WHARF
Established 1886

WHARF REAL ESTATE INVESTMENT COMPANY LIMITED
九龍倉置業地產投資有限公司

(Incorporated in the Cayman Islands with limited liability)

Listing by Introduction
on the Main Board of
The Stock Exchange of Hong Kong Limited

Stock Code: 1997

Joint Sponsors

HSBC

SOMERLEY CAPITAL LIMITED

IMPORTANT

If you are in any doubt about any of the contents of this listing document, you should obtain independent professional advice.

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(Incorporated in the Cayman Islands with limited liability)

LISTING BY WAY OF INTRODUCTION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE COMPANY ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Stock Code: 1997

Joint Sponsors

HSBC

SOMERLEY CAPITAL LIMITED

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This listing document is published in connection with the Listing and contains particulars given in compliance with the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules solely for the purpose of giving information with regard to our Group.

This listing document does not constitute an offer of, nor is it calculated to invite offers for, shares or other securities of our Company, nor have any such shares or other securities been allotted or issued with a view to any of them being offered for sale to, or subscription by, the public. No Shares will be allotted and issued in connection with, or pursuant to, this listing document.

Our Shares have not been registered under the U.S. Securities Act or the laws of any state in the United States, and may not be offered or sold within the United States, absent registration or an exemption from the registration requirements of the U.S. Securities Act and applicable state laws. There will be no public offering of securities in the United States. **Neither the SEC nor any other U.S. federal or state securities commission or regulatory authority has approved or disapproved of our Shares or passed an opinion on the adequacy of this listing document. Any representation to the contrary is a criminal offence in the United States.**

Neither this listing document nor any copy hereof may be released, forwarded or distributed, directly or indirectly, in or into any jurisdiction where such release or distribution might be unlawful.

Wharf Shareholders and Beneficial Wharf Shareholders located or resident in jurisdictions other than Hong Kong, including but not limited to those in the United States, should refer to the important information set out in "The Distribution and the Spin-off".

Your attention is drawn to "Risk Factors". Information regarding dealings and settlement of dealings in our Shares following completion of the Spin-off is set out in "Information about this Listing Document and the Listing".

9 November 2017

Last day of dealings in Wharf Shares on a cum entitlement basis	Wednesday, 15 November 2017
First day of dealings in Wharf Shares on an ex entitlement basis	Thursday, 16 November 2017
Latest time for lodging transfers of Wharf Shares to qualify for entitlement to our Shares pursuant to the Distribution	4:30 p.m., Friday, 17 November 2017
Register of members of Wharf closes	Monday, 20 November 2017
Distribution Record Date	Monday, 20 November 2017
Register of members of Wharf re-opens on	Tuesday, 21 November 2017
Share certificates of our Shares to be despatched on[2]	Wednesday, 22 November 2017
Dealings in our Shares on the Stock Exchange to commence at 9:00 a.m. on[2]	Thursday, 23 November 2017
Payment to Excluded Wharf Shareholders of the net proceeds of the sale of our Shares which they would otherwise receive pursuant to the Distribution on or around[3]	Friday, 15 December 2017

Notes:

(1) All times and dates refer to Hong Kong local times and dates.

(2) The share certificates of our Shares are expected to be despatched to Qualifying Wharf Shareholders on Wednesday, 22 November 2017. If the Distribution does not become unconditional, the share certificates of our Shares will not become valid and dealings in our Shares on the Stock Exchange will not commence on Thursday, 23 November 2017.

(3) Excluded Wharf Shareholders will be entitled to the Distribution but will not receive our Shares. Instead, our Shares which the Excluded Wharf Shareholders would otherwise receive pursuant to the Distribution will be issued to a nominee selected by the Wharf Board, who will sell such Shares on the market as soon as reasonably practicable following the commencement of dealings in our Shares on the Stock Exchange. The aggregate proceeds of such sale (net of expenses and taxes) will be paid to the relevant Excluded Wharf Shareholders (*pro rata* to their shareholdings in Wharf as at the Distribution Record Date) in Hong Kong dollars in full satisfaction of the relevant Shares which they would otherwise receive pursuant to the Distribution, provided that if the amount that an Excluded Wharf Shareholder would be entitled to receive is less than HK$100, such sum will be retained for the benefit of Wharf.

By reference to the register of members of Wharf as at the Latest Practicable Date, the Excluded Jurisdiction was Barbados. If the Excluded Jurisdiction(s) turn out to be different, Wharf will announce, after the Distribution Record Date, the Excluded Jurisdiction(s). Such announcement is expected to be made on Wednesday, 22 November 2017. Further information is set out in "The Distribution and the Spin-off".

If the Listing does not proceed, our Company will make an announcement as soon as practicable thereafter. Any persons who deal in our Shares prior to the receipt of the share certificate of our Shares or prior to such share certificates becoming valid do so entirely at their own risk.

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IMPORTANT NOTICE

You should rely only on the information contained in this listing document to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this listing document. Any information or representation not made in this listing document must not be relied on by you as having been authorised by Wharf, our Company or any Relevant Persons.

CONTENTS

This summary is intended to give you an overview of the information contained in this listing document. Since it is a summary, it does not contain all the information that may be important to you. You should read this listing document in its entirety.

OVERVIEW

We are an owner and operator of premium quality properties which we hold for investment purposes in prime locations in Hong Kong. Our Valuation Properties in Hong Kong had an aggregate GFA of 11.5 million sq.ft. and a total valuation of HK$255.9 billion as at 31 August 2017. Harbour City and Times Square, our flagship properties, are strategically located in Tsim Sha Tsui and Causeway Bay, respectively. These iconic properties with substantial scale in two of the most popular shopping destinations and busiest business districts in Hong Kong attract constant flows of local shoppers and tourists. They occupy leading market positions among commercial properties in Hong Kong.

We also own and operate other premium quality properties in Hong Kong which we hold for investment purposes. These properties comprise Crawford House and our premises at Wheelock House in Central, the prime central business district in Hong Kong, as well as Plaza Hollywood, a leading shopping mall in Kowloon East.

HCDL, whose shares are listed on the Main Board of the Stock Exchange (stock code: 51), is indirectly owned as to approximately 72% by our Company. The HCDL Group holds the Marco Polo Hongkong Hotel in Harbour City and the former Murray Building (which is currently undergoing conversion into a hotel, The Murray) in Central and certain PRC property interests.

See "History and Corporate Structure — Key Milestones" for details of our major development milestones and acquisitions.

The Spin-off is a demerger effecting the separation of the strategic and substantial Hong Kong property investment business from the other businesses of the Wharf Group and the Wheelock Group by demerging the Wharf Group into our Group and the Remaining Wharf Group. See "The Distribution and the Spin-off" for details.

OUR COMPETITIVE STRENGTHS

We believe our key competitive strengths include the following:

- our flagship properties, Harbour City and Times Square, are iconic properties in Hong Kong that command leading market positions, possess substantial scale and occupy strategic locations in Hong Kong;
- we benefit from strong cash flow, stable income and economies of scale and synergies from our substantial property portfolio;
- the well-established brands of our shopping malls and our reputation as landlord of choice creates a broad, diverse and loyal tenant base; and

- our asset enhancement initiatives and effective and forward looking marketing initiatives underpin the performance of our flagship properties.

See "Business — Our Competitive Strengths" for more details.

OUR BUSINESS STRATEGIES

Our principal strategy is to hold and invest in premium quality commercial properties in Hong Kong and we aim to provide shareholders with stable dividends and with the potential for sustainable long-term growth in dividends by proactively managing our properties portfolio and any other properties we may acquire in the future, while maintaining a high level of financial discipline and financial flexibility.

The implementation of our strategy can be broadly categorised into our (i) asset management strategy, and (ii) capital management strategy. Our asset management strategy includes firstly proactive lease management and tenant mix optimisation, secondly continual asset enhancement and value creation, and thirdly the implementation of effective and forward looking marketing initiatives. As regards our capital management strategy, it is our intention that our capital structure should optimise our cost of capital while maintaining prudent and disciplined financial management and financing flexibility.

OUR PROPERTY PORTFOLIO

Mixed-use integrated complexes held for investment purposes in Hong Kong

The following table shows the GFA, LFA and other information of our mixed-use integrated complexes held for investment and operations in Hong Kong as at 31 August 2017. Information in the table below (other than the independent valuation attributable to our Group) for each property is in respect of 100% of that property and not on an attributable basis.

Property	Location	Approximate GFA	Approximate LFA	Year of completion	Year of leasehold expiry	Segment classification in Accountants' Report in Appendix I	Interest attributable to our Group	Total independent valuation	Independent valuation attributable to our Group	Property number in the property valuation report in Appendix III
		(sq.ft.)	(sq.ft.)				(%)	(HK$ million)	(HK$ million)	
Harbour City .	**Tsim Sha Tsui**	**8,271,000[(1)]**	**6,186,000**					**172,650[(1, 4)]**	**170,217[(1, 4)]**	**1 to 10, 15, 16, 17**
Retail			1,286,000	1966-1998/99	2033-2880	Investment properties	72-100[(2)]			
Office			4,239,000	1970-1998/99	2863-2880	Investment properties	100			
Serviced apartments .			661,000	1998/99	2880	Investment properties	100			
Hotels and club.			—	1970-1983	2021-2880	Hotels	72-100[(3)]			

Property	Location	Approximate GFA	Approximate LFA	Year of completion	Year of leasehold expiry	Segment classification in Accountants' Report in Appendix I	Interest attributable to our Group	Total independent valuation	Independent valuation attributable to our Group	Property number in the property valuation report in Appendix III
		(sq.ft.)	(sq.ft.)				(%)	(HK$ million)	(HK$ million)	
Times Square .	**Causeway Bay**	**1,976,000**	**1,557,000**					**54,540**	**54,540**	**11**
Retail			531,000	1993	2850/60/80	Investment properties	100			
Office			1,026,000	1993	2850/60/80	Investment properties	100			

Notes:

(1) This excludes the Pacific Club which was not valued by the Property Valuer.

(2) Other than the attributable 72% interest of our Group in the commercial section of the Marco Polo Hongkong Hotel as it is wholly-owned by HCDL, the attributable interest of our Group in the remaining portions of our retail premises at Harbour City is 100%.

(3) Other than the attributable 72% interest of our Group in the Marco Polo Hongkong Hotel as it is wholly-owned by HCDL, the attributable interests of our Group in the Gateway Hotel, the Prince Hotel and the Pacific Club at Harbour City are 100%.

(4) This includes the value of the hotels at Harbour City which are stated at cost less impairment losses in the Accountants' Report in Appendix I. See "Business — Our Property Portfolio — Mixed-use integrated complexes held for investment purposes in Hong Kong" for further information.

Revenue from Harbour City and Times Square together represented 94.5%, 93.5%, 92.4% and 92.0% of our revenue from investment properties for FY2014, FY2015, FY2016 and 1H2017, respectively.

Other principal properties held for investment purposes in Hong Kong

The following table shows the GFA, LFA and other information of our other principal properties held for investment purposes in Hong Kong as at 31 August 2017. Information in the table below (other than the independent valuation attributable to our Group) in respect of each property is disclosed in respect of 100% of that property and not on an attributable basis.

Property	Location	Approximate GFA	Approximate LFA	Year of completion	Year of leasehold expiry	Segment classification in Accountants' Report in Appendix I	Interest attributable to our Group	Total independent valuation	Independent valuation attributable to our Group	Property number in the property valuation report in Appendix III
		(sq.ft.)	(sq.ft.)				(%)	(HK$ million)	(HK$ million)	
Plaza Hollywood	Diamond Hill	562,000	375,000					9,550	9,550	
Retail			375,000	1998	2047	Investment properties	100			12
Crawford House	Central	189,000	171,000					5,910	5,910	13
Retail			66,000	1977	2842	Investment properties	100			
Office			105,000	1977	2842	Investment properties	100			
Our premises at Wheelock House	Central	215,000	204,000					6,543	6,543	14
Retail			3,000	1984	2854	Investment properties	100			
Office			201,000	1984	2854	Investment properties	100			
The Murray	Central	336,000						6,710	4,831	
Hotel			—	Under development	2063	Hotels	72[(Note)]			18

Note: The Murray is owned by HCDL, which is owned as to 72% by our Company.

Properties held for investment purposes in the PRC

Our properties held for investment purposes in the PRC are all held by HCDL and comprise (i) Suzhou IFS, which is a commercial complex under development, including a hotel (Niccolo Suzhou), and (ii) the Marco Polo Changzhou hotel. These properties had an aggregate GFA of approximately 321,500 sq.m. and a total valuation as Valuation Properties of RMB3,857 million as at 31 August 2017. In light of the rapidly changing business environments, the HCDL Group has been evaluating different business options and currently intends to divest its interests in these assets if appropriate offers with acceptable commercial terms from third parties are received.

Development Properties in the PRC

Our development properties in the PRC comprise four property development projects, namely The U World, Chongqing, Changzhou Times Palace, Suzhou Times City and Shanghai South Station, of which two are held by subsidiaries of HCDL, and the remaining two are held respectively through joint ventures and an associate of HCDL. It is intended that all completed properties in these four projects will be sold. As at 31 December 2016, 93% of the saleable GFA of these four projects had either been sold or pre-sold. We expect that (i) most of the pre-sold properties will be delivered to the purchasers by the end of 2017 and that we will not generate significant revenue from property development in the PRC following such delivery, and (ii) the Shanghai South Station project (in which HCDL has a 27% interest and through which we have a 19% attributable interest), which will contribute to our share of results after tax of our associate, will be completed in the first half of 2022. The HCDL Group has no other landbank for development and we understand from HCDL that it does not intend to replenish its landbank. We do not intend to further engage in property development in the PRC.

PROPERTY VALUATION

Knight Frank Petty Limited, an independent property valuer, valued the market values of our property interests set out in "Appendix III — Property Valuation" as at 31 August 2017. In connection with the valuation, the Property Valuer applied the income capitalisation approach, a term and reversion method on the basis of capitalisation of the rental income derived from the existing tenancies, where applicable, with due provision for the reversionary income potential of the property interests, or where appropriate, the direct comparison method by making reference to comparable sale transactions as available in the relevant market. In conducting its valuation, the Property Valuer has made certain assumptions (see "Appendix III — Property Valuation" for the key assumptions, including capitalisation rates and comparable ranges used). You are advised that the appraised value of our property interests should not be taken as their actual realisable value or a forecast of their realisable value. See "Risk Factors — Other Risks Relating to Our Group — The appraised value of our properties may be different from the actual realisable value and is subject to change." for details.

