744	13,437
Ricky K Y Wong	150	4,414	7,000	658	12,222	13,968
<b>Non-executive Director</b>						
Mignonne Cheng	150	-	-	-	150	150
<b>Independent Non-executive Directors</b>						
T H Chau	150	-	-	-	150	150
Winston K W Leong	150	-	-	-	150	150
Alan H Smith (Note ii)	225	-	-	-	225	225
Richard Y S Tang	150	-	-	-	150	150
Kenneth W S Ting (Note ii)	225	-	-	-	225	225
Nancy S L Tse (Note ii)	225	-	-	-	225	225
Glenn S Yee (Note ii)	225	-	-	-	225	225
<b>Past Director</b>						
Peter K C Woo (Note iii)	-	-	-	-	-	6,793
	<b>2,400</b>	<b>28,836</b>	<b>42,000</b>	<b>1,276</b>	<b>74,512</b>	91,770
Total for 2015	2,512	34,048	54,000	1,210		91,770

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 2016 and 2015.
- (ii) Includes Audit Committee Members' fee for the year ended 31 December 2016 of HK\$75,000 (2015: HK\$75,000) received/receivable by each relevant Directors.
- (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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### c) Five highest paid employees

For the year ended 31 December 2016, information regarding emoluments of 3 (2015: 2) employees of the Group who, not being Directors of the Company, were among the top five highest paid individuals (including Directors of the Company and other employees of the Group) employed by the Group has been set out below:

#### i) Aggregate emoluments

	2016 HK\$ Million	2015 HK\$ Million
Salaries, allowances and benefits in kind	22	11
Equity settled share-based payment expenses (Note)	26	15
Contributions to pension schemes	–	1
Discretionary bonuses	34	19
<b>Total</b>	<b>82</b>	<b>46</b>

Note: Equity settled share-based payment expenses represent the fair value of the options issued under the share option schemes charged to the consolidated income statement during the years.

#### ii) Bandings

	2016 Number	2015 Number
<b>Bands (in HK\$)</b>		
\$22,500,001 – \$23,000,000	–	1
\$23,000,001 – \$23,500,000	–	1
\$24,000,001 – \$24,500,000	2	–
\$33,500,001 – \$34,000,000	1	–
	<b>3</b>	<b>2</b>

### 3. OTHER NET INCOME/(CHARGE)

Other net income for the year amounted to HK\$6,341 million (2015: charge of HK\$240 million) and mainly comprised:

- a) A gain of HK\$7,260 million arising from the disposal of Wharf's entire equity interest in Wharf T&T.
- b) Net foreign exchange gain of HK\$310 million (2015: HK\$40 million) which included a fair value gain on forward foreign exchange contracts of HK\$76 million (2015: loss of HK\$150 million).
- c) Impairment provision of HK\$1,296 million made for certain development projects and assets.

In 2015, the 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 financial investment instead of an associate and the gain of HK\$908 million arising from the disposal of 50% equity interest in the Taicang container port businesses by Modern Terminals were recognised.

#### 4. FINANCE COSTS

	2016 HK\$ Million	2015 HK\$ Million
Interest charged on:		
Bank loans and overdrafts	1,085	1,332
Other borrowings	1,641	1,616
Total interest charge	2,726	2,948
Other finance costs	536	428
Less: Amount capitalised	(1,517)	(1,731)
	1,745	1,645
Fair value loss/(gain):		
Cross currency interest rate swaps	48	420
Interest rate swaps	(309)	27
	(261)	447
Total	1,484	2,092

- a) Interest was capitalised at an average annual rate of approximately 2.4% (2015: 2.4%).
- b) Included in the total interest charge are amounts totalling HK\$1,809 million (2015: HK\$1,978 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:

	2016 HK\$ Million	2015 HK\$ Million
<b>Current income tax</b>		
Hong Kong		
– provision for the year	2,338	2,378
– overprovision in respect of prior years	(7)	(21)
Outside Hong Kong		
– provision for the year	1,215	1,214
– overprovision in respect of prior years	(61)	(9)
	3,485	3,562
<b>Land appreciation tax (“LAT”) in Mainland China</b> (Note 5c)	727	411
<b>Deferred tax</b> (Note 22)		
Change in fair value of investment properties	23	488
Origination and reversal of temporary differences	518	282
Benefit of previously unrecognised tax losses now recognised	(62)	(33)
	479	737
Total	4,691	4,710



## 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 a rate of 16.5% (2015: 16.5%).
- b) Income tax on profits assessable outside Hong Kong is mainly China corporate income tax calculated at a rate of 25% (2015: 25%), China withholding income tax at a rate of up to 10% (2015: 10%) and Singapore income tax at a rate of 17% (2015: 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 2016 of HK\$1,178 million (2015: HK\$1,111 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 2016, the Group has provided HK\$159 million (2015: HK\$145 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>2016</b> <b>HK\$ Million</b>	2015 HK\$ Million
Profit before taxation	<b>29,763</b>	26,544
Notional tax on profit before taxation calculated at applicable tax rates	<b>4,804</b>	4,533
Tax effect of non-deductible expenses	<b>1,000</b>	500
Tax effect of non-taxable income	<b>(1,868)</b>	(333)
Tax effect of non-taxable fair value gain on investment properties	<b>(158)</b>	(1,061)
Net overprovision in respect of prior years	<b>(68)</b>	(30)
Tax effect of tax losses not recognised	<b>384</b>	499
Tax effect of previously unrecognised tax losses utilised	<b>(213)</b>	(179)
Tax effect of previously unrecognised tax losses now recognised as deferred tax assets	<b>(62)</b>	(33)
LAT on trading properties	<b>727</b>	411
Deferred LAT on change in fair value of investment properties	<b>(14)</b>	258
Withholding tax on distributed/undistributed earnings	<b>159</b>	145
Actual total tax charge	<b>4,691</b>	4,710

## 6. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	2016 HK\$ per share	2016 HK\$ Million	2015 HK\$ per share	2015 HK\$ Million
First interim dividend declared and paid	0.450	915	0.425	864
Second interim dividend declared after the end of the reporting period	0.850	1,729	0.725	1,473
	<b>1.300</b>	<b>2,644</b>	1.150	2,337

- a) The second interim dividend based on 2,035 million (2015: 2,032 million) issued ordinary shares 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\$1,473 million for 2015 was approved and paid in 2016.

## 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

	2016 HK\$ Million	2015 HK\$ Million
Profit attributable to equity shareholders	<b>16,294</b>	14,232

- b) Weighted average number of ordinary shares

	2016 No. of shares	2015 No. of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>2,032,702,292</b>	2,031,849,287
Effect of dilutive potential shares – Share options	<b>266,158</b>	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>2,032,968,450</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 2015	288,816	28,044	316,860
Exchange differences	(2,871)	(884)	(3,755)
Additions	821	5,059	5,880
Reclassification	(1,340)	39	(1,301)
Revaluation surplus	7,198	162	7,360
At 31 December 2015 and 1 January 2016	<b>292,624</b>	<b>32,420</b>	<b>325,044</b>
Exchange differences	<b>(2,629)</b>	<b>(1,060)</b>	<b>(3,689)</b>
Additions	<b>2,086</b>	<b>5,779</b>	<b>7,865</b>
Disposals	<b>(662)</b>	<b>-</b>	<b>(662)</b>
Reclassification	<b>4,110</b>	<b>(4,208)</b>	<b>(98)</b>
Revaluation surplus	<b>528</b>	<b>69</b>	<b>597</b>
At 31 December 2016	<b>296,057</b>	<b>33,000</b>	<b>329,057</b>
<b>b) The analysis of cost or valuation of the above assets is as follows:</b>			
2016 valuation	<b>296,057</b>	<b>13,556</b>	<b>309,613</b>
At cost	<b>-</b>	<b>19,444</b>	<b>19,444</b>
	<b>296,057</b>	<b>33,000</b>	<b>329,057</b>
2015 valuation	292,624	12,740	305,364
At cost	-	19,680	19,680
	292,624	32,420	325,044
<b>c) Tenure of title to properties:</b>			
At 31 December 2016			
Held in Hong Kong			
Long term leases	<b>220,354</b>	<b>199</b>	<b>220,553</b>
Medium term leases	<b>28,017</b>	<b>16,123</b>	<b>44,140</b>
	<b>248,371</b>	<b>16,322</b>	<b>264,693</b>
Held outside Hong Kong			
Freehold	<b>1,160</b>	<b>-</b>	<b>1,160</b>
Long term leases	<b>4,704</b>	<b>-</b>	<b>4,704</b>
Medium term leases	<b>41,822</b>	<b>16,678</b>	<b>58,500</b>
	<b>296,057</b>	<b>33,000</b>	<b>329,057</b>
At 31 December 2015			
Held in Hong Kong			
Long term leases	217,606	173	217,779
Medium term leases	27,724	15,184	42,908
	245,330	15,357	260,687
Held outside Hong Kong			
Freehold	1,282	-	1,282
Long term leases	4,998	-	4,998
Medium term leases	41,014	17,063	58,077
	292,624	32,420	325,044

#### 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 2016 were revalued by Knight Frank Petty Limited ("Knight Frank") and Savills Valuation and Professional Services (S) Pte Ltd ("Savills"), 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 and Savills 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>Level 3</b>				<b>Total HK\$ Million</b>
	<b>Retail HK\$ Million</b>	<b>Office HK\$ Million</b>	<b>Residential HK\$ Million</b>	<b>Others HK\$ Million</b>	
Recurring fair value measurements					
At 31 December 2016					
Hong Kong	<b>151,004</b>	<b>84,198</b>	<b>26,001</b>	<b>724</b>	<b>261,927</b>
Mainland China	<b>18,245</b>	<b>19,816</b>	<b>3,761</b>	–	<b>41,822</b>
Singapore	<b>3,619</b>	<b>2,245</b>	–	–	<b>5,864</b>
	<b>172,868</b>	<b>106,259</b>	<b>29,762</b>	<b>724</b>	<b>309,613</b>
At 31 December 2015					
Hong Kong	150,163	82,062	25,282	563	258,070
Mainland China	18,292	21,493	1,229	–	41,014
Singapore	3,874	2,406	–	–	6,280
	172,329	105,961	26,511	563	305,364

## 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 HK\$ Million</b>	<b>Under development HK\$ Million</b>	<b>Total HK\$ Million</b>
At 1 January 2015	288,816	9,577	298,393
Exchange differences	(2,871)	–	(2,871)
Additions	821	481	1,302
Reclassification	(1,340)	2,520	1,180
Revaluation surplus	7,198	162	7,360
<b>At 31 December 2015 and 1 January 2016</b>	<b>292,624</b>	<b>12,740</b>	<b>305,364</b>
Exchange differences	<b>(2,629)</b>	<b>–</b>	<b>(2,629)</b>
Additions	<b>2,086</b>	<b>747</b>	<b>2,833</b>
Disposals	<b>(662)</b>	<b>–</b>	<b>(662)</b>
Reclassification	<b>4,110</b>	<b>–</b>	<b>4,110</b>
Revaluation surplus	<b>528</b>	<b>69</b>	<b>597</b>
<b>At 31 December 2016</b>	<b>296,057</b>	<b>13,556</b>	<b>309,613</b>

During the years ended 31 December 2016 and 2015, 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	Capitalisation rate		Weighted average Market rent	
	2016	2015	2016	2015
Hong Kong			(per square foot)	(per square foot)
– Retail	5.1%	5.2%	HK\$280	HK\$278
– Office	4.2%	4.2%	HK\$51	HK\$50
– Residential	4.0%	4.0%	HK\$58	HK\$58
Mainland China			(per square metre)	(per square metre)
– Retail	7.1%	7.1%	RMB346	RMB388
– Office	6.4%	6.4%	RMB171	RMB186
– Residential	6.4%	5.0%	RMB305	RMB242
Singapore			(per square foot)	(per square foot)
– Retail	5.2%	5.2%	S\$16.8	S\$16.8
– Office	4.3%	4.3%	S\$11.0	S\$10.7

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:

	2016 HK\$ Million	2015 HK\$ Million
Within 1 year	11,836	12,028
After 1 year but within 5 years	16,622	17,719
After 5 years	1,347	1,345
	<b>29,805</b>	31,092



# 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 2015	4,897	7,986	2,110	17,933	12,146	45,072
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 and 1 January 2016	<b>4,148</b>	<b>8,634</b>	<b>2,023</b>	<b>16,079</b>	<b>12,532</b>	<b>43,416</b>
Exchange differences	(164)	(176)	(123)	(226)	–	(689)
Additions	1	1,000	68	539	465	2,073
Disposals	–	–	–	(122)	(105)	(227)
Disposal of subsidiaries	–	–	–	(1,367)	(6,960)	(8,327)
Reclassification	–	–	(21)	(150)	234	63
At 31 December 2016	<b>3,985</b>	<b>9,458</b>	<b>1,947</b>	<b>14,753</b>	<b>6,166</b>	<b>36,309</b>
<b>Accumulated depreciation, amortisation and impairment losses</b>						
At 1 January 2015	982	1,431	–	8,139	9,468	20,020
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 and 1 January 2016	<b>915</b>	<b>1,478</b>	<b>–</b>	<b>8,247</b>	<b>9,972</b>	<b>20,612</b>
Exchange differences	(21)	(51)	–	(70)	–	(142)
Charge for the year	60	101	–	658	483	1,302
Written back on disposals	–	–	–	(74)	(104)	(178)
Disposal of subsidiaries	–	–	–	(1,172)	(5,044)	(6,216)
Reclassification	–	–	–	128	47	175
At 31 December 2016	<b>954</b>	<b>1,528</b>	<b>–</b>	<b>7,717</b>	<b>5,354</b>	<b>15,553</b>
<b>Net book value</b>						
At 31 December 2016	<b>3,031</b>	<b>7,930</b>	<b>1,947</b>	<b>7,036</b>	<b>812</b>	<b>20,756</b>
At 31 December 2015	3,233	7,156	2,023	7,832	2,560	22,804

The hotel properties under development comprise the Murray Building Project totalling HK\$5,868 million (2015: HK\$4,947 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:**

	<b>Leasehold land HK\$ Million</b>	<b>Hotel and club properties HK\$ Million</b>	<b>Properties under redevelopment HK\$ Million</b>	<b>Other property, plant and equipment HK\$ Million</b>	<b>CME equipment HK\$ Million</b>	<b>Total HK\$ Million</b>
<b>At 31 December 2016</b>						
Held in Hong Kong						
Long term leases	81	139	-	6	-	226
Medium term leases	853	5,934	-	2,769	-	9,556
	<b>934</b>	<b>6,073</b>	<b>-</b>	<b>2,775</b>	<b>-</b>	<b>9,782</b>
Held outside Hong Kong						
Medium term leases	2,097	1,857	1,947	1,493	-	7,394
	<b>3,031</b>	<b>7,930</b>	<b>1,947</b>	<b>4,268</b>	<b>-</b>	<b>17,176</b>
<b>At 31 December 2015</b>						
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

**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 was recognised in the consolidated income statement.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 10. INTEREST IN ASSOCIATES

	<b>2016</b> <b>HK\$ Million</b>	2015 HK\$ Million
Share of net assets	<b>7,794</b>	8,317
Goodwill	<b>1,961</b>	1,961
	<b>9,755</b>	10,278
Amounts due from associates	<b>7,784</b>	10,579
Total	<b>17,539</b>	20,857
Amounts due to associates (Note 18)	<b>(3,376)</b>	(3,052)
	<b>14,163</b>	17,805

- a) Details of principal associates at 31 December 2016 are shown on page 140.
- b) Amounts due from associates are unsecured, interest free and have no fixed terms of repayment, except for an advance of HK\$371 million (2015: HK\$371 million) made by the Group to an associate which is interest bearing at market rate. 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) Included in interest in associates is goodwill of HK\$1,961 million (2015: HK\$1,961 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.
- d) All of the above associates are accounted for using the equity method in the consolidated financial statements.
- e) Aggregate information of associates that are not individually material is summarised below:

	<b>2016</b> <b>HK\$ Million</b>	2015 HK\$ Million
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	<b>9,755</b>	10,278
Aggregate amounts of the Group's share of those associates		
Profit from continuing operations	<b>1,190</b>	1,241
Other comprehensive income	<b>(514)</b>	(545)
Total comprehensive income	<b>676</b>	696

## 11. INTEREST IN JOINT VENTURES

	<b>2016</b> <b>HK\$ Million</b>	2015 HK\$ Million
Share of net assets	<b>8,674</b>	8,860
Amounts due from joint ventures	<b>8,904</b>	9,621
Total	<b>17,578</b>	18,481
Amounts due to joint ventures (Note 18)	<b>(2,587)</b>	(3,422)
	<b>14,991</b>	15,059

- a) Details of principal joint ventures at 31 December 2016 are shown on page 141.
- b) Amounts due from joint ventures are unsecured, interest free and have no fixed terms of repayment, except for an advance of HK\$3,363 million (2015: HK\$3,121 million) made by the Group to a joint venture which is 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>2016</b> <b>HK\$ Million</b>	2015 HK\$ Million
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	<b>8,674</b>	8,860
Aggregate amounts of the Group's share of those joint ventures		
Profit from continuing operations	<b>1,984</b>	222
Other comprehensive income	<b>(585)</b>	(810)
Total comprehensive income	<b>1,399</b>	(588)

## 12. EQUITY AND BOND INVESTMENTS/AVAILABLE-FOR-SALE INVESTMENTS

	<b>2016</b> <b>HK\$ Million</b>	2015 HK\$ Million
Listed investments		
– in Hong Kong	<b>7,538</b>	10,580
– outside Hong Kong	<b>1,959</b>	1,862
Unlisted investments	<b>33</b>	33
	<b>9,530</b>	12,475

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 13. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill HK\$ Million	Other intangible assets HK\$ Million	Total HK\$ Million
<b>Cost</b>			
At 1 January 2015 and 31 December 2015	305	12	317
Additions	43	–	43
Disposal of subsidiaries	(50)	–	(50)
At 31 December 2016	298	12	310
<b>Accumulated amortisation</b>			
At 1 January 2015, 31 December 2015 and 31 December 2016	–	12	12
<b>Net carrying value</b>			
At 31 December 2016	298	–	298
At 31 December 2015	305	–	305

Goodwill mainly relates to the Group's terminals business. As at 31 December 2016, 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

	2016 HK\$ Million	2015 HK\$ Million
Properties under development for sale	64,853	68,642
Completed properties for sale	5,197	7,542
	<b>70,050</b>	76,184

- a) At 31 December 2016, properties under development for sale of HK\$28,878 million (2015: HK\$43,972 million) are expected to be completed after more than one year.
- b) As at 31 December 2016, deposits of HK\$296 million (2015: HK\$394 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 2016 was HK\$8,950 million (2015: HK\$12,227 million).

- d) At 31 December 2016, 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:

	<b>2016</b> <b>HK\$ Million</b>	2015 HK\$ Million
Held in Hong Kong		
Long term leases	<b>7,665</b>	1,588
Medium term leases	<b>21,133</b>	22,404
	<b>28,798</b>	23,992
Held outside Hong Kong		
Freehold	<b>3,171</b>	3,876
Long term leases	<b>16,910</b>	26,319
Medium term leases	<b>221</b>	626
	<b>20,302</b>	30,821
	<b>49,100</b>	54,813

## 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 2016, shown as follows:

	<b>2016</b> <b>HK\$ Million</b>	2015 HK\$ Million
Trade receivables		
0 – 30 days	<b>500</b>	750
31 – 60 days	<b>132</b>	171
61 – 90 days	<b>31</b>	77
Over 90 days	<b>143</b>	105
	<b>806</b>	1,103
Accrued sales receivables	<b>252</b>	647
Other receivables and prepayments	<b>8,509</b>	5,404
	<b>9,567</b>	7,154

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

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



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 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>2016</b> HK\$ Million	2015 HK\$ Million
At 1 January	<b>86</b>	91
Impairment loss recognised	<b>1</b>	10
Uncollectible amounts written off	<b>(1)</b>	(15)
Disposal of subsidiaries	<b>(63)</b>	–
At 31 December	<b>23</b>	86

### c) Trade receivables that are not impaired

As at 31 December 2016, 96% (2015: 95%) of the Group's trade receivables was not impaired, of which 82% (2015: 88%) was either not past due or less than two months past due.

Based on historical and forward looking elements 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>2016</b>		2015	
	<b>Assets</b> HK\$ Million	<b>Liabilities</b> HK\$ Million	Assets HK\$ Million	Liabilities HK\$ Million
<b>At fair value through profit or loss</b>				
Fixed-to-floating interest rate swaps	<b>405</b>	<b>84</b>	564	49
Floating-to-fixed interest rate swaps	<b>9</b>	<b>168</b>	–	447
Cross currency interest rate swaps	<b>152</b>	<b>2,007</b>	539	2,042
Forward foreign exchange contracts	<b>187</b>	<b>591</b>	13	184
Other derivatives	–	–	5	–
Total	<b>753</b>	<b>2,850</b>	1,121	2,722
<b>Analysis</b>				
Non-current	<b>324</b>	<b>2,073</b>	769	2,102
Current	<b>429</b>	<b>777</b>	352	620
Total	<b>753</b>	<b>2,850</b>	1,121	2,722

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

	2016		2015	
	Assets HK\$ Million	Liabilities HK\$ Million	Assets HK\$ Million	Liabilities HK\$ Million
<b>Fixed-to-floating interest rate swaps</b>				
Expiring within 1 year	165	7	6	–
Expiring after more than 1 year but not exceeding 5 years	99	29	305	35
Expiring after 5 years	141	48	253	14
	<b>405</b>	<b>84</b>	564	49
<b>Floating-to-fixed interest rate swaps</b>				
Expiring after more than 1 year but not exceeding 5 years	3	131	–	310
Expiring after 5 years	6	37	–	137
	<b>9</b>	<b>168</b>	–	447
<b>Gross currency interest rate swaps</b>				
Expiring within 1 year	107	3	1	154
Expiring after more than 1 year but not exceeding 5 years	33	1,646	309	780
Expiring after 5 years	12	358	229	1,108
	<b>152</b>	<b>2,007</b>	539	2,042
<b>Forward foreign exchange contracts</b>				
Expiring within 1 year	13	591	11	51
Expiring after more than 1 year but not exceeding 5 years	162	–	2	118
Expiring after 5 years	12	–	–	15
	<b>187</b>	<b>591</b>	13	184
<b>Other derivatives</b>				
Expiring within 1 year	–	–	5	–
<b>Total</b>	<b>753</b>	<b>2,850</b>	1,121	2,722

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	<b>2016</b>	2015
	<b>HK\$ Million</b>	HK\$ Million
Fixed-to-floating interest rate swaps	<b>33,397</b>	37,816
Floating-to-fixed interest rate swaps	<b>8,230</b>	8,230
Cross currency interest rate swaps	<b>37,328</b>	25,882
Forward foreign exchange contracts	<b>51,777</b>	71,796

- b) Derivative financial assets represent the amounts the Group would receive whilst derivative financial liabilities represent the amounts the Group would pay if the positions are closed at the end of the reporting period. Derivative financial instruments do not qualify for hedge accounting and their corresponding changes in fair values have been recognised in the consolidated income statement.
- c) During the year, a gain of HK\$76 million (2015: loss of HK\$150 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 in the amounts of HK\$48 million (2015: HK\$420 million) and gain on interest rate swaps in the amounts of HK\$309 million (2015: loss of HK\$27 million) 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 2016, 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>2016</b>	2015
	<b>HK\$ Million</b>	HK\$ Million
Bank deposits and cash	<b>43,964</b>	27,266

At 31 December 2016, bank deposits and cash included:

- a) HK\$19,922 million equivalent (2015: HK\$22,911 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) RMB1,184 million equivalent to HK\$1,324 million (2015: RMB3,178 million equivalent to HK\$3,793 million) which is solely for certain designated property development projects in Mainland China, and Singapore dollar balances of HK\$150 million (2015: HK\$650 million) equivalent in respect of certain proceeds received from the pre-sale of properties in Singapore held under the “Project Account Rules-1997 Ed”, withdrawals from which are designated for payments for expenditure incurred for the respective projects.

The effective interest rate on bank deposits was 1.6% (2015: 1.6%) per annum.