The following information is extracted from the property valuation report in "Appendix III — Property Valuation".

Property number in the property valuation report in Appendix III	Properties	Description	Valuation approach	Page number in the property valuation report in Appendix III
1-14	Property interests in Group I	Property interests held by us for investment in Hong Kong	• Income capitalisation approach - term and reversion method on the basis of capitalisation of the rental income derived from the existing tenancies, where applicable, with due provision for the reversionary income potential of the property interests, or where appropriate, direct comparison method - by making reference to comparable sale transactions as available in the relevant market	III-13 to III-40
15-18	Property interests in Group II	Property interests held by us for operation in Hong Kong	• Valued based on their existing uses as fully operational hotels and assumed that the relevant licences for hotel operation will be continued	III-41 to III-46
25	Property interests in Group V	Property interests held by us for operation in the PRC	• Direct comparison approach with reference to comparable market transactions • Valuation cross-checked by capitalisation of net operating profits • Portions of valuations of these properties are attributable to transferrable goodwill, fixtures, fittings, furniture, furnishings and equipment • Based on information supplied by our Group in respect of room sales, food and beverage revenues, other revenues, outgoings, operating costs, gross operating profits, rents, rates, insurance and other relevant information • Allowances have been made for the periodical replacement and renovation of the hotel furnishings, fixtures and fittings	III-66 to III-67
19, 21 and 23 .	Property interests in Group III and properties number 21 and 23 of Group IV	Property interests held by us for investment in the PRC, and for sale in the PRC	• Market-based valuation approach with reference to sales evidence of comparable properties with adjustments made to account for any difference • Assumed that the property interests will be completed in accordance with our development proposals and the relevant approvals for the proposals have been obtained • Taken into account the cost of development including construction costs, finance costs, professional fees and developer's profit which duly reflects the risks associated with the development of the property interests	III-47 to III-49; III-55 to III-57 and III-60 to III-62
20, 22 and 24 .	Property number 20, 22 and 24 of Group IV	Property interests held by us for sale in the PRC	• Direct comparison approach by making reference to sales evidence as available in the market and assumed sales of property with the benefit of vacant possession as at the valuation date	III-50 to III-54, III-58 to III-59, and III-63 to III-65

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Spin-off, (a) our Company will cease to be a subsidiary of Wharf but will remain as a subsidiary of Wheelock, which will have an interest (through its wholly-owned subsidiaries, Wheelock Investments, High Fame, WF Investment and Lynchpin) in approximately 61.59% of the issued Shares in our Company and (b) Wheelock, Wheelock Investments, High Fame, WF Investment and Lynchpin will be our Controlling Shareholders. See “Relationship with our Controlling Shareholders” for details.

REASONS FOR AND BENEFITS OF THE SPIN-OFF

The boards of directors of Wheelock, Wharf and our Company consider that the Spin-off is in the interests of Wheelock, Wharf, our Company and their/our respective shareholders as a whole for the following reasons:

(i) as there are clear strategic and operational differences between the business focuses of our Group, the Ex-Wharf Wheelock Group and the Remaining Wharf Group, the demerger of our Company from Wharf, which will be effected by way of the Spin-off, will provide investors with an enhanced choice as to which of the businesses they are interested in investing in;

(ii) the Spin-off will increase the operational and financial transparency of each of the businesses of our Group, the Ex-Wharf Wheelock Group and the Remaining Wharf Group, allowing equity investors to appraise and assess the performance and potential of our Group, the Ex-Wharf Wheelock Group and the Remaining Wharf Group as separate entities and allowing lenders and bond investors to appraise their respective credit worthiness;

(iii) the Spin-off will lead to a more direct alignment of the responsibilities and accountability of the management of our Group, the Ex-Wharf Wheelock Group and the Remaining Wharf Group with their respective operating and financial performances. It will lead to enhanced management focus, better resources allocations, more efficient decision-making processes, and faster responsiveness to market changes, with regard to the respective businesses of our Group, the Ex-Wharf Wheelock Group and the Remaining Wharf Group; and

(iv) the Spin-off will enable our Group to access directly and independently both equity and debt capital markets and at pricing that reflects the risk and reward profile of our business.

SUMMARY OF KEY FINANCIAL INFORMATION

Summary of Combined Statements of Financial Position

The table below sets out a summary of the combined statements of financial position of our Group as at the dates indicated, extracted from the Accountants' Report set out in Appendix I to this listing document:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$ million	HK$ million	HK$ million	HK$ million
Non-current assets				
Investment properties	229,023	235,597	244,375	245,424
Others	11,791	12,376	12,567	13,862
Total non-current assets	240,814	247,973	256,942	259,286
Current assets	19,659	14,997	8,520	4,771
Total assets	260,473	262,970	265,462	264,057
Non-current liabilities	(41,636)	(37,938)	(36,192)	(29,330)
Current liabilities	(12,970)	(14,127)	(25,133)	(25,354)
Total liabilities	(54,606)	(52,065)	(61,325)	(54,684)
Net assets	205,867	210,905	204,137	209,373

We recorded net current liabilities of HK$16,613 million as at 31 December 2016, reversing from net current assets of HK$870 million as at 31 December 2015, primarily due to (i) change of net position from an amount due from our immediate holding company to an amount due to our immediate holding company of HK$10,354 million, which mostly arose from amounts we borrowed from our immediate holding company to fund our operations and the acquisition of our premises at Wheelock House in FY2016; and (ii) a decrease in the amount due from our immediate holding company in accordance with the treasury arrangements within the Wharf Group, of which we were a part during the Track Record Period.

Our net current liabilities increased to HK$20,583 million as at 30 June 2017, primarily due to (i) an increase in the amount due to our immediate holding company which was used for funding part of the repayment of our loan from our fellow subsidiaries; and (ii) a decrease in bank deposits and cash, mainly resulting from payment of the construction expenses for The Murray and Suzhou IFS.

Our unaudited pro forma net assets and net tangible assets per Share as at 30 June 2017 after adjustments including settlement of the Inter-Group Balances as at 30 June 2017 (and the HK$10,205 million dividend declared on 30 July 2017 by WEL, which is payable to Wharf) extracted from Note 7 to the Unaudited Pro Forma Financial Information on page II-5 in Appendix II to this listing document, were respectively HK$200,102 million and HK$64.20 (which is calculated as the net assets attributable to shareholders of our Company of HK$194,929 million divided by 3,036,227,327 Shares in issue immediately prior to the Listing).

Summary of Combined Statements of Profit or Loss

The table below sets out a summary of the combined statements of profit or loss of our Group for the periods indicated, based on the Accountants' Report set out in Appendix I to this listing document:

	FY2014	FY2015	FY2016	1H2016	1H2017
	HK$ million	HK$ million	HK$ million	HK$ million (unaudited)	HK$ million
Revenue	17,437	17,576	16,851	8,804	9,546
Operating profit	10,416	11,759	11,824	6,158	7,050
Increase in fair value of investment properties	27,729	5,329	1,191	81	478
Profit attributable to:					
Shareholders of our Company	35,127	13,787	9,917	4,440	4,900
Non-controlling interests	338	516	267	183	254
Profit for the year/period	35,465	14,303	10,184	4,623	5,154
Profit attributable to shareholders of our Company excluding attributable increase in fair value of investment properties	7,464	8,469	8,706	4,339	4,428

Our profit for FY2014 was significantly higher than that during the other periods during the Track Record Period, mainly due to the higher increase in fair value of our investment properties in Hong Kong, as a result of a greater increase in the assumed market rents for the year ended 31 December 2014 compared to the increases in the assumed market rents in the other periods comprising the Track Record Period.

Our profit attributable to shareholders of our Company excluding attributable increase in fair value of investment properties for FY2014, FY2015, FY2016, 1H2016 and 1H2017 amounted to HK$7,464 million, HK$8,469 million, HK$8,706 million, HK$4,339 million and HK$4,428 million, respectively. This non-HKFRS measure is used by our management to evaluate our financial and business performance. Changes in fair value of investment properties do not change our cash position or liquidity, and would not generate any cash flows from which dividends could be paid, as long as the relevant properties continue to be held by us. Such measure is not defined under HKFRS and should not be considered as an alternative to our results of operations, which are determined in accordance with HKFRS. Furthermore, it may not be comparable to similarly titled measures of other companies.

Summary of Combined Statements of Cash Flows

The table below sets out a summary of the combined statements of cash flows for the periods indicated, extracted from the Accountants' Report set out in Appendix I to this listing document:

	FY2014	FY2015	FY2016	1H2016	1H2017
	HK$ million	HK$ million	HK$ million	HK$ million (unaudited)	HK$ million
Net cash generated from operating activities	10,276	11,419	11,370	5,487	4,582
Net cash (used in)/generated from investing activities	(7,793)	1,111	6,248	(3,718)	178
Net cash used in financing activities	(3,119)	(11,016)	(18,502)	(3,192)	(7,955)
Net (decrease)/increase in cash and cash equivalents	(636)	1,514	(884)	(1,423)	(3,195)
Cash and cash equivalents at the beginning of the year/period	5,928	5,273	6,501	6,501	5,212
Effect of exchange rate change	(19)	(286)	(405)	(126)	154
Cash and cash equivalents at end of the year/period	5,273	6,501	5,212	4,952	2,171

KEY FINANCIAL RATIOS

The table below sets out our key financial ratios(Note) during the periods or as at each of the dates indicated:

	FY2014	FY2015	FY2016	1H2017
Profitability ratios				
Operating profit margin (%)	59.7	66.9	70.2	73.9
Net profit margin (%)	203.4	81.4	60.4	54.0
Return on shareholders' equity (%)	17.5	6.7	5.0	2.4
Return on total assets (%)	13.6	5.4	3.8	2.0

	As at 31 December			As at 30 June
	2014	2015	2016	2017
Liquidity ratios				
Current ratio	1.5	1.1	0.3	0.2
Gearing ratio (%)	19.5	17.8	17.3	13.3
Net debt to equity ratio (%)	16.9	14.7	14.8	12.3

Note: See "Financial Information — Key Financial Ratios" for the definitions of the ratios.

The following table sets out the breakdown of our revenue by business segment and by geography for the periods indicated:

	FY2014		FY2015		FY2016		1H2016		1H2017	
	(HK$ million)	(%)	(HK$ million)	(%)	(HK$ million)	(%)	(HK$ million)	(%)	(HK$ million)	(%)
							(unaudited)			
Revenue by business segments										
Investment properties	11,260	64.6	12,038	68.5	12,775	75.8	6,363	72.3	6,601	69.1
- Retail	8,153	46.8	8,677	49.4	9,108	54.0	4,568	51.9	4,721	49.4
- Office	2,806	16.1	3,060	17.4	3,351	19.9	1,639	18.6	1,717	18.0
- Serviced apartments	301	1.7	301	1.7	316	1.9	156	1.8	163	1.7
Development properties	4,361	25.0	3,930	22.4	2,482	14.7	1,686	19.2	2,166	22.7
Hotels	1,462	8.4	1,359	7.7	1,342	8.0	621	7.1	646	6.8
Others	354	2.0	249	1.4	252	1.5	134	1.4	133	1.4
Total	**17,437**	**100.0**	**17,576**	**100.0**	**16,851**	**100.0**	**8,804**	**100.0**	**9,546**	**100.0**
Revenue by geography										
Hong Kong	12,829	73.6	13,474	76.7	14,200	84.3	7,020	79.7	7,296	76.4
PRC	4,575	26.2	4,064	23.1	2,606	15.4	1,752	19.9	2,221	23.3
Singapore[(Note)]	33	0.2	38	0.2	45	0.3	32	0.4	29	0.3
Total	**17,437**	**100.0**	**17,576**	**100.0**	**16,851**	**100.0**	**8,804**	**100.0**	**9,546**	**100.0**

Note: The revenue attributable to Singapore comprised dividend income from shares listed in Singapore.

The following table shows a breakdown of operating profit and operating profit margin by business segment and by geography for the periods indicated:

	FY2014		FY2015		FY2016		1H2016		1H2017	
	Operating profit	Operating profit margin	Operating profit	Operating profit margin	Operating profit	Operating profit margin	Operating profit	Operating profit margin	Operating profit	Operating profit margin
	HK$ million	%	HK$ million	%	HK$ million	%	HK$ million (unaudited)	%	HK$ million	%
Operating profit and operating profit margin by business segments										
Investment properties	9,818	87.2	10,444	86.8	11,171	87.4	5,629	88.5	5,887	89.2
Development properties	380	8.7	1,041	26.5	425	17.1	429	25.4	1,135	52.4
Hotels	345	23.6	288	21.2	269	20.0	106	17.1	144	22.3
Segments total	10,543	61.7	11,773	67.9	11,865	71.5	6,164	71.1	7,166	76.1
Others	260	73.4	153	61.4	148	58.7	85	63.4	77	57.9
Less: corporate expenses	(387)	N/A	(167)	N/A	(189)	N/A	(91)	N/A	(193)	N/A
Total	10,416	59.7	11,759	66.9	11,824	70.2	6,158	69.9	7,050	73.9
Operating profit and operating profit margin by geography										
Hong Kong	9,841	76.7	10,640	79.0	11,328	79.8	5,681	80.9	5,876	80.5
The PRC	542	11.8	1,081	26.6	451	17.3	445	25.4	1,145	51.6
Singapore	33	100.0	38	100.0	45	100.0	32	100.0	29	100.0
Total	10,416	59.7	11,759	66.9	11,824	70.2	6,158	69.9	7,050	73.9

Direct costs and operating expenses

Our direct costs and operating expenses mainly comprise costs of developing our development properties, direct operating expenses for investment properties and other direct operating costs in relation to our operation of hotels and a club. Direct operating expenses for investment properties mainly consist of utility expenses, staff costs and building management fees. Other direct operating expenses mainly consist of staff costs and repair and maintenance costs and costs of food and beverage for operation of hotels and a club, as well as staff costs and repair and maintenance costs for the operations of Star Ferry.

Our direct costs and operating expenses amounted to HK$6,034 million, HK$4,965 million, HK$4,247 million, HK$2,304 million and HK$2,049 million for FY2014, FY2015, FY2016, 1H2016 and 1H2017, respectively. Our direct costs and operating expenses decreased during the Track Record Period, primarily due to the decrease in the cost of development properties for which sales were recognised. Such costs amounted to HK$3,859 million, HK$2,768 million, HK$1,968 million and HK$999 million for FY2014, FY2015, FY2016 and 1H2017, respectively, as a result of the decrease in the total saleable area of properties for which sales were recognised.