Bank deposits and cash are denominated in the following currencies:

	<b>2016</b> <b>HK\$ Million</b>	2015 HK\$ Million
RMB	<b>20,302</b>	22,772
HKD	<b>19,470</b>	728
SGD	<b>2,230</b>	3,403
USD	<b>1,952</b>	351
Other currencies	<b>10</b>	12
	<b>43,964</b>	27,266

## 18. TRADE AND OTHER PAYABLES

Included in this item are trade payables with an ageing analysis based on invoice dates as at 31 December 2016, shown as follows:

	<b>2016</b> <b>HK\$ Million</b>	2015 HK\$ Million
Trade payables		
0 – 30 days	<b>413</b>	414
31 – 60 days	<b>280</b>	274
61 – 90 days	<b>39</b>	34
Over 90 days	<b>189</b>	130
	<b>921</b>	852
Rental and customer deposits	<b>4,235</b>	4,140
Construction costs payable	<b>11,087</b>	9,979
Amounts due to associates (Note 10)	<b>3,376</b>	3,052
Amounts due to joint ventures (Note 11)	<b>2,587</b>	3,422
Other payables	<b>6,675</b>	5,048
	<b>28,881</b>	26,493

The amount of trade and other payables that is expected to be settled after more than one year is HK\$4,513 million (2015: HK\$3,922 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\$3,616 million (2015: HK\$5,558 million) are expected to be recognised as income in the consolidated income statement after more than one year.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 20. BANK LOANS AND OTHER BORROWINGS

	2016 HK\$ Million	2015 HK\$ Million
<b>Bonds and notes (Unsecured)</b>		
Due within 1 year	20,311	2,803
Due after 1 year but within 2 years	8,319	20,316
Due after 2 years but within 5 years	15,519	15,411
Due after 5 years	6,482	10,833
	<b>50,631</b>	49,363
<b>Bank loans (Secured)</b>		
Due within 1 year	986	3,200
Due after 1 year but within 2 years	3,409	1,975
Due after 2 years but within 5 years	8,909	9,939
Due after 5 years	335	–
	<b>13,639</b>	15,114
<b>Bank loans (Unsecured)</b>		
Due within 1 year	4,589	4,509
Due after 1 year but within 2 years	2,606	2,500
Due after 2 years but within 5 years	23,476	34,707
	<b>30,671</b>	41,716
Total bank loans and other borrowings	<b>94,941</b>	106,193
<b>Analysis of maturities of the above borrowings:</b>		
<b>Non-current borrowings</b>		
Due after 1 year but within 2 years	14,334	24,791
Due after 2 years but within 5 years	47,904	60,057
Due after 5 years	6,817	10,833
	<b>69,055</b>	95,681
<b>Current borrowings</b>		
Due within 1 year	25,886	10,512
Total bank loans and other borrowings	<b>94,941</b>	106,193

- 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):

	2016 HK\$ Million	2015 HK\$ Million
HKD	84,268	101,242
RMB	10,673	2,320
SGD	–	2,631
	<b>94,941</b>	106,193

- 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:

	2016		2015	
	Effective interest rate %	HK\$ Million	Effective interest rate %	HK\$ Million
<b>Fixed rate borrowings</b>				
Bonds and notes	3.0	8,160	3.0	3,887
Bank loans	2.6	8,230	2.6	8,230
		<b>16,390</b>		12,117
<b>Floating rate borrowings</b>				
Bonds and notes	3.5	42,471	3.0	45,476
Bank loans	2.2	36,080	1.9	48,600
		<b>78,551</b>		94,076
Total borrowings		<b>94,941</b>		106,193

- c) All the interest bearing borrowings are carried at amortised cost except for loans in an amount of HK\$29,599 million (2015: HK\$33,189 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\$60,794 million and HK\$Nil (2015: HK\$70,707 million and HK\$2,823 million) borrowed by Wharf and WPSL respectively. The loans are without recourse to the Company and its other subsidiaries.
- e) At 31 December 2016, 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\$43,546 million (2015: HK\$51,817 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; and (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. 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:*

	<b>Number of options</b>	<b>Contractual life of options</b>
Options granted to Directors of the Company:		
– on 14 June 2013	12,500,000	5 years after
– on 7 July 2016	12,500,000	the date of grant
Total share options granted	25,000,000	

ii) *Fair value of share options and assumptions*

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted during the year ended 31 December 2016 is measured based on the Binomial Model by taking into account the terms and conditions of the option granted. Fair value of share options and assumptions were as follows:

Date of grant	7 July 2016
Fair value at grant date	HK\$3.60 to HK\$8.78
Share price at grant date	HK\$36.60
Exercise price	HK\$36.60
Expected volatility	37.8%
Option life	5 years
Expected dividend yield	3.14%
Risk-free interest rate	0.61%

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



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

			2016						
			Number of share options						
Date of grant	Exercise price HK\$	Exercise period	At 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2016	Exercisable at 31 December 2016	Remaining contractual life
14 June 2013	39.98	15 June 2013 to 14 June 2018	12,500,000	-	(1,350,000)	-	11,150,000	8,650,000	1.5 years
7 July 2016	36.60	8 July 2016 to 7 July 2021	-	12,500,000	(1,500,000)	-	11,000,000	1,000,000	4.5 years
			12,500,000	12,500,000	(2,850,000)	-	22,150,000	9,650,000	
Weighted average exercise price (HK\$)			39.98	36.60	38.20	-	38.30	39.63	

			2015						
			Number of share options						
Date of grant	Exercise price HK\$	Exercise period	At 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2015	Exercisable at 31 December 2015	Remaining contractual life
14 June 2013	39.98	15 June 2013 to 14 June 2018	12,500,000	-	-	-	12,500,000	7,500,000	2.5 years
Weighted average exercise price (HK\$)			39.98	-	-	-	39.98	39.98	

The weighted average share price at the date of exercise for share options exercised during the year was HK\$45.65 (2015: Nil).

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 2016 and 2015, estimated in accordance with the Group's accounting policy in note (V)(i) was as follows:*

	2016 HK\$'000	2015 HK\$'000
Douglas C K Woo	14,090	5,303
Stewart C K Leung	9,657	5,303
Paul Y C Tsui	4,829	2,652
Ricky K Y Wong	9,657	5,303
Peter K C Woo (retired on 19 May 2015)	-	1,346
	<b>38,233</b>	19,907

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 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 participant; (ii) the closing price of the Wharf shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; and (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. The granted options are divided into five tranches, of which the first tranche vests immediately after the date of grant and the remaining four tranches vest between one year and four years after the date of grant.

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

	<b>Number of Wharf options</b>	<b>Contractual life of options</b>
Options granted to directors of Wharf:		
– on 4 July 2011 (lapsed in 2016)	9,000,000	
– on 5 June 2013	11,750,000	5 years after
– on 7 July 2016	14,500,000	the date of grant
Options granted to employees of Wharf:		
– on 4 July 2011 (lapsed in 2016)	3,100,000	5 years after
– on 5 June 2013	1,500,000	the date of grant
Total share options granted	39,850,000	

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

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted during the year ended 31 December 2016 is measured based on the Binomial Model by taking into account the terms and conditions of the option granted. Fair value of share options and assumptions were as follows:

Date of grant	7 July 2016
Fair value at grant date	HK\$4.23 to HK\$7.77
Share price at grant date	HK\$46.80
Exercise price	HK\$46.90
Expected volatility	29.7%
Option life	5 years
Expected dividend yield	4.06%
Risk-free interest rate	0.60%

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

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

Date of grant	Exercise price HK\$	Exercise period	2016					At 31 December 2016	Exercisable at 31 December 2016	Remaining contractual life
			Number of share options							
			At 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year				
4 July 2011	55.15	5 July 2011 to 4 July 2016	9,620,000	-	-	(9,620,000)	-	-	-	
5 June 2013	70.20	6 June 2013 to 5 June 2018	10,500,000	-	-	-	10,500,000	8,400,000	1.5 years	
7 July 2016	46.90	8 July 2016 to 7 July 2021	-	14,500,000	(1,100,000)	-	13,400,000	1,800,000	4.5 years	
			20,120,000	14,500,000	(1,100,000)	(9,620,000)	23,900,000	10,200,000		
	Weighted average exercise price (HK\$)		63.00	46.90	46.90	55.15	57.14	66.09		

Date of grant	Exercise price HK\$	Exercise period	2015					At 31 December 2015	Exercisable at 31 December 2015	Remaining contractual life
			Number of share options							
			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 years	
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		

The weighted average share price at the date of exercise for share options exercised during the year was HK\$55.63 (2015: HK\$59.12).

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 2016 and 2015, estimated in accordance with the Group's accounting policy in note (V)(i) was as follows:*

	2016 HK\$'000	2015 HK\$'000
Stephen T H Ng	14,857	7,235
Paul Y C Tsui	5,160	4,131
Douglas C K Woo	-	548
Ricky K Y Wong	-	548
Peter K C Woo (retired on 15 May 2015)	-	2,656
	20,017	15,118

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 22. DEFERRED TAXATION

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

	2016 HK\$ Million	2015 HK\$ Million
Deferred tax liabilities	10,700	10,836
Deferred tax assets	(705)	(732)
Net deferred tax liabilities	9,995	10,104

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

	Depreciation allowances in excess of the related depreciation HK\$ Million	Surplus on investment properties HK\$ Million	Others HK\$ Million	Future benefit of tax losses HK\$ Million	Total HK\$ Million
At 1 January 2015	3,006	7,498	(124)	(524)	9,856
Charged/(credited) to the consolidated income statement	260	488	(4)	(7)	737
Exchange differences	(45)	(456)	11	1	(489)
At 31 December 2015 and 1 January 2016	3,221	7,530	(117)	(530)	10,104
Charged/(credited) to the consolidated income statement	333	23	48	75	479
Acquisition of subsidiaries	9	-	-	(8)	1
Disposal of subsidiaries	(148)	-	9	58	(81)
Exchange differences	(51)	(478)	20	1	(508)
At 31 December 2016	3,364	7,075	(40)	(404)	9,995

b) Deferred tax assets not recognised

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

	2016		2015	
	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	1,361	270	1,430	278
Future benefits of tax losses				
– Hong Kong	5,450	899	5,427	895
– Outside Hong Kong	3,446	862	3,110	778
	8,896	1,761	8,537	1,673
	10,257	2,031	9,967	1,951

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 2016. 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\$27,818 million (2015: HK\$30,639 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 2016, after taking into account of IRS and CCS, approximately 83% (2015: 89%) of the Group's borrowings were at floating rates and the remaining 17% (2015: 11%) were at fixed rates. (see note 20b).

Based on the sensitivity analysis performed as at 31 December 2016, it was estimated that a general increase/decrease of 1% (2015: 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\$82 million (2015: HK\$491 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 2015.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### b) Foreign currency risk

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

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

The Group's borrowings are predominantly denominated in the functional currency of the entity taking out the borrowings. In the case of group companies whose functional currencies are HKD, their borrowings are mostly denominated in HKD or USD. For managing the overall financing costs of existing and future capital requirements for the projects in Mainland China, the Group has adopted a diversified funding approach and entered into certain CCS and forward foreign exchange contracts. 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.

	2016						2015					
	USD Million	RMB Million	JPY Million	SGD Million	HKD Million	AUD Million	USD Million	RMB Million	JPY Million	SGD Million	HKD Million	AUD Million
Bank deposits and cash	226	517	1	1	-	1	14	147	2	8	-	1
Equity and bond investments/ Available-for-sale investments	277	-	-	-	516	-	321	-	-	-	604	-
Trade and other receivables	20	-	-	-	-	-	10	-	-	-	-	-
Trade and other payables	(31)	(8)	(28)	(1)	-	(2)	(32)	-	(4)	-	-	(2)
Bank loans and other borrowings	(3,683)	(5,800)	(21,958)	(610)	-	(175)	(5,463)	(2,110)	(21,955)	(770)	-	(175)
Inter-company balances	24	4,331	-	(250)	-	-	23	330	-	(250)	-	-
Gross exposure arising from recognised assets and liabilities	(3,167)	(960)	(21,985)	(860)	516	(176)	(5,127)	(1,633)	(21,957)	(1,012)	604	(176)
Notional amount of forward foreign exchange contracts at fair value through profit or loss	5,000	-	62,764	8	(516)	-	7,233	-	62,764	-	(604)	-
Notional amount of CCS	(1,362)	1,800	(40,764)	860	-	175	(1,519)	1,950	(40,764)	1,020	-	175
Highly probable forecast purchases	(53)	-	-	-	-	-	(82)	-	-	-	-	-
Overall net exposure	418	840	15	8	-	(1)	505	317	43	8	-	(1)

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\$225 million, HK\$6 million, HK\$526 million and HK\$334 million respectively as at 31 December 2016 (2015: HK\$332 million, HK\$8 million, HK\$1,851 million and HK\$328 million respectively).

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Based on the sensitivity analysis performed as at 31 December 2016, 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% (2015: 1%) increase/decrease of exchange rate of RMB against HKD, the Group's total equity would have increased/decreased by HK\$863 million (2015: HK\$1,154 million).

### c) Equity price risk

The Group is exposed to equity price changes arising from equity and bond investments.

Listed investments held in the equity and bond investments 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 bond investments.

Based on the sensitivity analysis performed as at 31 December 2016, it is estimated that an increase/decrease of 10% (2015: 10%) in the market value of the Group's listed equity and bond investments, with all other variables held constant, would not have affected the Group's post-tax profit unless there were impairments of bond investments but would have increased/decreased the Group's total equity by HK\$950 million (2015: HK\$1,244 million). The analysis has been performed on the same basis as for 2015.

### 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.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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:

	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 2016						
Bank loans and other borrowings	(94,941)	(101,470)	(28,286)	(17,878)	(46,939)	(8,367)
Trade and other payables	(28,881)	(28,881)	(24,368)	(2,937)	(1,342)	(234)
Interest rate swaps	162	152	70	(27)	85	24
Cross currency interest rate swaps	(1,855)	(905)	77	(339)	(549)	(94)
Forward foreign exchange contracts	(404)	(404)	(577)	21	75	77
	<b>(125,919)</b>	<b>(131,508)</b>	<b>(53,084)</b>	<b>(21,160)</b>	<b>(48,670)</b>	<b>(8,594)</b>
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>

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 2016 was HK\$34,398 million (2015: HK\$32,891 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					
	2016			2015		
	Level 1	Level 2	Total	Level 1	Level 2	Total
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
<b>Assets</b>						
Equity and bond investments:						
– Listed investments	9,497	–	9,497	–	–	–
– Unlisted investments	–	33	33	–	–	–
Available-for-sale investments:						
– Listed investments	–	–	–	12,442	–	12,442
Derivative financial instruments:						
– Interest rate swaps	–	414	414	–	564	564
– Cross currency interest rate swaps	–	152	152	–	539	539
– Forward foreign exchange contracts	–	187	187	–	13	13
– Other derivatives	–	–	–	5	–	5
	<b>9,497</b>	<b>786</b>	<b>10,283</b>	<b>12,447</b>	<b>1,116</b>	<b>13,563</b>
<b>Liabilities</b>						
Derivative financial instruments:						
– Interest rate swaps	–	(252)	(252)	–	(496)	(496)
– Cross currency interest rate swaps	–	(2,007)	(2,007)	–	(2,042)	(2,042)
– Forward foreign exchange contracts	–	(591)	(591)	–	(184)	(184)
Bank loans and other borrowings:						
– Bonds and notes	–	(28,598)	(28,598)	–	(30,858)	(30,858)
– Bank loans	–	(1,001)	(1,001)	–	(2,331)	(2,331)
	<b>–</b>	<b>(32,449)</b>	<b>(32,449)</b>	<b>–</b>	<b>(35,911)</b>	<b>(35,911)</b>

During the years ended 31 December 2016 and 2015, there were no transfers of financial instruments between Level 1 and Level 2 or transfers into or out of Level 3.

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

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

The fair value of 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 2016 and 2015.

### 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 2016 and 2015 were as follows:

	2016 HK\$ Million	2015 HK\$ Million
Total bank loans and other borrowings (Note 20)	94,941	106,193
Less: Bank deposits and cash (Note 17)	(43,964)	(27,266)
Net debt	50,977	78,927
Shareholders' equity	215,365	201,667
Total equity	349,520	340,859
Net debt-to-total equity ratio	14.6%	23.2%

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

## 24. SHARE CAPITAL AND RESERVES

### a) Share capital

	2016 No. of shares	2016 HK\$ Million	2015 No. of shares	2015 HK\$ Million
Issued and fully paid ordinary shares				
At 1 January	2,031,849,287	2,949	2,031,849,287	2,949
Shares issued under the share option scheme	2,850,000	126	–	–
At 31 December	2,034,699,287	3,075	2,031,849,287	2,949

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

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 equity and bond investments, other capital reserves for dealing with the grant date fair value of the granted unexercised share options in accordance with accounting policy note (V)(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 (O).

The revenue reserves of the Group at 31 December 2016 included HK\$1,710 million (2015: HK\$1,382 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 between the beginning and the end of the year are set out below:

	Share capital HK\$ Million	Other capital reserve HK\$ Million	Revenue reserves HK\$ Million	Total HK\$ Million
<b>Company</b>				
At 1 January 2015	2,949	84	3,838	6,871
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 and 1 January 2016	<b>2,949</b>	<b>106</b>	<b>4,494</b>	<b>7,549</b>
Share issued under the share option scheme	<b>126</b>	<b>(17)</b>	–	<b>109</b>
Profit	–	–	<b>2,970</b>	<b>2,970</b>
Equity settled share-based payments	–	<b>40</b>	–	<b>40</b>
2015 second interim dividend paid	–	–	<b>(1,473)</b>	<b>(1,473)</b>
2016 first interim dividend paid	–	–	<b>(915)</b>	<b>(915)</b>
At 31 December 2016	<b>3,075</b>	<b>129</b>	<b>5,076</b>	<b>8,280</b>

- c) Reserves of the Company available for distribution to equity shareholders of the Company at 31 December 2016 amounted to HK\$5,076 million (2015: HK\$4,494 million).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 25. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2016 HK\$ Million	2015 HK\$ Million
<b>Non-current assets</b>			
Interest in subsidiaries		8,291	9,393
<b>Current assets</b>			
Receivables and prepayments		1	1
<b>Total assets</b>		<b>8,292</b>	9,394
<b>Current liabilities</b>			
Trade and other payables		(10)	(9)
Amount due to a subsidiary		(2)	(1,836)
<b>Total liabilities</b>		<b>(12)</b>	(1,845)
<b>NET ASSETS</b>		<b>8,280</b>	7,549
<b>Capital and reserves</b>			
Share capital		3,075	2,949
Reserves		5,205	4,600
<b>TOTAL EQUITY</b>	24(b)	<b>8,280</b>	7,549

**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 2016, there were contingent liabilities in respect of guarantees given by the Group on behalf of certain associates and joint ventures of HK\$4,233 million (2015: HK\$9,401 million), of which HK\$3,095 million (2015: HK\$8,494 million) had been drawn.
- b) As at 31 December 2016, there were guarantees of HK\$8,811 million (2015: HK\$8,883 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\$3,202 million (2015: HK\$1,428 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 of the above guarantees 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 2016 are detailed below:

### a) Planned expenditure

	2016			2015		
	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	990	429	1,419	2,027	477	2,504
Mainland China	4,035	6,301	10,336	8,714	5,144	13,858
Singapore	7	-	7	1	-	1
	<b>5,032</b>	<b>6,730</b>	<b>11,762</b>	<b>10,742</b>	<b>5,621</b>	<b>16,363</b>
<b>Development property</b>						
Hong Kong	10,603	14,138	24,741	13,224	12,833	26,057
Mainland China	8,073	14,098	22,171	11,939	17,891	29,830
Singapore	141	203	344	702	208	910
	<b>18,817</b>	<b>28,439</b>	<b>47,256</b>	<b>25,865</b>	<b>30,932</b>	<b>56,797</b>
<b>Properties total</b>						
Hong Kong	11,593	14,567	26,160	15,251	13,310	28,561
Mainland China	12,108	20,399	32,507	20,653	23,035	43,688
Singapore	148	203	351	703	208	911
	<b>23,849</b>	<b>35,169</b>	<b>59,018</b>	<b>36,607</b>	<b>36,553</b>	<b>73,160</b>
<b>(II) Non property and others</b>						
Hotels	1,379	412	1,791	1,999	235	2,234
Modern Terminals	247	126	373	150	24	174
i-CABLE	18	211	229	25	245	270
Wharf T&T	-	-	-	119	50	169
	<b>1,644</b>	<b>749</b>	<b>2,393</b>	<b>2,293</b>	<b>554</b>	<b>2,847</b>
Total	<b>25,493</b>	<b>35,918</b>	<b>61,411</b>	<b>38,900</b>	<b>37,107</b>	<b>76,007</b>

- (i) Properties commitments are mainly for construction costs to be incurred in the forthcoming years, including attributable land costs of HK\$1.7 billion (2015: HK\$4.0 billion).
- (ii) The expenditure for development properties includes attributable amounts for developments undertaken by associates and joint ventures of HK\$9.7 billion (2015: HK\$11.4 billion) in Mainland China.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- b) In addition to the above, the CME segment is committed to programming and other expenditure totalling HK\$485 million (2015: HK\$734 million) with HK\$423 million (2015: HK\$670 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:

	2016 HK\$ Million	2015 HK\$ Million
<b>Expenditure for operating leases</b>		
Within one year	7	50
After one year but within five years	24	97
Over five years	7	24
	<b>38</b>	<b>171</b>

### 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 2016 are as follows:

- a) In respect of the year ended 31 December 2016, the Group earned rental income totalling HK\$1,086 million (2015: HK\$1,208 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\$942 million (2015: HK\$1,050 million) also constitute connected transactions as defined under the Listing Rules.
- b) During the year, the Group entered into an agreement with a company, effectively owned by the close family members of the Chairman of the Company, to acquire the entire share capital of a company which indirectly holds the property located at Shop C, Ground Floor, Wheelock House, Central in Hong Kong for a total consideration of HK\$1,141 million. This transaction is considered to be a related party transaction and also constitutes a connected transaction as defined under the Listing Rules.
- c) 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 a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has early adopted the complete version of HKFRS 9, "Financial instruments" ("HKFRS 9") in the consolidated financial statements for the year ended 31 December 2016. Other than the changes mentioned below, the adoption of HKFRS 9 has no significant impact on the Group's financial statements.



HKFRS 9 introduces new classification and measurement requirements for financial assets on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, a new expected credit loss model that replaces the incurred loss impairment model used in Hong Kong Accounting Standard 39, "Financial instruments: Recognition and measurement" ("HKAS 39"), with the result that a loss event will no longer need to occur before an impairment allowance is recognised, and a new hedge accounting model where the hedged ratio is required to be the same as the one used by an entity's management for risk management purposes.

As at 1 January 2016, the Directors of the Company have reviewed and reassessed the Group's financial assets on that date and the results for the year. The initial application of HKFRS 9 has had impacts on the following financial assets and results of the Group:

- a) Investments in equity securities (not held for trading) of HK\$8,950 million that were previously classified as available-for-sale investments and measured at fair value at each reporting date under HKAS 39 have been designated as equity investments measured at fair value through other comprehensive income. The Group's profit for the year has been increased by HK\$154 million, representing the loss on disposal of equity securities recognised through other comprehensive income instead of the income statement as previously accounted for (2015: profit of HK\$387 million).
- b) Impairment based on expected credit loss model on the Group's rental, sales and trade receivables have no significant financial impacts.

Except for the foregoing, the Group has not adopted any new standard or interpretation that is not yet effective for the current accounting period.

The "Principal accounting policies" set out on pages 116 to 134 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 2016 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>
Amendments to HKAS 7, Statement of cash flows: Disclosure initiative	1 January 2017
Amendments to HKAS 12, Income taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017
HKFRS 15, Revenue from contracts with customers	1 January 2018
Amendments to HKFRS 2, Share-based payment: Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 16, Leases	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

The Group is currently assessing the impacts of adopting HKFRS 15 on its financial statements. Based on the preliminary assessment, the Group has identified the following areas which are likely to be affected:

### a) *Timing of revenue recognition*

The Group's revenue recognition policies are disclosed in note (P). Currently, revenue arising from rental income is recognised over the accounting periods covered by the lease term and income from CME, logistics and hotels operation are recognised at the time when the services are provided, whereas revenue from the sale of properties is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

- (i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- (ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- (iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

As a result of this change from the risk-and-reward approach to the contract-by-contract transfer-of-control approach, the Group's income from CME and residential property development activities will depend on the terms of the sales contract and the enforceability of any specific performance clauses in that contract, which may vary depending on the jurisdiction in which the contract would be enforced. It is also possible that the point in time when revenue is recognised may be earlier or later than under the current accounting policy. However, further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

### b) *Significant financing component*

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears. Currently, the Group would only apply such a policy when payments are significantly deferred, which is currently not common in the Group's arrangements with its customers.

Currently, the Group does not apply such a policy when payments are received in advance. Advance payments are not common in the Group's arrangements with its customers, with the exception of when residential properties are marketed by the Group while the property is still under construction. In this situation, the Group may offer buyers a discount compared to the sales price payable, provided the buyer agrees to pay the balance of the purchase price early.

Currently, the revenue from property sales is recognised when the property is complete, measured at the amount received from the customer, irrespective of whether the customer pays early or on completion. However, under HKFRS 15 such advance payment schemes are likely to be regarded as including a financing component.

The Group is in the process of assessing whether this component in the Group's advance payment schemes would be significant to the contract and therefore whether, once HKFRS 15 is adopted, the transaction price would need to be adjusted for the purposes of recognising revenue. Any adjustment to the transaction price under HKFRS 15, if considered necessary, would result in interest expense being recognised while the construction work is still in progress to reflect the effect of the financing benefit obtained from the customers, with a corresponding increase to revenue on sale of properties recognised when control of the completed property is transferred to the customer.

### HKFRS 16, Leases

As disclosed in principal accounting policies (I), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for property, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated income statement over the period of the lease. As disclosed in note 27(c), at 31 December 2016 the Group's future minimum lease payments under non-cancellable operating leases amount to HK\$38 million for properties and telecommunication network facilities, the majority of which is payable between 1 and 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

The Group is considering whether to adopt HKFRS 16 before its effective date of 1 January 2019. However, early adoption of HKFRS 16 is only permitted if this is no earlier than the adoption of HKFRS 15. It is therefore unlikely that HKFRS 16 will be adopted before the effective date of HKFRS 15, being 1 January 2018.

## 31. COMPARATIVE FIGURES

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

## 32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Directors on 10 March 2017.

# 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 (the “Stock Exchange”). Significant accounting policies adopted by the Group are disclosed 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 for the year 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 (W).

## 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.

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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 note (F) 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 (see note (K)(ii)).

## (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) (see note (C)(iii)). 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 note (K)(ii)). 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 unrealized 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)(ii)).

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 (see note (I)) 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 consolidated 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)(ii)) 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 (P)(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 (see note (I)) 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 (see note (K)(ii)). Hotel properties under development are stated at cost less impairment losses (see note (K)(ii)).