The following table shows the breakdown of our direct costs and operating expenses for the periods indicated:

	FY2014		FY2015		FY2016		1H2016		1H2017	
	HK$ million	%	HK$ million	%	HK$ million	%	HK$ million (unaudited)	%	HK$ million	%
Cost of development properties for recognised sales . . .	3,859	64.0	2,768	55.8	1,968	46.3	1,234	53.6	999	48.8
Direct operating expenses of investment properties.	1,356	22.5	1,479	29.8	1,494	35.2	680	29.5	664	32.4
Other direct operating expenses.	819	13.5	718	14.4	785	18.5	390	16.9	386	18.8
Total	6,034	100.0	4,965	100.0	4,247	100.0	2,304	100.0	2,049	100.0

CUSTOMERS

Our main revenue is rental income from our investment properties and our five largest customers during the Track Record Period comprised major reputable retail brands. For FY2014, FY2015, FY2016 and 1H2017, revenue from our five largest customers in aggregate accounted for approximately 9%, 9%, 10% and 9% of our total revenue, respectively. For the same periods, revenue from our largest customer accounted for approximately 3%, 3%, 3% and 2% of our total revenue, respectively. See ''Business — Customers'' for details.

SUPPLIERS

During the Track Record Period, our major suppliers consisted mainly of construction companies which provide construction services for our properties under development, and providers of cleaning, security and other maintenance services in Hong Kong and the PRC. See “Business — Suppliers” for details.

COMPETITIVE LANDSCAPE

The property investment market in Hong Kong is highly competitive and we compete with other investment property owners and operators to attract and retain tenants. For instance, in respect of retail tenants, we compete primarily based on the leading market positions of our flagship properties which possess substantial scale, occupy strategic locations in Hong Kong and are well-established brands, as well as our effective and forward looking marketing initiatives, whereas for office tenants we compete primarily based on the quality and location of our properties and our reputation as a property owner. See “Business — Market and Competition” for details.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

See "Dividends and Dividend Policy" below for details of the dividend declared and payable by WEL to Wharf during the period from the end of the Track Record Period and up to the Latest Practicable Date.

Our Directors have confirmed that (i) there were no material adverse changes in the business, or the financial or operating position, of our Group from 30 June 2017 up to 31 August 2017, and (ii) since 30 June 2017 and up to the date of this listing document, there has been no material adverse change in the market conditions or the industry or the environment in which we operate that materially and adversely affect our financial or operating position or the prospects of our Group.

In relation to the issuance of the Promissory Note which is expected to be settled by (i) the payment of cash funded by bank borrowings and (ii) the assumption by our Company or its subsidiaries of the liabilities of Wharf or its subsidiaries under certain novated banking facilities within five business days after completion of the Spin-off, we expect that as a result of such bank borrowings (including novated liabilities), our gearing ratio and net debt to equity ratio will increase and also expect to incur additional finance costs. If such bank borrowings had existed on 30 June 2017, based on Note 7 to the unaudited pro forma combined statement of financial position of our Group set out on page II-5 in "Appendix II — Unaudited Pro Forma Financial Information", our gearing ratio and net debt to equity ratio as at 30 June 2017 would have been 24.9% and 23.3%, respectively. See "Financial Information — Indebtedness — Settlement of Inter-Group Balances" for further information in relation to the bank borrowings for settling the Promissory Note.

HIGHLIGHTS OF RISK FACTORS

We have a Hong Kong concentration risk. We derive a significant percentage of our revenue from Hong Kong, which is expected to further increase in the future after the development properties of HCDL in the PRC are sold. General economic conditions, principally in Hong Kong and the PRC, have affected and may continue to affect the Hong Kong retail and hospitality industry. In particular, global economic conditions affect the number of tourists visiting Hong Kong and their spending, which impacts our revenue from our retail premises and our hotel businesses in Hong Kong. In addition, economic conditions in the PRC and austerity measures imposed by the PRC government affect both our PRC business and, through the impact on the number of PRC visitors to and their spending in Hong Kong, our retail premises at our Hong Kong investment properties. Any further reduction in the number of tourists, particularly PRC tourists, to Hong Kong could further affect the retail and hospitality industry and in turn materially and adversely affect our business, financial condition, results of operations and prospects.

Apart from the above, some of the risks which are considered to be material by our Directors include (i) we derive a significant portion of our revenue from our investment property portfolio, the performance of which depends on a number of factors, including changes in market rental levels, competition for tenants and rental collection and renewal; and (ii) a significant portion of our revenue is derived from our investment properties of Harbour City and Times Square. Any event which partially or entirely affects our operations at these two locations may materially and adversely affect our business, financial condition, results of operations and prospects; and (iii) due to the limited supply of sizable plots of land for investment properties and hotels in Hong Kong and the unique market position, substantial scale and strategic locations of Harbour City and Times Square, our growth may be limited if we are not able to locate suitable land on commercially viable terms. See "Risk Factors" for details.

LISTING EXPENSES

In relation to the Listing, we expect to incur listing expenses of approximately HK$66 million. During the Track Record Period, we did not incur any listing expenses. All the listing expenses are expected to be recognised as administrative and corporate expenses in our combined statements of profit or loss for the year ending 31 December 2017.

DIVIDENDS AND DIVIDEND POLICY

The Board currently intends to pay dividends corresponding to approximately 65% of our realised recurrent profit attributable to Shareholders derived from our investment properties and hotels in Hong Kong ("**Hong Kong IP**") from year to year ("**Distribution Profit**"). Realised recurrent profit from our Hong Kong IP excludes profit from our Hong Kong IP from unrealised revaluation gains, the recognition of deferred tax assets and any other material non-cash gains, and profit which the Board considers to be non-recurring in nature including among others disposal gains or gains on the issuance of securities.

The table below shows the Distribution Profits for the periods indicated:

	FY2014	FY2015	FY2016	1H 2017
	HK$ billion	HK$ billion	HK$ billion	HK$ billion
Profit attributable to shareholders of our Company excluding attributable increase in fair value of investment properties	7.5	8.5	8.7	4.4
Less:				
Profit from the PRC attributable to shareholders of our Company	(0.2)	(0.5)	(0.2)	(0.2)
Distribution Profit	7.3	8.0	8.5	4.2

No dividend has been paid or declared by our Company since its date of incorporation. The dividends declared and paid by WEL to its then shareholder, Wharf, during the Track Record Period, were HK$4,803 million, HK$8,297 million, HK$15,753 million and nil for FY2014, FY2015, FY2016 and 1H2017, respectively. For the same periods, the dividends declared and paid by HCDL to non-controlling interests were HK$172 million, HK$126 million, HK$353 million and HK$141 million, respectively. On 30 July 2017, WEL declared a dividend in the sum of HK$10,205 million, which is payable to Wharf and which will be part of the Inter-Group Balances. The Inter-Group Balances will be settled by way of the Promissory Note. The Promissory Note is expected to be settled by (i) the payment of cash and (ii) the assumption by our Company or its subsidiaries of the liabilities of Wharf or its subsidiaries under certain novated banking facilities, within five business days after completion of the Spin-off. See "Financial Information — Indebtedness" for further information.

The declaration of dividends is subject to the discretion of our Board and the approval of our Shareholders (except for interim dividends) as may be necessary. The Board will consider our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the Cayman Companies Law, including the approval of our Shareholders (except for interim dividends). Also see "Risk Factors — Other Risks Relating to our Group — Our future dividend payments will be subject to the discretion of the Board."

In this listing document, unless the context otherwise requires, the following expressions shall have the following meanings:

"1H2016"	the six months ended 30 June 2016
"1H2017"	the six months ended 30 June 2017
"Accountants' Report"	the accountants' report on our Group for the Track Record Period set out in Appendix I to this listing document
"Articles" or "Articles of Association"	the amended and restated articles of association of our Company conditionally adopted on 24 October 2017 and effective on the Listing Date, as amended or supplemented from time to time, a summary of which is set out in "Appendix V — Summary of the Constitution of Our Company and Cayman Companies Law"
"AUD"	Australian dollar(s), the lawful currency of Australia
"Audit Committee"	the audit committee of our Board
"Beneficial Wharf Shareholder(s)"	beneficial owner(s) of Wharf Shares whose Wharf Shares are registered in the name of a Registered Wharf Shareholder
"Board" or "Board of Directors"	the board of Directors
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"Cayman Companies Law" or "Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961) of the Cayman Islands, as amended or supplemented from time to time
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS clearing participant, a CCASS custodian participant or a CCASS Investor Participant
"Chairman"	the chairman of our Board

"ChinaClear"	China Securities Depository and Clearing Corporation Limited
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
"Company"	Wharf Real Estate Investment Company Limited (九龍倉置業地產投資有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 13 April 2017
"Controlling Shareholder(s)"	shall have the meaning given to it under the Listing Rules and unless the context otherwise requires, refers to WF Investment, High Fame, Lynchpin, Wheelock Investments and Wheelock
"Director(s)"	the director(s) of our Company
"Distribution"	the conditional special interim dividend expected to be declared by the Wharf Board on Tuesday, 14 November 2017 to be satisfied by way of the proposed issue of new Shares to, *inter alia*, Qualifying Wharf Shareholders, in the proportion of one Share for every one Wharf Share held by them on the Distribution Record Date, further details of which are set out in "The Distribution and the Spin-off"
"Distribution Record Date"	the record date for determining entitlements to the Distribution, being Monday, 20 November 2017
"Ex-Wharf-REIC Wheelock Group"	Wheelock and its subsidiaries, but excluding our Group
"Ex-Wharf Wheelock Group"	Wheelock and its subsidiaries, but excluding the Remaining Wharf Group and our Group
"Excluded Jurisdiction(s)"	those jurisdiction(s) outside Hong Kong in respect of which the Wharf Board and the Board have determined, after making relevant enquiries and based on the legal advice received, that it is necessary or expedient not to issue Shares pursuant to the Distribution, on account of either the legal restrictions under the applicable laws of such jurisdiction(s) and/or the requirements of the relevant regulatory bodies or stock exchanges in such jurisdiction(s). As at the Latest Practicable Date, the Excluded Jurisdiction was Barbados

"Excluded Wharf Shareholder(s)"	those Overseas Wharf Shareholders with registered addresses in an Excluded Jurisdiction, and Wharf Shareholders or Beneficial Wharf Shareholders who are otherwise known by Wharf to be residents of, or located in, jurisdictions outside Hong Kong as at the Distribution Record Date, whom the Wharf Board and the Board, after making relevant enquiries and based on the legal advice provided by their legal advisers, consider it necessary or expedient to exclude from receiving Shares pursuant to the Distribution on account of the legal restrictions under the applicable laws of the relevant jurisdictions where they are located or resident in and/or the requirements of the relevant regulatory bodies or stock exchanges in those jurisdictions
"Executive Director(s)"	executive director(s) of our Company
"FY" or "financial year"	financial year of our Company ended or ending 31 December
"Group", "we", or "us"	our Company and its subsidiaries (including the HCDL Group)
"HCDL"	Harbour Centre Development Limited, a company incorporated under the laws of Hong Kong with limited liability on 16 July 1965, the shares of which are listed on the Main Board (stock code: 51) and which is a subsidiary of our Company
"HCDL Group"	HCDL and its subsidiaries
"HCEL"	Harbour City Estates Limited, a company incorporated under the laws of Hong Kong with limited liability on 4 June 1974 and which is indirectly wholly owned by our Company
"High Fame"	High Fame Investments Limited, a company incorporated under the laws of the BVI with limited liability on 6 June 2012 and directly wholly owned by Wheelock Investments, and one of our Controlling Shareholders
"HK$" or "Hong Kong dollar(s)"	Hong Kong dollar(s), the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited
"i-CABLE"	i-CABLE Communications Limited, a company incorporated under the laws of Hong Kong with limited liability on 21 May 1999, the shares of which are listed on the Main Board (stock code: 1097)
"Independent Non-executive Director(s)"	independent non-executive director(s) of our Company
"independent third party(ies)"	a person who, as far as our Directors are aware after having made all reasonable enquiries, is not a connected person of our Company
"Inter-Group Balances"	the aggregate outstanding amount owed by our Group to the Remaining Wharf Group minus the aggregate outstanding amount owed by the Remaining Wharf Group to our Group immediately prior to completion of the Spin-off. Such net amount was approximately HK$37 billion as at 30 June 2017 and is expected to increase to approximately HK$46 billion by the Listing Date, principally as a result of the HK$10,205 million dividend declared on 30 July 2017 by WEL, which is payable to Wharf, notwithstanding an otherwise reduction in the net amount owed by our Group to the Remaining Wharf Group
"Issue Mandate"	the general unconditional mandate granted to our Directors relating to the issue of new Shares, details of which are set out in "Appendix VII — General Information — Further Information About Our Group — 3. Written Resolutions of our Sole Shareholder passed on 24 October 2017"
"Joint Sponsors"	HSBC Corporate Finance (Hong Kong) Limited and Somerley Capital Limited
"JPY"	Japanese yen, the lawful currency of Japan
"Latest Practicable Date"	30 October 2017, being the latest practicable date for the purpose of ascertaining certain information contained in this listing document prior to its publication

"Listing"	the listing of our Shares on the Main Board
"Listing Date"	the date expected to be on or around Thursday, 23 November 2017, on which our Shares are first listed and from which dealings in our Shares are permitted to take place on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Lynchpin"	Lynchpin Limited, a company incorporated under the laws of the BVI with limited liability on 2 April 1997 and directly wholly owned by Wheelock Investments, and one of our Controlling Shareholders
"Main Board"	the Main Board of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of our Company adopted on 24 October 2017, as amended or supplemented from time to time
"Nomination Committee"	the nomination committee of our Board
"Overseas Wharf Shareholder(s)"	Wharf Shareholder(s) whose addresses, as shown on the register of members of Wharf on the Distribution Record Date, are in jurisdictions outside Hong Kong
"Pacific Club"	Pacific Club Kowloon, a club operated by our Group located in Harbour City, Tsim Sha Tsui, Kowloon
"PRC" or "China"	the People's Republic of China, excluding for the purposes of this listing document only, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"PRC Legal Adviser"	Jingtian & Gongcheng, our legal adviser as to PRC laws in relation to the Spin-off
"Promissory Note"	the promissory note in the principal amount equal to the Inter-Group Balances and which is to be issued by our Company to the Remaining Wharf Group for the settlement of the Inter-Group Balances, which promissory note is expected to be settled by (i) the payment of cash funded by bank borrowings and (ii) the assumption by our Company or its subsidiaries of the liabilities of Wharf or its subsidiaries under certain novated banking facilities within five business days after the completion of the Spin-off

"Property Valuer"	Knight Frank Petty Limited, the independent property valuer which carried out a valuation of our property interests as at 31 August 2017, details of which are set out in "Appendix III — Property Valuation"
"Qualifying Wharf Shareholder(s)"	Wharf Shareholder(s) whose name(s) appear on the register of members of Wharf on the Distribution Record Date, but excluding the Excluded Wharf Shareholder(s)
"Registered Wharf Shareholder(s)"	in respect of a Beneficial Wharf Shareholder, any nominee, trustee, depositary or any other authorised custodian or third party whose name is entered in the register of members of Wharf as the holder of the Wharf Shares in which the Beneficial Wharf Shareholder is beneficially interested
"Relevant Persons"	the Joint Sponsors, any of their, our Company's or Wharf's respective directors, officers or representatives or any other person involved in the Listing
"Remaining Wharf Group"	Wharf and its subsidiaries upon completion of the Spin-off, which excludes our Group
"Remuneration Committee"	the remuneration committee of our Board
"Reorganisation"	the reorganisation of our Group in preparation for the Listing, details of which are set out in "Appendix VII — General Information — Further Information About Our Group — 6. Reorganisation"
"Repurchase Mandate"	the general unconditional mandate granted to our Directors relating to the repurchase of Shares, details of which are set out in "Appendix VII — General Information — Further Information About Our Group — 3. Written Resolutions of our Sole Shareholder passed on 24 October 2017"
"RMB"	Renminbi, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"SGD"	Singapore dollar(s), the lawful currency of Singapore
"Shareholder(s)"	holder(s) of Shares

"Share(s)"	ordinary share(s) of our Company with a nominal value of HK$0.10 each
"Singapore"	the Republic of Singapore
"Spin-off"	the proposed spin-off of our Company by way of the Distribution and the separate listing of our Shares on the Main Board by way of introduction
"Star Ferry"	the passenger ferry service in Hong Kong operated by The "Star" Ferry Company, Limited (a company incorporated under the laws of Hong Kong with limited liability on 23 April 1898 and indirectly wholly owned by our Company) which carries passengers across Victoria Harbour between Hong Kong Island and Kowloon
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Suzhou IFS"	Suzhou International Finance Square, a property under development in Suzhou, the PRC, in which HCDL owns an 80% interest
"Takeovers Code"	The Code on Takeovers and Mergers issued by the SFC, as amended or supplemented from time to time
"The Murray"	the hotel to be located in the former Murray Building, Central, Hong Kong which is undergoing conversion into a hotel to be operated by HCDL and managed as a Niccolo Hotel
"Track Record Period"	FY2014, FY2015, FY2016 and 1H2017
"United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"U.S." or "United States"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"U.S. Dollar(s)", "USD" or "US$"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	U.S. Securities Act of 1933, as amended
"Valuation Properties"	our properties that were valued by the Property Valuer and which are set out in "Appendix III — Property Valuation"

"WEL"	Wharf Estates Limited, a company incorporated under the laws of Hong Kong with limited liability on 8 February 2002 and which is indirectly wholly owned by our Company
"WF Investment"	WF Investment Partners Limited, a company incorporated under the laws of BVI with limited liability on 10 September 1990 and directly wholly owned by Wheelock Investments, and one of our Controlling Shareholders
"Wharf"	The Wharf (Holdings) Limited, a company incorporated under the laws of Hong Kong with limited liability on 15 November 1886, the shares of which are listed on the Main Board (stock code: 4)
"Wharf Board"	the board of directors of Wharf
"Wharf Group"	Wharf and its subsidiaries prior to completion of the Spin-off
"Wharf Hotels"	Wharf Hotels Management Limited, a subsidiary of Wharf and a connected person of our Company
"Wharf PRC Stock Connect Investor(s)"	the PRC southbound investor(s) trading through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect (collectively, "Shanghai and Shenzhen Connect") who hold(s) Wharf Shares through ChinaClear as nominee
"Wharf Shareholder(s)"	holder(s) of Wharf Share(s)
"Wharf Share(s)"	ordinary share(s) in the share capital of Wharf
"Wheelock"	Wheelock and Company Limited, a company incorporated under the laws of Hong Kong with limited liability on 22 August 1946, the shares of which are listed on the Main Board (stock code: 20), and one of our Controlling Shareholders
"Wheelock Group"	Wheelock and its subsidiaries
"Wheelock Investments"	Wheelock Investments Limited, a company incorporated under the laws of Hong Kong with limited liability on 5 November 2010 and directly wholly owned by Wheelock, and one of our Controlling Shareholders

"Wheelock Singapore"	Wheelock Properties (Singapore) Limited, a company incorporated under the laws of Singapore with limited liability on 19 December 1972 and a non-wholly owned subsidiary of Wheelock, the shares of which are listed on the Singapore Exchange Securities Trading Limited, (stock code: M35)
"WREIC"	Wharf REIC Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 20 March 2017 and which is directly wholly owned by our Company
"%"	per cent.

In this listing document, unless the context otherwise requires, the terms "associate", "close associate", "connected person", "connected transaction", "core connected person", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules.

Certain amounts and percentage figures included in this listing document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Unless otherwise specified, certain amounts denominated in RMB and USD have been translated into HK$ at the exchange rate of RMB1.00 = HK$1.15 and US$1.00 = HK$7.80, respectively. The above exchange rate is for illustrative purposes only and such conversion should not be construed as a representation that amounts in RMB or USD were or could have been or could be converted into HK$ at such rate or any other exchange rate.

The English names of companies incorporated in the PRC, the PRC laws and regulations and the PRC government authorities are translations of their Chinese names and are included for identification purposes only. If there is any inconsistency between such Chinese names and their English translations in this listing document, the Chinese names shall prevail over their English translations.

Information in this listing document relating to retail tenant mix, aggregate sales turnover of the tenants, average occupancy costs ratios, average occupancy rate, lease renewal retention rate, total weighted lease terms and weighted average lease term to expiry, is based on each of our properties' management records. Certain of the data underlying such information has not been extracted from management's accounting systems, is not based on or prepared in accordance with HKFRS, and has not been audited or reviewed by KPMG. Certain of this information has been prepared solely for inclusion in this listing document and has not been published previously, and we do not intend to publish it in the future. You should not place undue reliance on such information.

There may be some differences between certain data (e.g. GFA) in this listing document, which is based on our calculations according to information available to us, and publicly available information, which may be attributable to different methods of calculation, presentation or otherwise.

Unless otherwise specified, all references to any shareholdings in our Company refer to such shareholdings immediately following completion of the Spin-off.

References to the number of tenants in respect of a property as at a given date stated in this listing document are calculated based on the number of existing Letting Documents of that property as at such date.

Financial data in this listing document for the periods in which Crawford House and our premises at Wheelock House were respectively purchased by our Group has been calculated using the respective contributions from Crawford House and our premises at Wheelock House since each property's respective acquisition date and excludes pre-acquisition data. Average occupancy rates and average effective monthly rent for Crawford House and our premises at Wheelock House for the periods in which they were respectively purchased have been calculated based on relevant data for each property for the whole of the year in which they were purchased and include pre-acquisition data.

References to "our premises at Wheelock House" in this listing document refer to the premises we own in Wheelock House, comprising Unit (Commercial) C on Ground Floor (all except common areas), 3rd to 24th Floor and certain spaces and portions and certain exclusive rights and privileges. See "Business — Our Property Portfolio — Central Portfolio — Wheelock House" and property number 14 in "Appendix III — Property Valuation" for details.

In this listing document, unless stated otherwise or the context requires:

- *hotels owned or being developed for investment purposes are not included within investment properties, consistent with hotels and investment properties being separately reported operating segments in our combined statements of financial position;*

- *references to "our office premises" refer to the office premises at our investment properties*;

- *references to "our retail premises" refer to the retail premises at our investment properties*; and

- *references to "fellow subsidiaries" refer to subsidiaries of Wharf at the relevant time other than members of our Group.*

This glossary of technical terms contains explanations of certain terms used in this listing document as they relate to our Group and are used in this listing document in connection with our business or us. These terms and their given meanings may not correspond to standard industry definitions.

"available room nights"	in the case of hotels, the number of times a hotel room is available for use for an overnight stay of up to 24 hours in a given period
"average effective monthly rent"	for any given period in relation to our retail premises, office premises or serviced apartments at any investment property, is the simple average of the amounts of the monthly rental income per leased square foot for each month in that period
"average occupancy cost ratio"	in relation to any retail property in any period, the quotient of (a) the aggregate of the base rent, turnover rent and management fees in respect of that retail property for that period divided by (b) the aggregate sales turnover of the tenants of that retail property for that period
"average occupancy rate"	(i) in the case of our retail premises or office premises at any investment property, the average monthly area leased divided by the average monthly LFA of the relevant premises, where "average monthly area leased" means the sum of the amounts equal to the total area leased at the end of each month in a given period divided by the number of months in that period and "average monthly LFA" means the sum of the amounts equal to the total LFA (excluding areas which are undergoing material renovation or conversion and areas which are self-used by us) at the end of each month in a given period divided by the number of months in that period; (ii) in the case of hotels and serviced apartments, the total number of room nights sold divided by the total number of available room nights in a given period; or (iii) in the case of serviced apartments, the total number of units occupied under a Letting Document divided by the total number of units available for lease in a given period

"average room rate"	the total hotel room revenue including service charge divided by the total number of room nights sold in a given period
"base rent"	rental income payable by tenants as stipulated in the Letting Documents, exclusive of any additional turnover rent (if applicable) and other charges and reimbursements (if any). According to the accounting policies adopted by our Group, it is recognised as revenue on a straight-line basis over the shorter of (i) the remaining lease term (taking into account, where a rent review takes place, the re-estimation of the rental income recognised in prior periods which effects are recognised in the period of the rent review) and (ii) the period from the commencement date of the lease to the first break option date (if any)
"CAGR"	compound annual growth rate
"GFA" or "gross floor area"	(i) in the case of any building in Hong Kong: the area contained within the external walls of the building measured at each floor level (including any floor below ground level) including the overall area of any balcony and the thickness of the external walls of the building, which in general excludes any area which has been disregarded as constituting gross floor area by the Building Authority (ii) in the case of any building in the PRC: the area contained within the external walls of the building measured at each floor level (including any floor below ground level) including the thickness of the external walls of the building. For above-ground areas, this generally includes mechanical and electrical service rooms, refuse rooms, water tanks and car-parking floors. For underground areas, this generally excludes mechanical and electrical service rooms, refuse rooms, water tanks and car-parking floors

"Grade A"	modern offices with high quality finishes, flexible layout, large floor plates, spacious, well decorated lobbies and circulation areas, effective central air-conditioning, good lift services zoned for passengers and goods deliveries, professional management and parking facilities normally available
"High Tariff A Hotels"	hotels with a composite score between 3.00 and 3.99 according to the Hong Kong Tourism Board classification system, where the score is based on facilities, location, staff-to-room ratio, achieved room rate and business mix. This is the highest standard of hotel classification by the Hong Kong Tourism Board for hotels in Hong Kong of a total of four ratings
"High Tariff B Hotels"	hotels with a composite score between 2.00 and 2.99 according to the Hong Kong Tourism Board classification system, where the score is based on facilities, location, staff-to-room ratio, achieved room rate and business mix. This is the second highest standard of hotel classification by the Hong Kong Tourism Board for hotels in Hong Kong of a total of four ratings
"lease renewal retention rate"	in relation to any property during any period, the quotient of (a) the aggregate LFA attributable to leases which are renewed (without any break in the continuity of the tenant's occupation and without any change in the amount of LFA leased under the relevant lease, and not including any relocation of a tenant within that property) in that period in that property divided by (b) the aggregate LFA attributable to leases which expire in that period in that property
"Letting Document"	lease, underlease, tenancy, licence or other agreement in writing giving rise to rights of occupation and enjoyment (in each case as amended) to which any of our property or premises is subject
"LFA" or "lettable floor area"	(i) in the case of office premises: (a) in respect of a unit occupying an entire floor, the floor area exclusively allocated to that unit including toilets and lift lobbies but excluding common areas such as staircases and smoke lobbies, lift shafts and plant rooms; and

(b) in respect of a unit which is one of several units making up an entire floor, the floor area exclusively allocated to that unit plus a proportionate share of the communal toilets, lift lobbies and passageways among the units on that floor such that the aggregate lettable floor areas of all subdivided units on the floor shall equal the lettable floor area of the floor if occupied as one single unit

(ii) in the case of retail premises:

(a) in respect of a unit occupying an entire floor, the floor area available for the exclusive use of the occupier as if the whole floor is taken up as a single unit i.e. including toilets and passageways but excluding common areas such as lift shafts, stairs, plant rooms and smoke lobbies; and

(b) in respect of a unit which is one of several units making up an entire floor, the floor area exclusively allocated to that unit, being the area which is measured up to the centre line of the wall separating adjoining units, and the full thickness of the external walls and walls separating the units from common areas

(iii) in the case of a serviced apartment, its GFA

"Medium Tariff Hotels" hotels with a composite score between 1.00 and 1.99 according to the Hong Kong Tourism Board classification system, where the score is based on facilities, location, staff-to-room ratio, achieved room rate and business mix. This is the third highest standard of hotel classification by the Hong Kong Tourism Board for hotels in Hong Kong of a total of four ratings

"mixed-use integrated complex" a complex with more than one type of premises, such as retail, office, serviced apartments, hotels and club

"monthly rental income per leased square foot" the total rental income in respect of our retail premises or office premises at any investment property for any given month divided by the total leased LFA of such premises at the end of the relevant month

"occupation permit"	a written permit issued by the Building Authority in Hong Kong permitting the occupation of the relevant development or building for the specified purposes or the corresponding document issued by the relevant authority in another jurisdiction
"outgoings"	all costs associated with the management of the property including but not limited to, staff costs, chilled water charges and electricity, marketing expenses, car park expenses, air conditioning expenses, cleaning charges, building maintenance and services, lift maintenance and, in respect of vacant areas, government rent
"sq.ft."	square feet. Where an area in square metres is converted into square feet, it is converted at the ratio of 1 square metre : 10.764 square feet
"sq.m."	square metre
"RevPAR"	revenue per available room, which is calculated by dividing the total hotel room revenue by the total number of room nights available for sale in a given period
"rental income"	in relation to any investment property or any premises at any investment property, the gross amount of the rental income recognised from the property or relevant premises, comprising base rent and as applicable, turnover rent (exclusive of government rent and rates, service charge, management fee, air conditioning charges, promotion levy or other surcharges) in respect of the property or relevant premises
"room nights sold"	in the case of hotels, the number of times a hotel room is sold to guest(s) for an overnight stay of up to 24 hours in a given period, excluding in all cases complimentary rooms or rooms occupied by in-house staff
"tenant(s)"	a person(s) who occupies any of our properties under a Letting Document
"total weighted lease terms"	in relation to any investment property or in respect of premises at an investment property, the sum of all the weighted lease terms in respect of that property or relevant premises where a weighted lease term is the product of (a) the length as at 30 June 2017 of the remaining term of a lease to expiry, multiplied by (b) the base rent payable in respect of that lease for the month ended 30 June 2017

"turnover rent"	rent calculated by reference to a pre-determined percentage of a tenant's sales revenue. According to the accounting policies adopted by our Group, it is recognised as revenue
"weighted average lease term to expiry"	in relation to any investment property or in respect of premises at an investment property, a period equal to the quotient that results from dividing (1) the total weighted lease terms for that property or relevant premises by (2) the total base rent in respect of all the leases of that property or relevant premises for the month ended 30 June 2017

THE DISTRIBUTION

Information on the Distribution

On 2 November 2017, Wharf announced that resolutions are expected to be presented to the Wharf Board on or around 14 November 2017 for the purpose of, among others, (i) its approval of the proposal relating to the Spin-off which will be implemented by way of the Distribution and (ii) the declaration of a conditional special interim dividend to be satisfied by way of our Company allotting and issuing to, *inter alia*, the Qualifying Wharf Shareholders new Shares pursuant to the Distribution. The Wharf Board also announced that if such conditional special interim dividend is declared, the Distribution Record Date will be 20 November 2017 and the register of members of Wharf will be closed on 20 November 2017 for the purpose of determining entitlements to the Distribution.