#### **(iii) Broadcasting and Communications Equipment**

Broadcasting and communications equipment is stated at cost less accumulated depreciation and impairment losses (see note (K)(ii)). Cost includes materials, direct labour and an appropriate proportion of overheads and borrowing costs (see note (Q)) 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 (see note (K)(ii)).

- (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.



# PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

## (iii) Broadcasting and Communications Equipment

Depreciation is provided on a straight line basis over their estimated useful lives of the assets of 2 to 20 years.

## (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 over their 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. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a Group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

A financial asset or financial liability (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

### (i) Classification and measurement of financial assets

On initial recognition, a financial asset is classified as measured at amortised cost; fair value through other comprehensive income ("FVTOCI") — debt investment; FVTOCI — equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Group changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVTOCI if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model in which assets are managed to achieve a particular objective by both collecting contractual cash flows and selling the debt investment; and
- the contractual terms of the debt investment give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

All financial assets not classified and measured at amortised cost or FVTOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

#### *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:

The 'equity and bond investments' caption in the consolidated statement of financial position includes:

- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt investment securities measured at FVTOCI;
- equity investment securities elected to measure at FVTOCI; and
- debt and equity investment securities mandatorily measured at FVTPL or designated as at FVTPL; these are at fair value with changes recognised immediately in profit or loss.

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.

For debt investment securities measured at FVTOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- expected credit losses and reversals; and
- foreign exchange gains and losses.

When debt investment securities measured at FVTOCI is derecognised, the cumulative gains or losses previously recognised in OCI are reclassified from equity to profit or loss.

The Group elects to present in OCI changes in fair value of investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable. Gains and losses on such equity instruments measured at FVTOCI are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to revenue reserves on disposal of the equity investment.

## PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### *Financial assets: Business model assessment*

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated — e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

### *Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

### *Financial assets: Subsequent measurement and gains and losses*

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVTOCI	These assets are subsequently measured at fair value. Interest revenue using the effective interest method, expected credit losses and reversals and foreign exchange gains and losses are recognised in profit or loss. Other net fair value gains and losses are recognised in OCI.
Equity investments at FVTOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

The Group has designated all investments in equity instruments (listed or unlisted) that are not held for trading as at FVTOCI since the application of HKFRS 9.

## **(ii) Derecognition of financial assets**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In such cases, the transferred assets are not derecognised.

## **(iii) Classification and measurement of financial liabilities**

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

## **(iv) Derecognition of financial liabilities**

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

# PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

## (v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under HKFRS, or for gains and losses arising from a group of similar transactions.

## 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)).

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

## 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.

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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. The amount recognised in other comprehensive income is classified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

## 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 (see note (D)(i)) or is held for development for sale (see note (L)).

## PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### (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 consolidated statement of financial position at cost less accumulated amortisation (where the estimated useful life is other than indefinite) and any impairment losses (see note (K)(ii)). 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 Financial Assets

The Group recognises loss allowances for expected credit loss ("ECL") on the following financial instruments that are not measured at FVTPL:

- financial assets measured at amortised cost; and
- debt investments measured at FVTOCI.

The Group measures loss allowances at an amount equal to lifetime ECL. For trade receivables, the Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which requires the use of the lifetime expected losses provision for all trade receivables.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.



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Life ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date or a shorter period if the expected life of the instrument is less than 12 months.

In all cases, the maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

#### ***Measurement of ECLs***

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

#### ***Credit-impaired financial assets***

At each reporting date, the Group assesses on a forward looking basis whether financial assets carried at amortised cost and debt financial assets carried at FVTOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or the disappearance of an active market for a security because of financial difficulties.

#### ***Presentation of allowance for ECL in the consolidated statement of financial position***

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

#### ***Write-off***

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

## PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### (ii) Impairment of Non-Financial Assets

The carrying amounts of non-financial assets, other than properties carried at revalued amounts (including investments in subsidiaries in the Company's statement of financial position and investments in associates and joint ventures accounted for under the equity method (see note (C)(ii)) 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 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.

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## **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 (see note (Q)), 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 (see note (Q)), 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.

## **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. 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.

## **O. 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.

## PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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.

### P. 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 and the issue of the occupation permit/completion certificate by the relevant government authorities, which is taken to be the point in time when the risks 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 consolidated 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.

### Q. BORROWING COSTS

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

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

## R. 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 and the following additional conditions are met:
  - in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
  - in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
    - the same taxable entity; or
    - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

# PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

## S. 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.

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

### (i) Financial Guarantees Issued

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

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

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note (T)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the group under the guarantee, and (ii) the amount of that claim on the group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee, i.e. the amount initially recognised, less accumulated amortisation.

## (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.

## U. 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.

## V. 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.



# PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

## W. 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 consolidated 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.

### (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 2016

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\$29,497,145,473 divided 3,032,127,327 shares	62%	Holding company
<b>Properties</b>				
<b>Wharf Estates Limited</b>	Hong Kong	HK\$2 divided into 2 shares	62%	Holding company
Harbour City Estates Limited	Hong Kong	HK\$330,100,000 divided into 20,000 shares	62%	Property
Wharf Realty Limited	Hong Kong	HK\$2 divided into 2 shares	62%	Property
Times Square Limited	Hong Kong	HK\$20 divided into 2 shares	62%	Property
Plaza Hollywood Limited	Hong Kong	HK\$10,000,000 divided into 10,000,000 shares	62%	Property
Ridge Limited	Hong Kong	HK\$10,000 divided into 10,000 shares	62%	Property
Oripuma Investments Limited	Hong Kong	HK\$2 divided into 2 shares	62%	Property
Wavatach Company Limited	Hong Kong	HK\$1,000 divided into 1,000 shares	62%	Property
<b>Wharf Development Limited</b>				
	Hong Kong	HK\$7,000,000,000 divided into 7,000,000,000 shares	62%	Holding company
Wharf Peak Properties Limited	Hong Kong	HK\$30,000,000 divided into 3,000,000 shares	62%	Property
Hong Tai Yuen Limited	Hong Kong	HK\$500,000 divided into 500,000 shares	62%	Property
Olinda Limited	Hong Kong	HK\$20 divided into 2 shares	62%	Property
New Tech Centre Limited	Hong Kong	HK\$10,000 divided into 10,000 shares	62%	Property
<b>Wharf China Holdings Limited</b>				
Wharf China Estates Limited	British Virgin Islands	5,129,000,000 US\$1 shares	62%	Holding company
Bucksfull Company Limited	British Virgin Islands	1,000,000 US\$1 shares	62%	Holding company
Cardell Company Limited	Hong Kong	HK\$158 divided into 158 shares	62%	Holding company
Cheerwill Properties Limited	Hong Kong	HK\$2 divided into 2 shares	62%	Holding company
Chengdu IFC Development Limited	British Virgin Islands	500 US\$1 shares	62%	Holding company
Genius View International Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Holmwood Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
		HK\$2 divided into 2 shares	62%	Ownership of trade marks
Malaga Company Limited	Hong Kong	HK\$2 divided into 2 shares	62%	Holding company
Merry Bond Limited	British Virgin Islands	500 US\$1 shares	62%	Holding company
Radiant Lead Global Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Sharp Hero Holdings Limited	British Virgin Islands	1 US\$1 share	62%	Holding company
Simply Thrive Holdings Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Singford International Limited	British Virgin Islands	500 US\$1 shares	62%	Holding company
Strong Field International Limited	Hong Kong	HK\$1 divided into 1 share	62%	Ownership of trade marks
Topusko Limited	Hong Kong	HK\$20 divided into 2 shares	62%	Holding company
Treasure Board Limited	British Virgin Islands	1 US\$1 share	62%	Holding company
Wharf Beijing Limited	Hong Kong	HK\$2 divided into 2 shares	62%	Holding company
Wharf Chongqing Limited	Hong Kong	HK\$2 divided into 2 shares	62%	Holding company
Wharf Dalian Limited	Hong Kong	HK\$2 divided into 2 shares	62%	Holding company
Wharf Shanghai Estates Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Wise Noble Investments Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company

# PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (CONTINUED)

At 31 December 2016

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/ registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
ii Shanghai Long Xing Property Development Company Limited	The People's Republic of China	US\$45,000,000	62%	Property
ii Dalian Times Square Development Company Limited	The People's Republic of China	RMB200,000,000	62%	Property
ii Long Qing Property Development (Chongqing) Company Limited	The People's Republic of China	RMB223,533,440	62%	Property
i Shanghai Wheelock Square Development Limited	The People's Republic of China	US\$180,000,000	60%	Property
ii 龍昌綜合開發(成都)有限公司	The People's Republic of China	HK\$221,000,000	62%	Property
ii 龍錦綜合開發(成都)有限公司	The People's Republic of China	US\$1,879,000,000	62%	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	62%	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	62%	Property
ii 九龍倉(長沙)置業有限公司	The People's Republic of China	US\$1,192,000,000	62%	Property
iv 龍潤房地產開發(成都)有限公司	The People's Republic of China	RMB20,000,000	62%	Property
ii 九龍倉(北京)企業管理有限公司	The People's Republic of China	US\$2,000,000	62%	Holding company
iv 致昌(北京)企業管理有限公司	The People's Republic of China	RMB10,000,000	62%	Holding company
iv 大連德高企業管理有限公司	The People's Republic of China	RMB5,000,000	62%	Holding company
iv 大連盈致企業管理有限公司	The People's Republic of China	RMB10,000,000	62%	Holding company
Wharf China Development Limited	British Virgin Islands	1,000,000 US\$1 shares	62%	Holding company
Advance Trend Holdings Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
All Delight Investments Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
All Genius Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Apex Mind Holdings Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Bright Wave Group Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Classic Partner Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Concept Plus Holdings Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Coming Holdings Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Creative City Investments Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Fame Treasure International Limited	British Virgin Islands	500 US\$1 shares	62%	Holding company
Famous Master International Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Favour Year Holdings Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Fine Noble Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Fine Super Holdings Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Greatworth Investments Limited	Hong Kong	HK\$2 divided into 2 shares	62%	Holding company
Key Advance Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Lion Voice Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Main Light Holdings Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Max Speed International Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Mega Full Holdings Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Merit Joy Investments Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Noble Key Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Onyee Properties Limited	British Virgin Islands	500 US\$1 shares	62%	Holding company
Perfect Joy Holdings Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Pilot Focus International Limited	British Virgin Islands	500 US\$1 shares	62%	Holding company
Power Shine Investments Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Power Unicorn Holdings Limited	British Virgin Islands	1 US\$1 share	62%	Holding company
Radiant South Limited	British Virgin Islands	500 US\$1 shares	62%	Holding company
Rumba Company Limited	Hong Kong	HK\$10,000 divided into 10,000 shares	50%	Holding company
Show All Limited	Hong Kong	HK\$2 divided into 2 shares	62%	Holding company
Silver Zone International Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Sino Season Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Sky Join Investments Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Sky Step Limited	British Virgin Islands	1 US\$1 share	62%	Holding company
Smart Bloom Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/ registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
Smartworth Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Smooth Flow Investments Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
South Honest Limited	British Virgin Islands	500 US\$1 shares	62%	Holding company
Spring Day Holdings Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Star Apex International Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Star Colour Limited	British Virgin Islands	500 US\$1 shares	62%	Holding company
Star Rank Investments Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Step Line Investments Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Total Up International Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Tower Beyond Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Trade Right Investments Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Trendy Win Holdings Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Ultra Keen Holdings Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Vanguard Insight Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Victor Choice Investments Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Walsham Holdings Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Wharf Chengdu Limited	Hong Kong	HK\$2 divided into 2 shares	62%	Holding company
Wharf (Jingan) Limited	Hong Kong	HK\$2 divided into 2 shares	62%	Holding company
Wharf Shanghai Limited	Hong Kong	HK\$10,000,000 divided into 10,000,000 shares	62%	Holding company
Wharf Wuhan Limited	Hong Kong	HK\$2 divided into 2 shares	62%	Holding company
Wharf Properties (China) Limited	British Virgin Islands	500 US\$1 shares	62%	Holding company
Wiser Global Limited	Hong Kong	HK\$1 divided into 1 share	62%	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	62%	Property
ii 九龍倉(武漢)置業有限公司	The People's Republic of China	US\$66,000,000	62%	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	34%	Property
ii 上海莉源房地產開發有限公司	The People's Republic of China	US\$745,000,000	62%	Property
ii 上海萊源房地產開發有限公司	The People's Republic of China	US\$35,000,000	62%	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	62%	Property
ii 九龍倉(無錫)置業有限公司	The People's Republic of China	US\$307,580,000	62%	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	62%	Property
ii 龍悅房地產開發(成都)有限公司	The People's Republic of China	US\$60,000,000	62%	Property
ii 龍嘉房地產開發(成都)有限公司	The People's Republic of China	HK\$412,500,000	62%	Property
ii 蘇州蘇龍地產發展有限公司	The People's Republic of China	US\$56,800,000	62%	Property
ii 蘇州瑞龍地產發展有限公司	The People's Republic of China	US\$187,000,000	62%	Property
ii 蘇州銀龍地產發展有限公司	The People's Republic of China	US\$274,000,000	62%	Property
ii 無錫港龍置業有限公司	The People's Republic of China	US\$140,900,000	62%	Property
ii 無錫河畔置業有限公司	The People's Republic of China	US\$45,400,000	62%	Property
ii 無錫都會置業有限公司	The People's Republic of China	US\$144,600,000	62%	Property
ii 港盈房地產(杭州)有限公司	The People's Republic of China	US\$46,990,000	62%	Property
ii 九龍倉(杭州)置業有限公司	The People's Republic of China	US\$210,000,000	62%	Property
ii 堡盈房地產(杭州)有限公司	The People's Republic of China	US\$120,000,000	62%	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	62%	Property
ii 洋立房地產(杭州)有限公司	The People's Republic of China	US\$126,000,000	62%	Property
ii 望華房地產(杭州)有限公司	The People's Republic of China	HK\$418,000,000	62%	Property
ii 富景房地產開發(富陽)有限公司	The People's Republic of China	HK\$1,080,000,000	62%	Property
ii 常州湖濱置業有限公司	The People's Republic of China	US\$56,000,000	62%	Property
ii 常州湖濱置業有限公司	The People's Republic of China	US\$180,000,000	62%	Property
ii 常州河畔置業有限公司	The People's Republic of China	US\$69,300,000	62%	Property
ii 寧波立成置業有限公司	The People's Republic of China	US\$172,000,000	62%	Property
ii 九龍倉置業(廣州)有限公司	The People's Republic of China	HK\$1,000,000	62%	Holding company
ii 會盈房地產(杭州)有限公司	The People's Republic of China	US\$59,930,000	62%	Holding company
ii 杭州杭龍置業管理有限公司	The People's Republic of China	US\$5,160,000	62%	Holding company
iv 蘇州耀龍投資管理有限公司	The People's Republic of China	RMB5,000,000	62%	Holding company

# PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (CONTINUED)

At 31 December 2016

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/ registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
* <b>Harbour Centre Development Limited</b>	Hong Kong	HK\$3,641,350,047 divided into 708,750,000 shares	44%	Holding company
Cheer Sky Investment Limited	Hong Kong	HK\$1 divided into 1 share	44%	Holding company
Dragon Legacy Holdings Limited	Hong Kong	HK\$1 divided into 1 share	44%	Holding company
Free Boost Investments Limited	Hong Kong	HK\$1 divided into 1 share	44%	Holding company
HCDL China Finance Limited	Hong Kong	HK\$1 divided into 1 share	44%	Finance
High Sea Investments Limited	Hong Kong	HK\$2 divided into 2 shares	44%	Holding company
HCDL China Development Limited	British Virgin Islands	500 US\$1 shares	44%	Holding company
Joinhill Investments Limited	Hong Kong	HK\$1 divided into 1 share	44%	Holding company
Market Favour Investments Limited	Hong Kong	HK\$1 divided into 1 share	44%	Holding company
ii 廣州秀達企業管理有限公司	The People's Republic of China	HK\$2,000,000	44%	Holding company
iv 廣州譽港企業管理有限公司	The People's Republic of China	RMB5,000,000	44%	Holding company
iv 廣州港捷企業管理有限公司	The People's Republic of China	RMB10,000,000	44%	Holding company
ii 南京聚龍房地產開發有限公司	The People's Republic of China	US\$18,000,000	44%	Holding company
i 蘇州高龍房產發展有限公司	The People's Republic of China	RMB3,000,000,000	35%	Property
ii 九龍倉(常州)置業有限公司	The People's Republic of China	US\$169,800,000	44%	Property
iv 上海綠源房地產開發有限公司	The People's Republic of China	RMB70,000,000	44%	Property
<b>Logistics</b>				
Wharf Transport Investments Limited	Hong Kong	HK\$2 divided into 2 shares	62%	Holding company
The "Star" Ferry Company, Limited	Hong Kong	HK\$7,200,000 divided into 1,440,000 shares	62%	Public transport
Modern Terminals Limited	Hong Kong	HK\$82,049,200 divided into 70,116 shares	42%	Container terminal
i Shenzhen Dachan Bay Modern Port Development Company, Limited	The People's Republic of China	RMB4,095,195,813	27%	Container terminal
<b>Hotels</b>				
<b>Wharf Hotels Limited</b>	British Virgin Islands	500 US\$1 shares	62%	Holding company
Chengdu Niccolo Holdings (Hong Kong) Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Extra Talent Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Wharf China Hotels Limited	Hong Kong	HK\$1 divided into 1 share	62%	Holding company
Marco Polo Hotels Management Limited	Hong Kong	HK\$20 divided into 2 shares	62%	Hotel
The Hongkong Hotel Limited	Hong Kong	HK\$100,000 divided into 100,000 shares	44%	Hotel and property
The Marco Polo Hotel (Hong Kong) Limited	Hong Kong	HK\$1,000 divided into 1,000 shares	62%	Hotel
The Prince Hotel Limited	Hong Kong	HK\$2 divided into 2 shares	62%	Hotel
The Murray Limited	Hong Kong	HK\$1 divided into 1 share	44%	Hotel
ii 武漢馬哥孛羅酒店有限公司	The People's Republic of China	US\$3,850,000	62%	Hotel
ii 成都馬哥孛羅酒店有限公司	The People's Republic of China	US\$8,000,000	62%	Hotel
ii 常州馬哥孛羅酒店有限公司	The People's Republic of China	US\$7,000,000	44%	Hotel
<b>CME</b>				
<b>Wharf Communications Limited</b>	Hong Kong	HK\$10,000,000 divided into 1,000,000 shares	62%	Holding company
* i-CABLE Communications Limited	Hong Kong	HK\$6,857,598,956 divided into 2,011,512,400 shares	46%	Holding company
Hong Kong Cable Television Limited	Hong Kong	HK\$750,000,000 divided into 750,000,000 shares	46%	Pay TV, Internet and multimedia



Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/ registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
<b>Investment and others</b>				
Wharf Limited	Hong Kong	HK\$20 divided into 2 shares	62%	Management services
Wharf Finance Limited	Hong Kong	HK\$2 divided into 2 shares	62%	Finance
Wharf Finance (BVI) Limited	British Virgin Islands/Hong Kong	500 US\$1 shares	62%	Finance
Wharf Hong Kong Limited	Cayman Islands	500,000,000 US\$1 shares	62%	Holding company
Wharf China Finance Limited	Hong Kong	HK\$5,000,000 divided into 5,000,000 shares	62%	Finance
Wharf Finance (No.1) Limited	Hong Kong	HK\$2 divided into 2 shares	62%	Finance
Wharf Finance (BVI) No. 1 Limited	British Virgin Islands/Hong Kong	500 US\$1 shares	62%	Finance
Wharf Finance (HK) Limited	British Virgin Islands/Hong Kong	10 US\$1 shares	62%	Finance
Wharf MTN (Singapore) Pte. Ltd.	Singapore	2 S\$1 shares	62%	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
Golden Centurion Limited	Hong Kong	HK\$1 divided into 1 share	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	81%	Letting agent
Leading Elite Limited	Hong Kong	HK\$1 divided into 1 share	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 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

# PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (CONTINUED)

At 31 December 2016

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
Harpen Company Limited	Hong Kong	Ordinary	31%	Holding company
Magic Delight Limited	Hong Kong	Ordinary	31%	Holding company
蘇州雙湖房地產有限公司	The People's Republic of China	Registered	31%	Property
天津港威房地產開發有限公司	The People's Republic of China	Registered	31%	Property
天津雍景灣房地產開發有限公司	The People's Republic of China	Registered	31%	Property
佛山招商九龍倉房地產有限公司	The People's Republic of China	Registered	31%	Property
佛山依雲上園房地產有限公司	The People's Republic of China	Registered	31%	Property
佛山依雲觀園房地產有限公司	The People's Republic of China	Registered	25%	Property
佛山蠡城房地產有限公司	The People's Republic of China	Registered	31%	Property
佛山信捷房地產有限公司	The People's Republic of China	Registered	31%	Property
佛山依雲孝德房地產有限公司	The People's Republic of China	Registered	31%	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
北京亮馬置業有限公司	The People's Republic of China	Registered	25%	Property
杭州築家房地產開發有限公司	The People's Republic of China	Registered	31%	Property
杭州綠城九龍倉置業有限公司	The People's Republic of China	Registered	31%	Property
浙江綠九置業有限公司	The People's Republic of China	Registered	31%	Property
杭州綠九濱聞置業有限公司	The People's Republic of China	Registered	31%	Property
杭州綠九啟奧置業有限公司	The People's Republic of China	Registered	15%	Property
上海萬九綠合置業有限公司	The People's Republic of China	Registered	12%	Property
佛山依雲房地產有限公司	The People's Republic of China	Registered	31%	Property
<b>Wharf – Logistics</b>				
Hong Kong Air Cargo Terminals Limited	Hong Kong	Ordinary	13%	Air cargo terminal
Mega Shekou Container Terminals Limited	British Virgin Islands	Ordinary	9%	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	15%	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	31%	Property
Elite Mind International Limited	Hong Kong	Ordinary	25%	Holding company
Empire Land Investments Limited	Hong Kong	Ordinary	31%	Holding company
Green Magic Investments Limited	Hong Kong	Ordinary	37%	Holding company
Long Global Investment Limited	Hong Kong	Ordinary	18%	Holding company
Speedy Champ Investments Limited	Hong Kong	Ordinary	24%	Holding company
Tartar Investments Limited	British Virgin Islands	Ordinary	18%	Holding company
重慶嘉江房地產開發有限公司	The People's Republic of China	Registered	25%	Property
重慶嘉益房地產開發有限公司	The People's Republic of China	Registered	31%	Property
重慶豐盈房地產開發有限公司	The People's Republic of China	Registered	24%	Property
浙江金盈置業有限公司	The People's Republic of China	Registered	31%	Property
祥寶投資(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	31%	Property
寧波姚景房地產開發有限公司	The People's Republic of China	Registered	31%	Property
寧波瑞峰置業有限公司	The People's Republic of China	Registered	31%	Property
大連九龍倉綠城置業有限公司	The People's Republic of China	Registered	37%	Property
上海龍驤房地產開發有限公司	The People's Republic of China	Registered	31%	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.

iv This entity is registered as a wholly domestic 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 2016

(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 2022	HK\$200 Million
Wharf Finance Limited	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
<b>A) Wharf</b> (guaranteed by Wharf)		
Wharf Finance (No.1) Limited	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
	S\$ Guaranteed Fixed Rate Notes due 2021	S\$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.	S\$ Guaranteed Fixed Rate Notes due 2018	S\$250 Million
The Wharf (Holdings) Limited	RMB Fixed Rate Notes due 2019	RMB4,000 Million
<b>B) Wheelock (other than Wharf)</b>		
(guaranteed by the Company)		
Wheelock Finance Limited	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
	S\$ Guaranteed Fixed Rate Notes due 2021	S\$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

As at 31 December 2016

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>						
8 Bay East, 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	–	–	
3/F-24/F. & Shop C, Wheelock House, 20 Pedder Street, Central	203,800	199,800	4,000	–	–	
Units at Star House, 3 Salisbury Road, Kowloon	50,800	–	50,800	–	–	
One Island South, 2 Heung Yip Road, Wong Chuk Hang	90,500	–	90,500	–	–	
	5,229,000	1,867,200	1,737,600	1,058,200	566,000	
Murray Building, Cotton Tree Drive, Central	325,000	–	–	–	325,000	
<b>Total Hong Kong Property – Investment</b>	<b>13,904,000</b>	<b>6,130,200</b>	<b>3,786,600</b>	<b>1,728,200</b>	<b>2,259,000</b>	
<b>Property – Development</b>						
Peninsula East, 5 Tung Yuen Street, Yau Tong	42,600	–	42,600	–	–	
CAPRI, 33 Tong Yin Street, Tseung Kwan O	379,200	–	86,000	293,200	–	
SAVANNAH, 3 Chi Shin Street, Tseung Kwan O	493,000	–	74,900	418,100	–	
NAPA, 88 So Kwun Wat Road, Tuen Mun	354,700	–	–	354,700	–	
ONE HOMANTIN, 1 Sheung Foo Street, Ho Man Tin	333,900	–	–	333,900	–	
Island Residence, 163 Shau Kei Wan Road, Shau Kei Wan	81,200	–	14,900	66,300	–	
MONTEREY, 23 Tong Chun Street, Tseung Kwan O	856,000	–	147,600	708,400	–	
Kai Tak Area 1H Site	413,000	–	8,300	404,700	–	
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	–	
Off Sin Fat Road, Kwun Tong Site	826,500	–	–	826,500	–	
	6,758,500	–	374,300	6,384,200	–	