Pursuant to the Distribution, the Qualifying Wharf Shareholders will be entitled to one Share for every one Wharf Share held as at the Distribution Record Date. Immediately thereafter, the two Shares held by Wharf will be surrendered for cancellation. Accordingly, the Qualifying Wharf Shareholders will hold the same proportionate interests in our Company as they hold in Wharf as at the Distribution Record Date. Wharf Shareholders should note that they will not be required to pay any consideration to Wharf or us for the Shares received pursuant to the Distribution or complete any application form to receive the Shares pursuant to the Distribution.

Our Shares which the Excluded Wharf Shareholders would otherwise receive pursuant to the Distribution will be issued to a nominee selected by the Wharf Board, who will sell such Shares in the market as soon as reasonably practicable following the commencement of dealings in our Shares on the Stock Exchange. The aggregate proceeds of such sale (net of expenses and taxes) will be paid to the relevant Excluded Wharf Shareholders (*pro rata* to their shareholdings in Wharf as at the Distribution Record Date) in Hong Kong dollars in full satisfaction of the relevant Shares which they would otherwise receive pursuant to the Distribution, provided that if the amount that an Excluded Wharf Shareholder would be entitled to receive is less than HK$100, such sum will be retained for the benefit of Wharf.

Condition to the Distribution

The Distribution is conditional on the Listing Committee granting approval for the listing by way of introduction of, and permission to deal in, our Shares on the Main Board and such approval not having been revoked prior to the completion of the Spin-off. If this condition is not satisfied, the Distribution will not be made and the Spin-off will not take place.

Excluded Wharf Shareholders

The allotment and issue by our Company of our Shares under the Distribution to certain Wharf Shareholders may be subject to laws of jurisdictions outside Hong Kong. Wharf Shareholders and Beneficial Wharf Shareholders whose addresses registered in the register of members of Wharf are in, or who are located or residing in, jurisdictions other than Hong Kong should inform themselves about and observe all legal and regulatory requirements applicable to them. It is the responsibility of Wharf Shareholders and Beneficial Wharf Shareholders to satisfy themselves as to the full observance of the laws of the relevant jurisdictions applicable to them in connection with the Distribution, including obtaining any governmental, exchange control or other consents which may be required, or compliance with any other necessary formalities and payment of any issue, transfer or other taxes due in such jurisdiction.

Overseas Wharf Shareholders and Beneficial Wharf Shareholders should consult their professional advisers if they are in any doubt as to the potential applicability of, or consequences under, any provision of laws or regulations or judicial or regulatory decisions or interpretations in any jurisdictions, territory or locality therein or thereof and, in particular, whether there will be any restriction or prohibition on the acquisition, retention, disposal or otherwise with respect to our Shares, as the case may be. It is emphasised that none of Wharf, our Company or any of the Relevant Persons accepts any responsibility in relation to the above.

Excluded Wharf Shareholders are those Overseas Wharf Shareholders with registered addresses in an Excluded Jurisdiction, and other Wharf Shareholders or Beneficial Wharf Shareholders who are otherwise known by Wharf to be residents of, or located in, jurisdictions outside Hong Kong as at the Distribution Record Date, whom the Wharf Board and the Board, based on enquiries made on their behalves and the legal advice provided by their legal advisers, consider it necessary or expedient to exclude from receiving Shares pursuant to the Distribution on account of the legal restrictions under the applicable laws of the relevant jurisdictions where such Wharf Shareholders or Beneficial Wharf Shareholders are resident or located in and/or the requirements of the relevant regulatory bodies or stock exchanges in those jurisdictions. The relevant Excluded Wharf Shareholders will not receive any Shares.

As at the Latest Practicable Date, based on the information provided by Wharf, there were 190 Wharf Shareholders whose addresses as registered in the register of members of Wharf were outside Hong Kong, namely in Australia, Barbados, Canada, the Channel Islands, France, Gibraltar, India, Indonesia, Ireland, Macau, Malaysia, New Zealand, the Philippines, Portugal, the PRC, Singapore, Taiwan, Thailand, the United Kingdom and the United States.

Based on the legal advice received and, where relevant, taking into account the number of Overseas Wharf Shareholders in the relevant jurisdictions as at the Latest Practicable Date and/or the number of Wharf Shares they then held and assuming that the relevant legal requirements remain unchanged, the Excluded Jurisdiction is expected to be Barbados, and therefore the Overseas Wharf Shareholders in the Excluded Jurisdiction are expected to be Excluded Wharf Shareholders. If, at the Distribution Record Date, there are more than 20 Australian Shareholders, Australia will also be classified as an "Excluded Jurisdiction" and the Australian Shareholders will be Excluded Wharf Shareholders.

With respect to the Excluded Jurisdiction(s), Wharf will send a letter to CCASS Participants (other than CCASS Investor Participants) notifying them that, in light of applicable laws and regulations of the Excluded Jurisdiction(s), to the extent they hold any Wharf Shares on behalf of any Beneficial Wharf Shareholder with an address located in any of the Excluded

Jurisdiction(s), they should sell our Shares which they receive pursuant to the Distribution on behalf of the Beneficial Wharf Shareholder and pay the net proceeds of such sale to such Beneficial Wharf Shareholder. None of Wharf, our Company or any of the Relevant Persons takes any responsibility for the sale of such Shares or the payment of the net proceeds of the sale of such Shares to any such underlying Beneficial Wharf Shareholder.

If there is any other jurisdiction outside Hong Kong which is not referred to above in which the address of any Wharf Shareholder as shown in the register of members of Wharf at the Distribution Record Date is located or any Wharf Shareholder or Beneficial Wharf Shareholder at the Distribution Record Date is otherwise known by Wharf to be located or resident, and such Wharf Shareholders should, in the view of the Wharf Board and the Board having made the relevant enquiries and having considered the circumstances, be excluded from receiving our Shares pursuant to the Distribution on the basis of the legal restrictions under the applicable laws of such jurisdiction or the requirements of the relevant regulatory bodies or stock exchanges in such jurisdiction, our Company will make an announcement.

Wharf and our Company reserve the right, in its and our absolute discretion, to determine whether to allow the participation of any Wharf Shareholder or Beneficial Wharf Shareholder in the Distribution.

Information for Overseas Wharf Shareholders

Wharf PRC Stock Connect Investors

According to the "Stock Connect Shareholding Search" available on the Stock Exchange's website (**www.hkexnews.hk**), as at Latest Practicable Date, ChinaClear held 2,950,000 Wharf Shares, representing approximately 0.09% of the total issued Wharf Shares. ChinaClear is a CCASS Participant with HKSCC Nominees.

The Wharf Board and the Board have made the relevant enquiries and have been advised by our PRC Legal Adviser that the Wharf PRC Stock Connect Investors may hold our Shares pursuant to the Distribution through ChinaClear. In addition, according to our PRC Legal Adviser, pursuant to the Shenzhen Stock Exchange Measures for the Implementation of Shenzhen-Hong Kong Stock Connect promulgated and effective on 30 September 2016 and the Shanghai Stock Exchange Measures for the Implementation of Shanghai-Hong Kong Stock Connect revised and effective on 30 September 2016, the Wharf PRC Stock Connect Investors (or the relevant ChinaClear participants, as the case may be) whose stock accounts in ChinaClear are credited with our Shares may only sell them on the Stock Exchange under Shanghai and Shenzhen Connect but may not purchase our Shares as our Shares are not eligible securities under the Shanghai and Shenzhen Connect.

Wharf PRC Stock Connect Investors should seek advice from their intermediary (including broker, custodian, nominee or ChinaClear participant) and/or other professional advisers for details of the logistical arrangements as required by ChinaClear.

Other Information for Overseas Wharf Shareholders

A summary of the requirements applicable to Overseas Wharf Shareholders or persons who are resident or located in certain jurisdictions is set out below.

1. *Australian Overseas Wharf Shareholders*

The ability of the Australian Shareholders to receive the Shares will depend upon the number of Australian Shareholders at the Distribution Record Date. If, at the Distribution Record Date, there are more than 20 Australian Shareholders, Australia will be classified as an "Excluded Jurisdiction" and the Australian Shareholders will be Excluded Wharf Shareholders.

2. *Canadian Overseas Wharf Shareholders*

This listing document is not, and under no circumstances is it to be construed as, an advertisement or a public offering of the securities referred to in this listing document. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon this document or the merits of the securities described herein and any representation to the contrary is an offence. In Canada, this listing document is intended solely for the Wharf Shareholders.

The Distribution of the Shares in Canada is being made on a private placement basis only and is exempt from the requirement that Wharf or our Company prepare and file a prospectus with the relevant Canadian securities regulatory authorities. Accordingly, any resale of the Shares must be made in accordance with applicable Canadian securities laws which may require resales to be made in accordance with prospectus and dealer registration requirements or exemptions from prospectus and dealer registration requirements. These resale restrictions may in some cases apply to resales of the Shares outside of Canada. Canadian Shareholders are advised to seek legal advice prior to any resale of the Shares.

Neither Wharf nor our Company are "reporting issuers", as such term is defined under applicable Canadian securities laws, in any province or territory of Canada, and neither Wharf nor our Company intends to become "reporting issuers" in any province or territory of Canada. Canadian Shareholders are advised that neither Wharf nor our Company are required to file a prospectus or similar document with any securities regulatory authority in Canada qualifying the resale of the Shares to the public in any province or territory in Canada. Canadian Shareholders are further advised that neither Wharf nor our Company intends to file a prospectus or similar document with any securities regulatory authority in Canada qualifying the resale of the Shares to the public in any province or territory of Canada in connection with the Spin-off.

3. *Channel Islands Overseas Wharf Shareholders*

Guernsey

This listing document has not been approved or authorised by the Guernsey Financial Services Commission (the "**Commission**") or the States of Guernsey Policy Council, nor has it been delivered to the Commission pursuant to the Prospectus Rules 2008 issued under the Protection of Investors (Bailiwick of Guernsey) Law, 1987, and therefore this listing document may not be circulated by way of public offer in the Bailiwick of Guernsey.

Jersey

No action has been taken to authorise the distribution of the Shares in Jersey. The distribution of this listing document in Jersey has not been authorised by the Jersey Financial Services Commission pursuant to the Control of Borrowing (Jersey) Order 1958, as amended. It must be distinctly understood that the Jersey Financial Services Commission does not accept any responsibility for the financial soundness of or any representations made in connection with our Company.

4. *French Overseas Wharf Shareholders*

This listing document has been prepared in relation to the Spin-off and has not been prepared in the context of a public offering of financial securities in France within the meaning of Article L.411-1 of the French Code Monétaire et Financier and Title I of Book II of the Reglement Général of the Autorité des marchés financiers (the "**AMF**"), and therefore has not been and will not be filed with the AMF for prior approval or submitted for clearance to the AMF. Consequently, the Shares may not be, directly or indirectly, offered or sold to the public in France and offers of the Shares may only be made in France to qualified investors (investisseurs qualifiés) acting for their own, as defined in and in accordance, in particular, with Article L.411-2 of the French Code Monétaire et Financier. Neither this listing document nor any other material may be released, issued or distributed to the public in France or used in connection with any offer for subscription or sale of the Shares to the public in France. The subsequent direct or indirect retransfer of the Shares to the public in France may only be made in compliance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French Code Monétaire et Financier.

5. *Gibraltar Overseas Wharf Shareholders*

This listing document does not constitute an offer or any part of an offer of securities to the public within the meaning of section 2(4) of the Prospectuses Act 2005 of Gibraltar ("**PA 2005**") or otherwise in Gibraltar. Accordingly this listing document does not comprise a prospectus within the meaning of section 2(1) of the PA 2005 and has not been drawn up in accordance with the PA 2005 and Directive 2003/71/EC or approved by or filed with the Financial Services Commission in Gibraltar.

6. *Indian Overseas Wharf Shareholders*

This listing document has not been and will not be registered as a prospectus or a statement in lieu of a prospectus in respect of a public offer, information memorandum or private placement offer letter or any other offering material with the registrar of companies in India in accordance with the Companies Act, 2013, as amended and other applicable Indian laws for the time being in force. This listing document has not been and will not be reviewed or approved by any regulatory authority in India, including, but not limited to, the Securities and Exchange Board of India, any registrar of companies or any stock exchange in India. This listing document is not and should not be construed as an advertisement, invitation, offer or sale of any securities whether to the public or by way of private placement to any person resident in India.

Each of the Indian Wharf Shareholders who receives Shares pursuant to the Distribution will be deemed to have represented and confirmed that he/she/it is eligible to hold the Wharf Shares currently held by him/her/it under Indian law and is eligible to be allotted Shares pursuant to the Spin-off.

7. *Indonesian Overseas Wharf Shareholders*

No registration statement has been filed with Indonesia's Financial Services Authority (Otoritas Jasa Keuangan or OJK) in relation to the issue of Shares as described in this listing document and the Shares may not be offered or sold in Indonesia, in a manner which constitutes a public offering under Law of the Republic of Indonesia No. 8 of 1995 on Capital Markets and its implementing regulations.

8. *Irish Overseas Wharf Shareholders*

Nothing in this listing document shall constitute, or is intended to constitute, or shall be treated as constituting or shall be deemed to constitute, any offer or sale of the Shares or other securities to the public in Ireland or the marketing of a collective investment scheme or any other form of offer, sale, marketing, advertising or provision of facilities for the participation by the public, as beneficiaries, in profits or income arising from the acquisition, holding, management or disposal of securities or any other property whatsoever. To the extent that anything herein may be deemed to constitute, or shall be treated as constituting or shall be deemed to constitute, any offer or sale of securities to the public in Ireland or any other form of offer, sale, marketing, advertising or provision of facilities for the participation by the public, as beneficiaries, in profits or income arising from the acquisition, holding, management or disposal of securities or any other property whatsoever, an exemption under the Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended, supplemented, varied and/or replaced from time to time) applies.

Neither this document nor any other offering or marketing material relating to the Distribution or our Company have been prepared in accordance with Directive 2003/71/EC on prospectuses or any measures made under that directive or the laws of Ireland implementing that directive or of any European Member State or the European Economic Area treaty adherent state that implements that directive or those measures.

9. *Malaysian Overseas Wharf Shareholders*

This listing document does not constitute an issue, offer for subscription or purchase, make an invitation to subscribe for or purchase securities or in the case of an initial listing of securities, make an application for the quotation of the securities on a stock market of a stock exchange within the meaning of Section 232 of the Capital Markets and Services Act 2007 of Malaysia. Accordingly, this listing document has not been reviewed and approved by the Securities Commission Malaysia, and will not be registered as a prospectus nor deposited as a prospectus / information memorandum with the Securities Commission Malaysia or any other regulatory authority in Malaysia.

10. *New Zealand Overseas Wharf Shareholders*

This listing document does not constitute an offer or any part of an offer of shares in our Company to New Zealand Overseas Wharf Shareholders for issue or sale for the purposes of Part 3 of the Financial Markets Conduct Act 2013. Accordingly this listing document does not comprise a New Zealand product disclosure statement and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Financial Markets Conduct Act 2013.

11. *Philippines Overseas Wharf Shareholders*

Shareholders with registered addresses in the Philippines should note that the issuance outside of the Philippines of the Shares pursuant to the Distribution is not regulated by the Securities Regulation Code of the Philippines (the "**Code**"), but to the extent that the Code applies, is exempted from registration under Subsection 10.1(d), 10.1(c) or 10.1(k) of the Code. No confirmation needs to be obtained from the Philippine Securities and Exchange Commission that the offer of the Shares to the Philippine Shareholders pursuant to the Spin-off qualifies as an exempt transaction.

THE SECURITIES BEING OFFERED OR SOLD HEREIN HAVE NOT BEEN REGISTERED WITH THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES REGULATION CODE OF THE PHILIPPINES. ANY FUTURE OFFER OR SALE THEREOF IS SUBJECT TO REGISTRATION REQUIREMENTS UNDER THE CODE UNLESS SUCH OFFER OR SALE QUALIFIES AS AN EXEMPT TRANSACTION.

12. *Portuguese Overseas Wharf Shareholders*

No offer or sale of the Shares may be made in Portugal except under circumstances that will result in compliance with the rules concerning marketing of such shares and with the laws of Portugal generally. No notification has been made nor has any been requested from the Portuguese Securities Market Commission (Comissão do Mercado de Valores Mobiliários, "**CMVM**") for the allotment and issue of the Shares referred to in this listing document, therefore the same cannot be offered to the public in Portugal. Likewise, no prospectus or equivalent document has been or will be registered, approved or passported into Portugal in respect of the Spin-off and therefore the Shares may not be or caused to be offered, marketed or distributed in Portugal nor this listing document may be or caused to be distributed, disseminated or specifically addressed to Portuguese-resident investors in circumstances which would constitute an offer of securities to the public under the Portuguese Securities Code, as amended from time to time. Accordingly, no Shares have been or may be offered or sold to unidentified addressees or to 150 or more non-qualified Portuguese resident investors and no allotment and issue of the Shares has been preceded or followed by promotion or solicitation to unidentified investors, public advertisement, publication of any promotional material or in any similar manner.

13. *PRC Overseas Wharf Shareholders*

This listing document is solely for the purpose of the Spin-off and is not registered with or filed with the China Securities Regulatory Commission. This listing document shall not be construed as an advertisement or a public offering of Shares in the PRC. Neither this listing document nor the allotted Shares will be delivered to any persons in the PRC except for the PRC Overseas Wharf Shareholders whose registered addresses, as shown on the register of members of Wharf, are in the PRC as at the Distribution Record Date. The delivery of this listing document to such PRC Overseas Wharf Shareholders is not and will not be conducted, and shall not be construed to be conducted through advertisement, public inducement or other disguised public manner.

Each of the PRC Overseas Wharf Shareholders who receives Shares pursuant to the Distribution will be deemed to have represented and confirmed that he/she/it is in full compliance with the PRC laws to hold the Wharf Shares currently held by him/her/it under PRC laws and is in full compliance with the PRC laws to be allotted Shares pursuant to the Spin-off.

14. *Singaporean Overseas Wharf Shareholders*

This listing document is for the exclusive use by Wharf Shareholders solely for the purposes of assessing the Distribution and should not be used other than in connection with such purpose. This listing document has not been lodged with or registered by the Monetary Authority of Singapore, does not constitute an offer or invitation for the sale or purchase of securities in Singapore and shall not form the basis of any contract for the issue or sale of securities in Singapore. Wharf Shareholders should note that they will not be required to pay or provide any consideration for any Shares received pursuant to the Distribution.

15. *Taiwanese Overseas Wharf Shareholders*

The issue of Shares as described in this listing document has not been and will not be registered with the Financial Supervisory Commission of Taiwan, the Republic of China pursuant to relevant securities laws and regulations and the Shares are not and may not be offered or sold in Taiwan, the Republic of China through a public offering or in circumstances which constitute an offer within the meaning of the Securities and Exchange Act of Taiwan, the Republic of China that requires a registration with or approval of the Financial Supervisory Commission of Taiwan, the Republic of China. No person or entity in Taiwan, the Republic of China has been authorised to offer or sell the Shares in Taiwan, the Republic of China.

16. *Thailand Overseas Wharf Shareholders*

This listing document and the Shares have not been registered under the Securities and Exchange Act B.E. 2535 (1992) ("**SEA**"), and the Shares may not be offered or sold within Thailand, absent registration or an exemption from the registration requirements of the SEA. There will be no public offering of securities in Thailand. The Thai Securities Exchange Commission has not approved or disapproved of the Shares or passed an opinion on the adequacy of this listing document. Wharf Shareholders should note that they will not be required to pay or provide any consideration for any Shares received pursuant to the Distribution.

17. *United Kingdom Overseas Wharf Shareholders*

This listing document does not constitute an offer or constitute any part of an offer of transferable securities to the public within the meaning of sections 85 and 102B of the Financial Services and Markets Act 2000 of the United Kingdom ("**FSMA**") or otherwise in the United Kingdom. Accordingly this listing document does not comprise a prospectus within the meaning of section 85 of FSMA and has not been drawn up in accordance with the Prospectus Rules or approved by or filed with the Financial Conduct Authority in the United Kingdom.

18. *United States Overseas Wharf Shareholders*

The Shares have not been registered under the U.S. Securities Act or the laws of any state in the United States, and may not be offered or sold within the United States, absent registration or an exemption from the registration requirements of the U.S. Securities Act and applicable state laws. There will be no public offering of securities in the United States. Neither the U.S. Securities and Exchange Commission nor any other U.S. federal or state securities commission or regulatory authority has approved or disapproved of the Shares or passed an opinion on the adequacy of this listing document. Any representation to the contrary is a criminal offence in the United States.

19. *All Overseas Wharf Shareholders*

This listing document is for the exclusive use by Wharf Shareholders solely for the purposes of assessing the Distribution and should not be used other than in connection with such purpose. This listing document does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, the Shares or to take up any entitlements to the Shares or any solicitation or act in furtherance to a trade in any jurisdiction in which such an offer or solicitation or act is unlawful.

Neither the Shares nor this listing document has been or will be registered under the securities laws of any jurisdiction. Accordingly, unless otherwise disclosed above, the Shares may not be offered, sold, pledged, taken up, resold, renounced, transferred or delivered, directly or indirectly, into or within any such jurisdiction, absent registration or qualification under the respective securities laws of such jurisdictions, or exemption from the registration or qualification requirements under applicable rules of such jurisdictions.

It is the responsibility of any person (including but not limited to any agent, custodian, nominee or trustee) outside Hong Kong wishing to receive or purchase, hold or dispose of, or deal in, the Shares or exercise any rights attaching to the Shares to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant territory or jurisdiction, including obtaining any governmental or other consents and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith.

Wharf Shareholders should note that they will not be required to pay or provide any consideration to Wharf or us for any Shares received pursuant to the Distribution. Receipt of the Shares by any person pursuant to the Distribution will be deemed to constitute a representation and warranty from such person to our Company that these local laws and requirements have been fully complied with. Such persons should consult their professional advisers if in doubt.

THE SPIN-OFF

On 7 July 2017, Wheelock and Wharf submitted a proposal in relation to the Spin-off to the Stock Exchange pursuant to Practice Note 15 of the Listing Rules. On 4 August 2017, the Stock Exchange confirmed that Wheelock and Wharf may proceed with the Spin-off.

The Spin-off will be implemented in compliance with the Listing Rules, including Practice Note 15 to the Listing Rules. As Wharf's disposal of its shareholding interest in our Company following completion of the Spin-off is by way of the Distribution and there will be no dilution of the indirect attributable interest of the Wharf Qualifying Shareholders (including Wheelock) in our Company, the Spin-off will not constitute a transaction for Wharf or Wheelock under Chapter 14 of the Listing Rules. Accordingly, neither the approval of the shareholders of Wharf or Wheelock will be required for the Spin-off.

Other than to give effect to the Distribution, the Spin-off will not involve any offering of Shares by our Company for sale or subscription and no new proceeds will be raised by our Company.

REASONS FOR AND BENEFITS OF THE SPIN-OFF

The Spin-off is a demerger effecting the separation of the strategic and substantial Hong Kong property investment business from the other businesses of the Wharf Group and the Wheelock Group by demerging the Wharf Group into our Group and the Remaining Wharf Group.

The boards of directors of Wheelock, Wharf and our Company consider that the Spin-off is in the interests of Wheelock, Wharf, our Company and their/our respective shareholders as a whole for the following reasons:

(i) as there are clear strategic and operational differences between the business focuses of our Group, the Ex-Wharf Wheelock Group and the Remaining Wharf Group, the demerger of our Company from Wharf, which will be effected by way of the Spin-off, will provide investors with an enhanced choice as to which of the businesses they are interested in investing in;

(ii) the Spin-off will increase the operational and financial transparency of each of the businesses of our Group, the Ex-Wharf Wheelock Group and the Remaining Wharf Group, allowing equity investors to appraise and assess the performance and potential of our Group, the Ex-Wharf Wheelock Group and the Remaining Wharf Group as separate entities and allowing lenders and bond investors to appraise their respective credit worthiness;

(iii) the Spin-off will lead to a more direct alignment of the responsibilities and accountability of the management of our Group, the Ex-Wharf Wheelock Group and the Remaining Wharf Group with their respective operating and financial performance. It will lead to enhanced management focus, better resources allocations, more efficient decision-making processes, and faster responsiveness to market changes, with regard to the respective businesses of our Group, the Ex-Wharf Wheelock Group and the Remaining Wharf Group; and

(iv) the Spin-off will enable our Group to access directly and independently both equity and debt capital markets and at pricing that reflects the risk and reward profile of our business.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS LISTING DOCUMENT

This listing document, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Group.

Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this listing document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this listing document misleading.

RESTRICTIONS ON THE USE OF THIS LISTING DOCUMENT

This listing document is published solely in connection with the Spin-off. It may not be used for any other purpose and, in particular, no person is authorised to use or reproduce this listing document or any part thereof in connection with any offering, or invitation to the offer, of our Shares or other securities of our Company. Accordingly, this listing document does not constitute an offer or invitation in any jurisdiction to acquire, subscribe for or purchase any of our Shares or other securities of our Company nor is it calculated to invite any offer or invitation for any of our Shares or other securities of our Company.

Neither the delivery of this listing document nor the allotment and issue of Shares pursuant to the Distribution should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this listing document or imply that the information contained in this listing document is correct as at any date subsequent to the date of this listing document.

INFORMATION IN THIS LISTING DOCUMENT

We have not authorised any person to provide you with any information that is different from what is contained in this listing document or make any representation not contained in this listing document. Any information or representation not contained in this listing document must not be relied on by you as having been authorised by Wharf, our Company or any of the Relevant Persons.

NO CHANGE IN BUSINESS

We do not contemplate that there will be any material change in our business immediately following completion of the Spin-off.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has made an application to the Stock Exchange for the listing of, and permission to deal in, our Shares in issue immediately following completion of the Spin-off.

No part of our share or loan capital is listed, traded or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek listing of, or permission to deal in, any part of our shares or loan capital on any other stock exchange.

HONG KONG SHARE REGISTER AND THE STAMP DUTY

Our Company's Hong Kong branch register of members is maintained by the Hong Kong Branch Share Registrar in Hong Kong. Dealings in our Shares on the Stock Exchange will be registered on our Company's Hong Kong branch register of members maintained in Hong Kong.

Dealings in our Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the approval for listing of, and permission to deal in, our Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transaction between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for our Shares to be admitted into CCASS.

Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

PROFESSIONAL TAX ADVICE RECOMMENDED

You are recommended to consult your professional advisors if you are in any doubt as to the taxation implications of purchasing, holding, disposing of, dealing in or exercising any rights in relation to our Shares. None of Wharf, our Company or any Relevant Persons accepts responsibility for any tax effects on, or liabilities of, any person resulting from the purchase, holding, disposition of, dealing in, or exercising any rights in relation to our Shares.