Site Area (sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
346,719	KIL 11178	2033	1966	N/A	62%
126,488	KML 11 S.A.	2880	1977	N/A	62%
	(a) KML 11 S.B.	2880	1981	N/A	62%
	(a) KML 11 S.B.	2880	1981	N/A	62%
	(a) KML 11 S.D.	2880	1983	N/A	62%
	(a) KML 11 S.B. & D.	2880	1981/83	N/A	62%
	(a) KML 11 R.P.	2880	1994	N/A	62%
	(a) KML 11 S.B. & D.	2880	1998/99	N/A	62%
58,814	KML 91 S.A. & KML 10 S.B.	2863	1969	N/A	44%
	(a) KML 11 S.B.	2880	1981	N/A	62%
	(a) KML 11 S.D.	2880	1983	N/A	62%
48,309	KIL 11179	2021	1990	N/A	62%
112,441	IL 731, IL 728, IL 727, IL 725 S.A. & R.P., IL 724 S.A.	2850/60/80	1993	N/A	62%
280,510	NKIL 6160	2047	1997	N/A	62%
48,438	KTIL 713	2047	2019	Foundation in progress	62%
	N/A TWTL 218	2047	1992	N/A	62%
	N/A RBL 512 & 1004	2027/28	1974/77	N/A	62%
29,640	RBL 556 S.A.R.P. & S.B.	2035	2001	N/A	62%
32,145	RBL 522, 639, 661	2027	2017	Superstructure in progress	62%
97,670	RBL 534 S.E., S.F. & R.P.	2028	2020	Foundation completed	62%
76,726	RBL 836	2029	2017	Superstructure in progress	62%
165,809	NKIL 5805, 5806 & 5982	2047	1984	Planning for redevelopment	62%
12,286	IL 7 R.P. & IL 45 S.A.R.P.	2842	1977	N/A	62%
	N/A ML 99 S.A., S.C. & R.P. & ML 100 S.A., S.B. & R.P.	2854	1984	N/A	62%
	N/A KML 10 S.A.	2863	1966	N/A	44%
	N/A AIL 374	2121	2011	N/A	100%
68,136	9036	2063	2017	Renovation in progress	44%
42,625	YTIL 40 RP	2062	2016	N/A	62%
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	2017	Superstructure in progress	100%
9,709	SIL 547 R.P. & various lots of SIL 481 S.B.	2071	2017	Superstructure in progress	100%
295,159	TKOTL 126	2063	2017	Superstructure in progress	100%
82,603	NKIL 6541	2064	2018	Superstructure in progress	100%
200,199	Site G of TKOTL 70 R.P.	2052	2019	Superstructure in progress	100%
541,881	Site C1 of TKOTL 70 R.P.	2052	2020	Foundation in progress	100%
138,479	Site J of TKOTL 70 R.P.	2052	2020	Foundation in progress	100%
196,532	NKIL 6584	2066	2021	Planning stage	100%

# SCHEDULE OF PRINCIPAL PROPERTIES (CONTINUED)

As at 31 December 2016

Address	Approximate Gross Floor Areas (sq.ft.)					(Remarks)
	Total	Office	Retail	Residential	Others	
<b>Associates/joint ventures</b>						
(Attributable — Note g)						
Various Lots at Yau Tong Bay, Yau Tong	596,000	—	11,000	585,000	—	
8 Mount Nicholson Road, The Peak	111,000	—	—	111,000	—	
	707,000	—	11,000	696,000	—	
<b>Total Hong Kong Property — Development</b>	<b>7,465,500</b>	<b>—</b>	<b>385,300</b>	<b>7,080,200</b>	<b>—</b>	
<b>HONG KONG TOTAL</b>	<b>21,369,500</b>	<b>6,130,200</b>	<b>4,171,900</b>	<b>8,808,400</b>	<b>2,259,000</b>	
<b>MAINLAND CHINA</b>						
<b>Property — Investment</b>						
<b>Completed Investment Properties</b>						
Shanghai Times Square 93-111 Huai Hai Zhong Road, Shanghai	973,000	331,000	447,000	195,000	—	
Chongqing Times Square 100 Zou Rong Road, Yuzhong District, Chongqing	591,800	13,800	578,000	—	—	
Wuhan Times Square 160 Yan Jiang Da Dao, Jiangnan District, Wuhan	8,000	—	8,000	—	—	
Dalian Times Square 50 Ren Min Road, Zhongshan District, Dalian	188,000	—	188,000	—	—	
Chengdu Times Outlets No. 633 Shuangnan Avenue (Middle Section) Shuangliu County, Chengdu	680,000	—	680,000	—	—	
Chengdu International Finance Square Junction of Hongxing Road and Da Ci Si Road, Jinjiang District	6,123,000	3,136,000	2,213,000	774,000	—	
Wuxi International Finance Square Taihu Plaza, Nanchang District, Wuxi	2,042,000	2,042,000	—	—	—	
Shanghai Wheelock Square 1717 Nan Jing Xi Road, Jingan District, Shanghai	1,199,000	1,149,000	50,000	—	—	
Changsha Times Outlets 168 Ou Zhou Bei Lu, Jinzhou New District Industrial Concentration Zone Changsha, Hunan	772,000	—	772,000	—	—	
	12,576,800	6,671,800	4,936,000	969,000	—	
<b>Investment Properties under Development</b>						
Suzhou International Finance Square Xing Hu Jie, Suzhou Industrial Park, Suzhou	3,221,600	1,667,000	22,600	1,276,000	256,000	(A 133-room hotel)
Changsha International Finance Square Furong District, Changsha	7,864,000	4,200,000	2,739,000	—	925,000	(Two hotels with 500 rooms)
Chongqing International Finance Square Zone A of Jiangbei City, Jiang Bei District, Chongqing (Attributable — Note g)	2,234,000	1,424,000	612,000	—	198,000	(A 252-room hotel on 100% ownership)
	13,319,600	7,291,000	3,373,600	1,276,000	1,379,000	
Marco Polo Wuhan 160 Yan Jiang Da Dao, Jiangnan District, Wuhan	405,000	—	—	—	405,000	(A 356-room hotel)
Marco Polo Changzhou 88 Hehai East Road, Xinbei District, Changzhou	474,000	—	—	—	474,000	(A 271-room hotel, serviced apartment and a State Guest House)
Niccolo Chengdu Tower 3, IFS, No.1, Section 3, Hongxing Road Jinjiang District, Chengdu, Sichuan	443,000	—	—	—	443,000	(A 230-room hotel)
	1,322,000	—	—	—	1,322,000	
<b>Total Mainland China Property — Investment</b>	<b>27,218,400</b>	<b>13,962,800</b>	<b>8,309,600</b>	<b>2,245,000</b>	<b>2,701,000</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	N/A	31%
148,703	N/A	2043	1999	N/A	62%
95,799	N/A	2050	2004	N/A	62%
(b)	N/A	2053	2008	N/A	62%
(c)	N/A	2039	2008	N/A	62%
(d)	N/A	2047	2009	N/A	62%
(e)	N/A	2047	2013/2014/2016	N/A	62%
313,867	N/A	2047/57	2014	N/A	62%
136,432	N/A	2049	2010	N/A	60%
1,299,000	N/A	2055	2016	N/A	62%
229,069	N/A	2047/77	2018	Superstructure in progress	35%
800,452	N/A	2051	2018	Superstructure in progress	62%
516,021	N/A	2050/60	2017	Superstructure in progress	31%
(b)	N/A	2053	2008	N/A	62%
842,531	N/A	2048	2014	N/A	44%
(e)	N/A	2047	2015	N/A	62%



# SCHEDULE OF PRINCIPAL PROPERTIES (CONTINUED)

As at 31 December 2016

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	141,000	—	—	141,000	—	
Changzhou Feng Huang Hu Xin Bei District and abutting Han Jiang Lu and Yu Long Lu, Changzhou	1,906,000	—	—	1,906,000	—	
Changzhou Feng Huang Hu Xin Bei District and abutting Huang He Lu and Feng Xiang Lu, Changzhou	1,540,000	—	—	1,540,000	—	
Hangzhou Palazzo Pitti Hangzhou Hangyimin Lot C/D Gongshu District Gongchen Bridge West, Hangzhou	57,000	—	—	57,000	—	
Hangzhou Royal Seal Lot#FG05 of Wenhui Road, Hangzhou	421,000	—	—	421,000	—	
Shi Ji Hua Fu Yingbin North Road/Fenshou Road, Fuchun District, Fuyang, Hangzhou	394,000	—	78,000	316,000	—	
Junting Hangzhou Qianjiang Economic Development Area 09 Provincial Road/Kangxin Road, Yuhang District, Hangzhou	1,338,000	—	—	1,338,000	—	
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 Songjiang Xianhe Road Site #2 of Songjiang Xianhe Road, Shanghai	18,000	—	—	18,000	—	
Shanghai Pudong Huangpujiang Site #E18 of Pudong Huangpujiang Riverside, Shanghai	1,464,000	—	—	1,464,000	—	
Jingan Garden 398 Wanhangdu Road, Jingan District, Shanghai	763,000	—	—	763,000	—	
Shanghai Pudong Zhoupu Site #08, Lot 06-05 of Zhoupu Town, Pudong District, Shanghai	120,000	—	—	120,000	—	
Suzhou Ambassador Villa Lot No. 68210 Suzhou Industrial Park, Suzhou	60,000	—	—	60,000	—	
Bellagio Wang Wu Lu, Guo Sin Lu, Wu Chong New District, Suzhou	1,982,000	—	—	1,982,000	—	
Suzhou Times City Xiandai Da Dao, Suzhou Industrial Park, Suzhou	2,912,000	—	—	2,912,000	—	
Wuxi Glory of Time Nanchang District and abutting on Jinhang Canal, Wuxi	1,581,000	313,000	—	1,268,000	—	
Wuxi Times City Taihu Plaza, Nanchang District, Wuxi	2,039,000	—	—	2,039,000	—	
Wuxi Xiyuan Nanchang District and abutting on Jinhang Canal, Wuxi	278,000	—	—	278,000	—	
River Pitti Nanchang District and abutting on Jinhang Canal, Wuxi	2,480,000	—	—	2,480,000	—	
Park Mansion Southeast of Kang Zhuang Road and Beihuan West Road crossings (north of Tianhe Community), Jiangbei District, Ningbo	314,000	—	—	314,000	—	
Shenzhen Qianhai Apartment Project Site no. T102-0262, Qianhai, Nanshan District, Shenzhen	549,000	—	86,000	452,000	11,000	
The Orion Bounded by Dongdajie south, Jinhua Nan Lu East and Datiankan Jie North, Jinjiang District, Chengdu	279,000	—	—	279,000	—	
Tian Fu Times Square Junction of Dong Da Jie & Fu He, Jinjiang District, Chengdu	33,000	—	28,000	5,000	—	
Times Town, Shuangliu Development Zone Junction of Shuang Nan Avenue and Guang Hua Avenue, Shuangliu County, Chengdu	3,803,000	2,348,000	962,000	493,000	—	
Chengdu Times City Shuangliu Huayang Street, Qinghe Community Group 8 and Gongxing Street Outang Village Group 5	1,865,000	—	88,000	1,777,000	—	

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	N/A	44%
2,563,134	N/A	2050/80	2020	Superstructure in progress	62%
1,180,262	N/A	2083	2019	Superstructure in progress	62%
914,000	N/A	2080	2016	N/A	62%
258,358	N/A	2080	2017	Superstructure in progress	62%
553,442	N/A	2051/81	2015	N/A	62%
1,315,296	N/A	2081	2019	Superstructure in progress	62%
211,685	N/A	2086	2019	Superstructure in progress	62%
198,596	N/A	2085	2017	Superstructure in progress	62%
877,772	N/A	2081	2014	N/A	62%
585,723	N/A	2081	2017	Superstructure in progress	62%
170,825	N/A	2043/63	2018	Superstructure in progress	34%
526,905	N/A	2083	2016	N/A	62%
3,654,152	N/A	2076	2016	N/A	62%
2,501,747	N/A	2081	2019	Superstructure in progress	62%
5,425,454	N/A	2077	2017	Superstructure in progress	35%
1,276,142	N/A	2078	2019	Superstructure in progress	62%
3,314,418	N/A	2078	2018	Superstructure in progress	62%
1,416,822	N/A	2078	2018	Superstructure in progress	62%
2,121,662	N/A	2048/78	2019	Superstructure in progress	62%
558,000	N/A	2083	2016	N/A	62%
80,000	N/A	2057	2020	Planning stage	62%
160,000	N/A	2079	2013	N/A	62%
761,520	N/A	2045/75	2013	N/A	62%
(d)	N/A	2047/77	2019	Superstructure in progress	62%
800,882	N/A	2053/83	2020	Superstructure in progress	62%