COMMENCEMENT OF DEALINGS IN OUR SHARES

Dealings in our Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Thursday, 23 November 2017. Shares will be traded in board lots of 1,000 Shares each. The stock code for our Shares is 1997.

The share certificates for our Shares are expected to be despatched to Qualifying Wharf Shareholders on Wednesday, 22 November 2017 and will only become valid if the Distribution becomes unconditional. If the Distribution does not become unconditional, dealings in our Shares on the Stock Exchange will not commence on Thursday, 23 November 2017.

Qualifying Wharf Shareholders who hold Wharf Shares through CCASS clearing participants or CCASS custodian participants will receive our Shares through their respective brokers or custodians who are CCASS clearing Participants or CCASS custodian participants.

This listing document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed in "Risk Factors", which may cause our actual results, performance or achievements to be materially different from the performance or achievements expressed or implied by the forward-looking statements. All statements other than statements of historical fact contained in this listing document as they relate to our Group or our management are forward-looking statements, including, without limitation, statements relating to:

- our business strategies, objectives and expectations regarding our future operating plans, margins, profitability, liquidity and capital resources;
- our capital expenditure and expansion plans;
- our ability to identify and successfully take advantage of new business development opportunities;
- our ability to control costs;
- our dividend policy; and
- other prospective financial information.

The words "anticipate", "believe", "can", "could", "estimate", "expect", "intend", "may", "might", "plan", "seek", "will", "would" and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These statements are based on assumptions regarding our present and future business, our business strategies and the environment in which we will operate. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in such forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- any changes in the laws, rules and regulations of the Hong Kong and the PRC relating to any aspect of our business or operations;
- general economic, market and business conditions in Hong Kong and the PRC;
- macroeconomic policies of the Hong Kong government and the PRC government;
- inflationary pressures or changes or volatility in interest rates, foreign exchange rates or other rates or prices;
- developments of our competitors and other competitive pressures within the industries in which we and our tenants operate;

- various business opportunities that we may pursue; and
- the risk factors discussed in this listing document as well as other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation, and undertake no obligation, to update or otherwise revise the forward-looking statements in this listing document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this listing document might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this listing document are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in "Risk Factors".

In this listing document, statements of or references to our intentions or that of any of our Directors, the HCDL Group, the Wharf Group and the Wheelock Group are made as at the date of this listing document. Any of these intentions may change in light of future developments.

You should carefully consider all the information in this listing document and, in particular, the risks and uncertainties described below before making an investment in our Shares. The occurrence of any of the following events or any additional risks not currently known to us could materially and adversely affect our business, financial condition, results of operations or prospects. If any of these events occur, the trading price of our Shares could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisers regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS

The Hong Kong retail and hospitality industries have been, and will continue to be, significantly impacted by tourists' desire and willingness to travel to and stay in Hong Kong. Any further reduction in the number of tourists, particularly PRC tourists, to Hong Kong could affect the retail and hospitality industries.

We have a Hong Kong concentration risk. The Hong Kong retail and hospitality industries have been, and will continue to be, significantly impacted by the desire and willingness of tourists, particularly those from the PRC, to travel to and stay in Hong Kong and their activity here. There has been a decrease in the number of PRC visitors in recent years, which could have been caused by a number of factors, such as the implementation of the "one trip per week" policy and the depreciation in RMB. In addition, any other restrictions on PRC tourists visiting Hong Kong, any reduction in taxation on luxury goods in the PRC, further appreciation of the Hong Kong dollar against the RMB or other currencies, increases in transportation or fuel costs, striking workers in the transportation industry, natural disasters, terrorists' acts, riots, civil commotions or adverse weather conditions may also deter tourists from the PRC from visiting Hong Kong. Any further reduction in the number of tourists, particularly PRC tourists, to Hong Kong and any of the above factors could have a material and adverse effect on our business, financial condition, results of operations and prospects.

We derive a significant portion of our revenue from our investment property portfolio, the performance of which depends on a number of factors, including changes in market rental levels, competition for tenants and rental collection and renewal.

Leasing of our investment properties constitutes a very important part of our business. For FY2014, FY2015, FY2016 and 1H2017, revenue generated from our investment properties constituted approximately 65%, 69%, 76% and 69%, respectively, of our total revenue. We are subject to risks incidental to the ownership and operation of commercial properties, such as volatility in market rental rates and occupancy rates, competition for tenants, costs resulting from on-going maintenance and repair and the inability to collect rent from tenants or renew leases with tenants due to bankruptcy, insolvency, financial difficulties or other reasons. In addition, we may not be able to renew leases with our tenants on terms acceptable to us, or at all, upon the expiration of the existing terms. Furthermore, any downturn in the rental market for retail and/or office premises in general could negatively affect the demand for our rental properties and our revenue. If any of the above occurs, there may be a material adverse effect on our business, financial condition, results of operations and prospects. See also "Risks Relating to the Property and Hospitality Industry" below for the relevant risks relating to the property market in general.

A significant portion of our revenue is derived from our investment properties at Harbour City and Times Square. Any event which partially or entirely affects our operations at these two locations may materially and adversely affect our business, financial condition, results of operations and prospects.

Revenue from our investment properties at Harbour City and Times Square accounted for 61%, 64%, 70% and 64% of our total revenue for FY2014, FY2015, FY2016 and 1H2017, respectively. The profitability of our investment property portfolio, and in particular our investment properties at Harbour City and Times Square, is dependent on our tenants' business performance, which is outside our control. There is no assurance that our tenants will continue to lease the properties from us on terms acceptable to us or at all. Should the revenue from our investment properties at Harbour City and Times Square decrease significantly or should a large number of our tenants at Harbour City and Times Square cease to lease premises from us or refuse to renew leases with us, we may experience a significant loss in revenue and incur additional costs to look for new tenants. Factors such as increasing market competition, economic slow-down, political unrest and natural disasters would materially and adversely affect our business, financial condition, results of operations and prospects. See "Risks Relating to the Property and Hospitality Industry" below for the relevant risks relating to the property market in general.

Furthermore, the land on which Ocean Terminal and the Pacific Club in Harbour City are situated is held under government leases which will expire in 2033 and 2021, respectively. The relevant government leases do not include an option or right of renewal, and renewal will therefore be subject to the laws and the policies of the government in Hong Kong at that time. Accordingly, there is no certainty that we will be able to renew such government leases on terms acceptable to us or at all. Our inability to renew such government leases on commercially satisfactory terms may materially and adversely affect our business, financial condition, results of operations and prospects.

In accordance with the terms of a deed of grant of rights of way executed in favour of the Hong Kong government on 12 June 2012, HCEL and Wharf Realty Limited, both subsidiaries of our Company (together as grantors) have agreed to grant or assign to the Hong Kong government certain portions of their respective land or rights of way over such land ("**Relevant Areas**") in connection with or as are otherwise necessary for the purpose of Ocean Terminal when demanded by the Hong Kong government at any time during or on expiry of the lease term of Ocean Terminal. The portions of land which are subject to the Hong Kong government's rights are, in all material respects, the same as those which were subject to similar rights under a previous deed of grant executed on 12 July 1966, on which the Hong Kong government had not exercised its rights pursuant to the previous deed of grant. The Relevant Areas are mostly used as rights of way, passageways and/or pedestrian concourse and do not form any part of the retail or other major operation area within Harbour City. If the above occurs, the value and enjoyment of the Relevant Areas may be affected, which would have a material adverse effect on our business, results of operations, financial condition and prospects.

Due to the limited supply of sizable plots of land for investment properties and hotels in Hong Kong and the unique market position, substantial scale and strategic locations of Harbour City and Times Square, our growth may be limited if we are not able to locate suitable land on commercially viable terms.

Our ability to secure suitable and sizable plots of land for investment properties and hotels on commercially viable terms will be crucial to our growth. In Hong Kong, plots of land of significant size for development are not easy to obtain due to competition from other property owners and operators and the limited amount of land supply, which has driven up the price of land for commercial properties in Hong Kong in recent years. Other than the acquisition of the Murray building, Crawford House and our premises at Wheelock House in 2013, 2014 and 2016, respectively, our portfolio of principal properties in Hong Kong has remained unchanged since 1999. We may encounter difficulty in replicating the success of Harbour City and Times Square due to their unique market position, substantial scale and strategic locations, and our prospects may be limited if we are not able to locate suitable plots of land for investment properties and hotels on commercially viable terms.

Given the rarity of land at prime and convenient locations in Hong Kong for commercial property development and the premium it typically commands, we cannot assure you that we will be able to secure such desirable land on acceptable terms. Failure to successfully locate plots of land for the development of investment properties and hotels at desirable locations on terms acceptable to us or at all may slow down and negatively affect our business, financial condition, results of operations and prospects.

Our revenue and profit are affected by our ability to continue to attract and retain quality tenants.

Our investment properties compete for tenants with other properties on the basis of, among other things, location, quality, maintenance, property management, rent levels and other lease terms. We cannot assure you that existing or prospective tenants will not choose other properties. Any future increase in the supply of properties which compete with ours would increase the competition for tenants and as a result, we may have to reduce rent or incur additional costs to make our properties more attractive. If we are not able to retain our existing tenants or attract new tenants to replace those that have left or to lease our new properties, our occupancy rates may decline. If we are unable to attract renowned brands as our tenants or retain our existing tenants who bring in renowned brands to our properties, our investment properties may become less attractive and less competitive. The occurrence of any of these events may materially and adversely affect our business, financial condition, results of operations and prospects.

We incur maintenance and operating costs and these costs may increase.

Operating investment properties and hotels involves significant fixed costs, including maintenance costs as well as employee salaries and expenses. These fixed costs limit our ability to respond to adverse market conditions through cost containment initiatives. Such fixed costs may have an adverse impact on our profitability when our property rental and hotel businesses experience a downturn and may exacerbate the impact of a decline in occupancy rates, rental rates or room rates. In addition, there is no assurance that labour costs will be stable at all times. If our labour costs increase significantly, and we cannot offset such increase by reducing other costs or cannot pass on such increase to the tenants of our properties, our business, financial condition, results of operations and prospects may be materially and adversely affected.

In addition, our properties consume utilities such as water and electricity. We are not able to influence the prices which utility providers charge us, nor can we easily switch to different utility providers. Any price increase or change in pricing structure from these utility providers could have an adverse effect on our operating costs. In addition, increases in the prices of other products and services which we procure to maintain our properties and provide services to our tenants and guests could increase our operating costs.

If we are not able to pass on any significant increase in maintenance and operating costs to our customers, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our properties may encounter temporary closures, reduced revenue or lower occupancy rates as a result of repairs, refurbishments or renovation.

Our investment properties and hotels require repairs which may require significant capital expenditures. Our investment properties and hotels may also need to undergo maintenance, refurbishment, redevelopment or renovation works from time to time to retain their attractiveness. Such maintenance, repairs, refurbishments, redevelopments or renovations of our investment properties and hotels may impact our ability to attract tenants at our investment properties and guests for our hotels and their facilities. In some circumstances, such maintenance, repairs, refurbishments, redevelopments or renovations may require the temporary closure of the related facilities within the investment property or hotel. As a result, during periods of any such maintenance, repairs, refurbishments, redevelopments or renovations, we may experience a reduction in occupancy rates and/or average room rates of the relevant investment property or hotel.

Furthermore, buildings in the vicinity of any of our investment properties and hotels may be demolished or redeveloped for alternative uses, which may cause disruption to operations at our investment properties and hotels. This may in turn negatively impact the revenue and valuation of our investment properties and hotels. The occurrence of any of the above may materially and adversely affect our business, financial condition, results of operations and prospects.

We cannot assure you that third-party contractors will always meet our quality standards and provide services in a timely manner.

We employ third-party contractors to carry out various works, including design, construction, structural engineering, internal decoration, landscaping, electrical and mechanical engineering and lift installation. Despite our project management, we cannot guarantee that our third-party contractors will always provide satisfactory services. In addition, we may not be able to engage third-party contractors with the right experience. Moreover, as is common in the property industry, completion of our property maintenance, repairs, refurbishments, renovations and/or developments may be delayed and we may incur additional costs due to a contractor's financial or operational difficulties. Our contractors may undertake projects for others thereby diverting resources, engage in risky undertakings or otherwise encounter financial or other difficulties, which may cause delay in the completion of our projects and increase our costs. The services rendered by independent contractors may not always meet our quality standards. Any of these factors could materially and adversely affect our business, financial condition, results of operations and prospects.

Our profit level and margin are affected by our revenue mix and there is no assurance that we will be able to sustain our existing level of profit.

We recorded operating profit margins of approximately 60%, 67%, 70% and 74% for FY2014, FY2015, FY2016 and 1H2017, respectively. Factors which may reduce our operating profit margin include, among other things, (i) a change in the mix of our revenue sources, for example, revenue from our investment properties and sale of our development properties; (ii) increased market competition; and (iii) decreased rental reversion rates and/or occupancy rates. We cannot assure you that we can always maintain or increase our operating profit margin. In the event that we are unable to maintain or increase our operating profit margin, our profitability may be negatively impacted, which may materially and adversely affect our business, financial condition, results of operations and prospects.

Investment properties and hotels are generally illiquid and cannot be readily converted to alternative uses. Accordingly, our ability to respond to any adverse changes in the performance of our investment properties and hotels may be limited.

Investment properties and hotels in general are relatively illiquid; accordingly our ability to sell promptly one or more of our properties in response to changing economic, financial and investment conditions is limited. We cannot predict whether we will be able to sell any of our properties for the price or on the terms acceptable to us. We also cannot predict the length of time needed to find a purchaser and to complete the sale of a property.

Investment properties and hotels cannot be readily converted to alternative uses, as such conversion requires extensive governmental approvals and involves substantial capital expenditures and time for the purpose of renovation and refurbishment. We cannot assure you that we will obtain the necessary approvals and sufficient funds to carry out such conversion.

These factors and any others that would impede our ability to respond to adverse changes in the performance of our investment properties and hotels could affect our ability to compete against our competitors. The occurrence of any of the above events may materially and adversely affect our business, financial condition, results of operations and prospects.

Accidents, injuries or prohibited activities in our investment properties, development properties and hotels may materially and adversely affect our reputation and subject us to liability.