# SCHEDULE OF PRINCIPAL PROPERTIES (CONTINUED)

As at 31 December 2016

Address	Approximate Gross Floor Areas (sq.ft.)					(Remarks)
	Total	Office	Retail	Residential	Others	
Le Palais Lot No. 8 along Section 3 of the 2nd Ring Road East, Chenghua District, Chengdu	60,000	—	53,000	7,000	—	
Wuhan Lake Moon Site B Hanyang District, Qintai Road, Wuhan	48,000	—	—	48,000	—	
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	2,810,900	—	—	2,810,900	—	
	30,286,900	2,661,000	1,295,000	26,319,900	11,000	
<b>Associates/joint ventures</b>						
(Attributable — Note g)						
Evian Uptown North side of Kin Jin Lu, Chancheng District, Foshan	2,000	—	2,000	—	—	
Evian Buena Vista Foshan Nanhai District Shishan County Project	258,000	—	—	258,000	—	
Evian Riviera Foshan Nanhai District Guicheng A18 and A21 Project	1,000	—	1,000	—	—	
Evian Kingbay North of Jihua Bridge, Chancheng District, Foshan	639,000	—	33,000	604,000	2,000	
Evian Capital Beihu Yi Road, Luocun, Shishan, Nanhai District, Foshan	640,000	—	78,000	544,000	18,000	
Unique Garden East of Wenhua Lu, Chancheng District, Foshan	416,000	—	26,000	387,000	3,000	
Donghui City Guangzhou Development Zone KXCD-D1-2 Project	2,000	—	2,000	—	—	
Unique Garden Laiguangying Central Street, Chaoyang District, Beijing	53,000	—	11,000	42,000	—	
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	
Beijing Chaoyang LiangMa K North to Jiuxianqiao South Street, East to Jinangtai East Road, South to Liangmahe North Road, West to Planning Road, Chaoyang District, Beijing	514,000	—	60,000	363,000	91,000	
Scenery Bay Intersection of Hedong Road and Kunlun Road, Hedong District, Tianjin	513,000	—	50,000	417,000	46,000	
Shanghai South Station (Vanke Center Xuhui) Caohejing Area Lot 278a-05/278b-02/278b-04 South Station Business Zone, Xuhui District, Shanghai	1,307,000	1,067,000	213,000	—	27,000	
Greentown Zhijiang No.1 Zhuantang Town, Zhijiang National Tourist Holiday Resort, Xihui District, Hangzhou	777,000	—	83,000	694,000	—	
Greentown Wharf Qian Tang Bright Moon Hangzhou Xiaoshan Jinhui Road	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 Lot A10	280,000	—	5,000	275,000	—	
Hangzhou Binjiang District Site R21-6 .7	410,000	—	—	410,000	—	
Hangzhou Xiaoshan #18 Site Hangzhou Xiaoshan Xingyi Road	191,000	—	—	191,000	—	
Petrus Bay Site 3#-2 of Baoqingsi, Ningbo	3,000	—	—	3,000	—	
The Berylville	345,000	—	—	345,000	—	

Site Area (sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
1,130,000	N/A	2050/80	2016	N/A	62%
454,000	N/A	2080	2016	N/A	62%
(c)	N/A	2069	2009	N/A	62%
3,210,772	N/A	2082	2020	Superstructure in progress	76%
1,155,000	N/A	2048/78	2013	N/A	31%
1,527,000	N/A	2070	2017	Superstructure in progress	31%
604,000	N/A	2080	2014	N/A	31%
639,000	N/A	2083	2018	Superstructure in progress	31%
1,069,000	N/A	2083	2018	Superstructure in progress	31%
305,722	N/A	2055/85	2019	Superstructure in progress	25%
1,181,000	N/A	2081	2016	N/A	20%
783,000	N/A	2082	2017	Superstructure in progress	20%
582,000	N/A	2085	2019	Superstructure in progress	15%
680,000	N/A	2085	2019	Superstructure in progress	15%
605,000	N/A	2086	2020	Planning stage	25%
902,000	N/A	2083	2018	Superstructure in progress	31%
1,157,000	N/A	2052/62	2022	Superstructure in progress	12%
2,046,685	N/A	2047/77	2017	Superstructure in progress	31%
756,000	N/A	2053/83	2017	Superstructure completed	31%
448,224	N/A	2054/84	2018	Superstructure in progress	31%
114,539	N/A	2054/84	2018	Superstructure in progress	31%
207,772	N/A	2055/85	2019	Superstructure in progress	31%
289,000	N/A	2057/87	2019	Foundation in progress	15%
524,250	N/A	2080	2015	N/A	31%
708,142	N/A	2080	2018	Superstructure in progress	31%

# SCHEDULE OF PRINCIPAL PROPERTIES (CONTINUED)

As at 31 December 2016

Address	Approximate Gross Floor Areas (sq.ft.)					(Remarks)
	Total	Office	Retail	Residential	Others	
Site E-4#, 7#, 8#, 12# & 13#, Shuixianglinli Eastern New Town, Ningbo						
Garden Valley Taoyuan Area, Jiefang Road, Zhongshan District, Dalian	1,210,000	—	—	1,210,000	—	
Chengdu ICC South of Shuanggui Road, North of Niusha Road, East of Erhuan Road, West of Shahe, Jinjiang District, Chengdu	3,589,000	1,163,000	437,000	1,865,000	124,000	
U World Zone B of Jiangbei City, Jiang Bei District, Chongqing	97,000	—	14,000	83,000	—	
The Throne Zone C of Jiangbei City, Jiang Bei District, Chongqing	1,703,000	—	151,000	1,552,000	—	
International Community Zone C of Danzishi, Nanan District, Chongqing	2,574,000	—	848,000	1,726,000	—	
Peaceland Cove Tiedonglu, Hebei District, Tianjin	26,000	—	8,000	—	18,000	
	18,139,000	2,230,000	2,185,000	13,174,000	550,000	
<b>Total Mainland China Property – Development</b>	<b>48,425,900</b>	<b>4,891,000</b>	<b>3,480,000</b>	<b>39,493,900</b>	<b>561,000</b>	
<b>MAINLAND CHINA TOTAL</b>	<b>75,644,300</b>	<b>18,853,800</b>	<b>11,789,600</b>	<b>41,738,900</b>	<b>3,262,000</b>	
<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>	<b>596,600</b>	<b>221,800</b>	<b>374,800</b>	<b>—</b>	<b>—</b>	
<b>Property – Development</b>						
Units at Ardmore Three, 3 Ardmore Park	44,200	—	—	44,200	—	
Units at Scotts Square, 6 & 8 Scotts Road	37,100	—	—	37,100	—	
The Panorama, Ang Mo Kio Avenue	655,600	—	—	655,600	—	
<b>Total Singapore Property – Development</b>	<b>736,900</b>	<b>—</b>	<b>—</b>	<b>736,900</b>	<b>—</b>	
<b>SINGAPORE TOTAL</b>	<b>1,333,500</b>	<b>221,800</b>	<b>374,800</b>	<b>736,900</b>	<b>—</b>	
<b>GROUP PROPERTY – INVESTMENT</b>	<b>41,719,000</b>	<b>20,314,800</b>	<b>12,471,000</b>	<b>3,973,200</b>	<b>4,960,000</b>	
<b>GROUP PROPERTY – DEVELOPMENT</b>	<b>56,628,300</b>	<b>4,891,000</b>	<b>3,865,300</b>	<b>47,311,000</b>	<b>561,000</b>	
<b>GROUP TOTAL (Note i)</b>	<b>98,347,300</b>	<b>25,205,800</b>	<b>16,336,300</b>	<b>51,284,200</b>	<b>5,521,000</b>	

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 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 14,914,900 sq. ft. (Hong Kong 1,026,700 sq. ft., Mainland China 13,244,700 sq.ft. and Singapore 643,500 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 33 million sq. ft. mainly in Mainland China.

Site Area (sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
922,475	N/A	2083	2019	Superstructure in progress	37%
2,212,128	N/A	2048/78	2014 and beyond	Superstructure in progress	18%
1,002,408	N/A	2057	2016	N/A	24%
2,335,535	N/A	2050/60	2018	Superstructure in progress	31%
6,080,656	N/A	2047/57	2020	Superstructure in progress	25%
1,619,360	N/A	2050/80	2017	Superstructure in progress	31%
N/A (f)	N/A N/A	2089 Freehold	1993 2011	N/A N/A	76% 76%
54,981 (f)	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	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
										(Note e)
<b>Consolidated Income Statement</b>										
Revenue	<b>60,579</b>	57,431	40,953	35,071	33,124	34,558	24,186	18,957	22,583	17,915
Operating profit	<b>21,135</b>	20,053	15,729	14,938	15,570	17,730	11,384	9,507	9,420	10,428
Core profit (Note a)	<b>11,811</b>	10,598	8,103	7,822	7,267	9,038	4,582	3,711	3,385	3,460
Profit before property revaluation gain	<b>15,987</b>	9,974	7,035	7,724	8,734	8,359	4,974	4,408	2,284	3,361
Profit attributable to equity shareholders	<b>16,294</b>	14,232	22,009	16,954	26,935	22,866	20,194	10,459	3,432	7,615
Dividends attributable to shareholders	<b>2,644</b>	2,337	2,169	2,032	2,235	1,016	254	254	254	254
<b>Consolidated Statement of Financial Position</b>										
Investment properties	<b>329,057</b>	325,044	316,860	282,015	250,729	200,497	161,953	126,789	108,830	105,836
Property, plant and equipment	<b>20,756</b>	22,804	25,052	24,180	19,888	19,002	18,410	18,522	21,866	19,554
Interest in associates/joint ventures	<b>35,117</b>	39,338	45,559	40,606	37,265	27,628	24,210	13,064	13,427	9,651
Equity and bond investments	<b>9,530</b>	12,475	11,390	13,246	14,843	7,065	10,676	4,885	2,279	7,622
Properties for sale	<b>70,050</b>	76,184	88,148	87,178	65,007	60,909	37,233	25,824	24,660	19,805
Bank deposits and cash	<b>43,964</b>	27,266	21,279	29,345	30,016	42,668	27,540	27,756	22,927	13,079
Other assets	<b>11,961</b>	9,647	9,279	10,244	12,018	6,343	6,214	7,966	4,217	3,578
Total assets	<b>520,435</b>	512,758	517,567	486,814	429,766	364,112	286,236	224,806	198,206	179,125
Bank loans and other borrowings	<b>(94,941)</b>	(106,193)	(117,878)	(123,640)	(103,257)	(95,682)	(65,682)	(46,634)	(45,623)	(34,991)
Other liabilities	<b>(75,974)</b>	(65,706)	(59,773)	(51,602)	(40,629)	(33,236)	(27,478)	(19,621)	(16,681)	(29,975)
Net assets	<b>349,520</b>	340,859	339,916	311,572	285,880	235,194	193,076	158,551	135,902	114,159
Share capital	<b>3,075</b>	2,949	2,949	2,949	2,949	2,949	2,949	2,949	2,949	2,949
Reserves	<b>212,290</b>	198,718	188,257	163,633	149,092	119,613	97,423	73,949	62,159	53,702
Shareholders' equity	<b>215,365</b>	201,667	191,206	166,582	152,041	122,562	100,372	76,898	65,108	56,651
Non-controlling interests	<b>134,155</b>	139,192	148,710	144,990	133,839	112,632	92,704	81,653	70,794	57,508
Total equity	<b>349,520</b>	340,859	339,916	311,572	285,880	235,194	193,076	158,551	135,902	114,159
Net debt	<b>50,977</b>	78,927	96,599	94,295	73,241	53,014	38,142	18,878	22,696	21,912
<b>Financial Data</b>										
<i>Per share data</i>										
Earnings per share (HK\$)										
— Core profit	<b>5.81</b>	5.22	3.99	3.85	3.58	4.45	2.26	1.83	1.67	1.70
— Before property revaluation gain	<b>7.86</b>	4.91	3.46	3.80	4.30	4.11	2.45	2.17	1.12	1.65
— Attributable to equity shareholders	<b>8.02</b>	7.00	10.83	8.34	13.26	11.25	9.94	5.15	1.69	3.75
Net assets value per share (HK\$)	<b>105.85</b>	99.26	94.11	81.99	74.83	60.32	49.40	37.85	32.04	27.88
Dividends per share (c) (Note b)	<b>130.00</b>	115.00	106.75	100.00	110.00	50.00	12.50	12.50	12.50	12.50
<i>Financial ratios</i>										
Net debt to total equity (%)	<b>14.6%</b>	23.2%	28.4%	30.3%	25.6%	22.5%	19.8%	11.9%	16.7%	19.2%
Interest cover (Times) (Note c)	<b>6.9</b>	6.4	4.6	4.6	6.2	10.2	13.5	16.1	8.2	8.6
Return on shareholders' equity (%) (Note d)	<b>7.8%</b>	7.2%	12.3%	10.6%	19.6%	20.5%	22.8%	14.7%	5.6%	14.4%
Dividend payout (%)										
— Core profit	<b>22.4%</b>	22.1%	26.8%	26.0%	30.8%	11.2%	5.5%	6.8%	7.5%	7.3%
— Attributable to equity shareholders	<b>16.2%</b>	16.4%	9.9%	12.0%	8.3%	4.4%	1.3%	2.4%	7.4%	3.3%



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Notes:

- (a) Core profit primarily excludes attributable net investment property revaluation gain and exceptional items comprise mark-to-market and exchange gain/(loss) on certain financial instruments, impairment provision for properties/assets and other non-recurring items mainly including the gain arising from the disposal of Wharf T&T in 2016, 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.

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