There are inherent risks of accidents, injuries or prohibited activities taking place in public places, such as shopping malls and hotels. The occurrence of one or more accidents, injuries or prohibited activities at any of our investment properties, construction sites or hotels could adversely affect our reputation among shoppers and tenants of our properties and our hotel guests, harm our brand, decrease our overall rents and occupancy rates and increase our costs by requiring us to implement additional safeguard measures. In addition, if accidents, injuries or prohibited activities occur at any of our investment properties, construction sites or hotels, we may be held liable for costs, damages and fines and there is also a risk that our operations may be suspended as a result. Our current property and liability insurance policies may not provide adequate or any coverage for such losses and we may be unable to renew our insurance policies or obtain new insurance policies without increases in premiums and deductibles or decreases in coverage levels, or at all. Accordingly, any occurrence of accidents, injuries or prohibited activities at any of our properties may materially and adversely affect our business, financial condition, results of operations and prospects.

We are subject to risks associated with the title of our properties.

In Hong Kong, structural alterations of properties are subject to prior approval by the Building Authority of the Hong Kong government ("**BA**"). The BA may issue warning notices and/or building orders in relation to certain parts of a property or the common areas of a building if there are alteration works carried out without the required permits or consents. If the subject matter as stated in the warning notice is not rectified within the specified period, the BA may issue a building order which may constitute title defects in respect of the relevant property, unless and until the relevant requirements as set out in the building order have been duly complied with. The works required to comply with warning notices and/or building orders may involve substantial costs to be borne by the owners. Under Hong Kong law, the existence of these title defects and other title issues do not prevent the relevant properties being sold, purchased, or being suitable for acceptance by banks as security for granting mortgages. Nevertheless, any title defect on the property may have adverse effect on the value of such property. If such property has been contracted for sale with a prospective purchaser, such title defect may entitle the prospective purchaser to refuse completion of the sale and purchase transaction.

We cannot assure you that our properties held for investment purposes or the common areas of the building in which such properties are situated will not be subject to any warning notice or building order. If any warning notice or building order is issued against our properties and the subject matter cannot be rectified by us and/or other owners of the building in a timely manner, or at all, the sale of our properties may be affected which may in turn have material adverse impact on our business, financial condition and results of operations.

We may suffer losses arising from uninsured risks.

We have insurance in place in relation to our investment properties and hotels and in relation to our properties under development. For more information, see "Business — Insurance". Our insurance may not fully indemnify us for all potential losses, damages or liabilities related to our properties. This is because there are certain exposures which may be excluded under some of our insurance programmes or for which insurance is not available on what we consider to be reasonable commercial terms. Such exposures include potential losses which might arise as a result of war, terrorism, pollution, fraud, professional negligence and acts of God. Our insurers may become impaired and find themselves financially unable to meet claims. As a result of large losses sustained by the international insurance market, insurers may exclude certain risks when we renew our insurance programmes. Where insurance is taken out in relation to properties which are owned by a jointly controlled entity or an associate in which we are interested, we cannot guarantee that such properties are insured in accordance with the same standards which we apply when taking out insurance in respect of our own properties. If we suffer from any losses, damage or liabilities in the course of our operations arising from events for which we do not have any or adequate insurance cover, we may not have sufficient funds to cover any such losses, damages or liabilities or to replace any property that has been destroyed. The occurrence of any of the above events and the resulting payment we make to cover any losses, damages or liabilities may have a material adverse effect on our business, results of operations, financial condition and prospects.

The completion and delivery of our PRC property development projects depend on various factors, including the timing of obtaining necessary licences, permits or approvals from governments and necessary financings. There is no assurance that we will be able to complete or deliver our PRC property development projects on time, on budget or at all. Some of our development property projects are undertaken through joint ventures.

Sales of our properties developed in the PRC accounted for 25%, 22%, 15% and 23% of our total revenue for FY2014, FY2015, FY2016 and 1H2017, respectively. The progress and costs of a development project can be adversely affected by many factors, including delays in obtaining necessary licences, permits or approvals from governments, delays in obtaining necessary financings, shortages of materials, equipment, contractors and skilled labour, labour disputes, construction accidents, natural catastrophes and adverse weather conditions, changes in government policies or relevant laws or regulations and economic conditions.

Construction delays or the failure to complete the construction of a project according to our planned specifications, schedule or budget as a result of the above factors may affect our financial condition and results of operations and may also adversely affect our reputation. We cannot assure you that we will not experience any significant delays in the completion or delivery of our projects, or that we will not be subject to any liabilities to our tenants, any purchasers or relevant government authorities for any such delays. Liabilities arising from any delays in the completion or delivery of our projects could have a material adverse effect on our business, financial condition, results of operations and prospects.

In particular, we have invested in joint ventures and an associate to develop some of our development properties in the PRC. We do not have control over the day to day management of our joint ventures or associate. Certain corporate actions of these joint ventures and the associate require approval from all partners or other shareholders in our associate. If our joint venture partners or other shareholders in our associate act in a manner contrary to our interests, or if there are any significant disputes or issues with respect to our joint venture partners or other shareholders in the associate which could not be resolved, they could have a material adverse effect on the success of these development properties and have a material adverse effect on our business, financial condition, results of operations and prospects.

The operation of hotels requires hotel licences, and any failure to obtain or renew such licences may adversely affect our hotel operations. We may also face delay in completing our hotels under development.

We own and operate three hotels in Hong Kong and one in the PRC. We also have two hotels under development, which are expected to commence operation by the end of 2017 and mid-2019, respectively. The operation of hotels is generally subject to local laws and regulations. See "Business — Legal and Regulatory Proceedings and Compliance Matters" for further information.

The operation of hotels in Hong Kong is subject to a range of laws and regulations, including the Hotel and Guesthouse Accommodation Ordinance, under which a hotel licence is required to operate a hotel in Hong Kong, and any person who operates a hotel without a valid license commits an offence and is subject to fines and imprisonment. There is no assurance that we will be able to obtain the hotel licence for the operation of The Murray upon its completion in a timely manner or at all. In addition, the hotel licence in Hong Kong has a validity period and renewal is subject to approval by the Hotel and Guesthouse Accommodation Authority. In the event that the application for subsequent renewal of a hotel licence for any of our hotels in Hong Kong is rejected, the hotels may be required to suspend their operations. Any changes in such laws and regulations may also have an adverse impact on the business of our hotels and may result in higher costs of compliance. Any inability to comply with new or revised laws and regulations could result in the imposition of fines or other penalties by the relevant authorities or the suspension or non-renewal of a hotel licence.

The operation of hotels in the PRC is subject to the Decisions of the State Council to Implement Administrative Licenses on Items Necessarily to be Retained for Administrative Examination (國務院對確需保留的行政審批項目設定行政許可的決定) and security control regulations including the Measures for Control of Security in the Hotel Industry (旅館業治安管理辦法). Under the PRC laws and regulations, enterprises engaging in hotel operation in the

PRC shall be examined and approved by a local public security authority and obtain a special industry license from the local public security authority prior to the operations of the hotel commencing. There is no assurance that we will be able to obtain the hotel license for the operation of Niccolo Suzhou upon its completion in a timely manner or at all. Any suspension or non-renewal of a hotel licence for any of our hotels may have a material adverse effect on our business, financial condition, results of operations and prospects.

For our two hotels under development, the timing of completion of such hotels can be adversely affected by many factors, including, but not limited to shortages of construction and building materials, equipment, contractors or skilled labour, construction accidents, natural catastrophes, or adverse weather conditions. Any delay in completion could lead to increased construction costs, and revenue generation from these hotels could be delayed. This would materially and adversely affect our business, financial condition, results of operations and prospects.

We appoint a connected hotel management company to manage the day-to-day operations of our hotels pursuant to the hotel management agreements.

Pursuant to the hotel management agreements between Wharf Hotels and us, Wharf Hotels supervises the day-to-day operations and marketing of our four hotels in operation and similar hotel management agreements are intended to be entered into for The Murray and Niccolo Suzhou in Suzhou IFS upon their commencement of business. If Wharf Hotels is unable to maintain the quality and adequate supply of hotel management personnel and services, our business, financial condition, results of operations and prospects may be materially and adversely impacted. If any of the hotel management agreements is terminated prior to its expiration, we may experience disruption to our hotel operations while we seek to replace the relevant hotel management company. In addition, the relevant hotel would need to be rebranded, which would likely involve a substantial initial outlay for the marketing, refurbishment, branding and hospitality items and fixtures and furniture of the hotel, and it may take several years for a successful operation to be re-established under the new brand. The disruption and costs may materially and adversely impact our business, financial condition, results of operations and prospects.

RISKS RELATING TO THE PROPERTY AND HOSPITALITY INDUSTRY

Our business performance is influenced by macro economic conditions and may be affected by any significant change in general consumer demand or commercial market sentiment or changes in Hong Kong or the PRC political and economic policies and conditions.

We derive most of our revenue from the leasing and management of commercial properties. Rent levels for such properties and the financial condition of the tenants of such properties are closely tied to general consumer demand and commercial market sentiment. Any change in such general consumer demand and commercial market sentiment can affect overall economic outlook and investor confidence leading to changes in the tenant mix and credit standing of tenants. Turnover rents are closely tied with spending and fluctuations in the level of disposable household income may adversely affect our relative bargaining position with our tenants in terms of lease rates, tenure and frequency of rental revisions, and thus adversely affect our revenue and materially and adversely affect our business, financial condition, results of operations and prospects.

Hong Kong has been, and will continue to be, our primary operating base where our property investment and hotel businesses are located, and where 74%, 77%, 84% and 76% of our revenue was generated for FY2014, FY2015, FY2016 and 1H2017, respectively, and the majority of our assets are located in Hong Kong. Because leases of Hong Kong commercial properties are usually for a short duration (typically three years) compared to longer terms typical in the U.S. and some other markets, our revenue from property experiences more frequent fluctuations than would be the case in other real estate markets. Furthermore, rental levels in Hong Kong are also subject to fluctuations in supply and demand, including as a result of competition from new supply in decentralised areas.

We generated 26%, 23%, 16% and 23% of our revenue from the PRC for FY2014, FY2015, FY2016 and 1H2017, respectively. While the PRC government has been pursuing economic reforms to transform its economy from a planned economy to a market economy since 1978, a substantial part of the PRC economy is still being operated under various controls of the government. By imposing policies and economic measures, such as control of foreign exchange, taxation and foreign investment, the PRC government exerts considerable direct and indirect influence on the development of the PRC economy. For example, the PRC government has in the past implemented a number of measures intended to slow down certain segments of the economy that the government believed to be overheating, including the real estate industry, such as raising benchmark interest rates of commercial banks, reducing currency supply and placing additional limitations on the ability of commercial banks to make loans by raising bank reserves against deposits.

The results of operations of our investment properties and hotel businesses also depend on the performance of the economies and political and economic developments of Hong Kong and, to a lesser extent, the PRC. Any changes in the real estate and property rental markets, an economic decline generally or a decline in property or hotel industry conditions could have an adverse effect on our business, financial condition, results of operations and prospects.

E-commerce may impact on the business and results of operations of our tenants, and materially and adversely affect our revenue.

E-commerce has developed rapidly along with the significant increase in the number of internet users. There are currently online sales platforms and online retailers catering to consumers in Hong Kong. Online retailers may sell the same products at discounted prices as they generally have lower fixed costs as compared with physical stores.

The tenants of our retail premises face increasing competition from online retailers and there is no guarantee that consumers will not increasingly prefer online retailers due to their pricing advantage. The tenants of our retail premises may lose sales to competitors that provide on-line shopping platforms and/or door-to-door delivery services. Increased competition could have an adverse impact on the results of operations and financial conditions of our tenants. This could hinder their ability to expand or lead them to shift their focus to e-commerce, both of which would decrease their demand for physical stores and potentially drive down rental prices.

As revenue from our investment properties has been our main source of revenue, potential decreased demand for physical stores and lower rental prices may have a material adverse effect on our business, financial conditions, results of operations and prospects.

Our prospects may be adversely affected by a recurrence of SARS, an outbreak of other epidemics, such as influenza A (H1N1) and avian flu (H5N1), natural disasters, terrorist attacks, other acts of violence or war, or social instability.

Any recurrence of Severe Acute Respiratory Syndrome (SARS) or an outbreak of any other epidemic in the places where we operate, such as influenza A (H1N1), avian flu (H5N1), avian flu (H7N9), Middle East Respiratory Syndrome, the Ebola virus, the Zika virus or any other disease may result in material disruptions to our and our tenants' businesses.

Natural disasters or other catastrophic events, such as earthquakes, floods or severe weather conditions affecting Hong Kong or the PRC could, depending upon their magnitude, significantly disrupt our business operations.

In addition, terrorist attacks, other acts of violence or war, or social instability such as riots or demonstrations, could have a negative impact on economic conditions where we operate, including with respect to travel and leisure expenditures, which will in turn interfere with our operations. More specifically, an actual, threatened or potential terrorist attack, criminal attack or other instability occurring in, associated with or targeted at our properties or adjacent areas could deter or prevent people using them. The occurrence of any of the above would have a material and adverse effect on our business, financial condition, results of operations and prospects.

We face competition in Hong Kong and the PRC that may adversely affect our business, financial condition and results of operations.

There are a large number of property investors, landlords, property developers and hotel operators in Hong Kong and the PRC, who also have significant financial, managerial, marketing and other resources, as well as experience in investment property operations and management and the ownership of hotels. In recent years, a large number of property developers have begun to undertake property investment projects outside the prime central business district in Hong Kong which may compete with our investment properties in Hong Kong.

Competition among landlords is intense and may result in, among other things, an oversupply of properties, an increase in land premium, a decrease in occupancy rates and difficulty in obtaining high quality contractors and qualified employees. Competition among property developers in the PRC is also intense and may result in, among other things, an oversupply of properties, a decrease in property prices, an increase in construction costs and difficulty in obtaining high quality contractors and qualified employees.

If we cannot respond to changes in market conditions at least as swiftly and effectively as our competitors do, our ability to generate revenue, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may be materially and adversely affected if we fail to timely obtain any requisite governmental approvals for our property developments.

The real estate industry in the PRC is heavily regulated by the PRC government. PRC property developers must comply with various requirements under the applicable laws and regulations, including the policies and procedures established by local authorities for the implementation of such laws and regulations. In order to undertake and complete a property development project, a property developer must obtain various permits, licences, certificates and other approvals from the relevant administrative authorities at various stages of the property development process, including but not limited to land use rights certificates, planning permits, construction permits, pre-sale permits and acceptance examination upon completion filing documents. Each approval is dependent on the satisfaction of certain conditions. We cannot be sure that we will not encounter problems in obtaining such government approvals or in fulfilling the conditions required for obtaining the approvals, or that we will be able to comply with any new laws, regulations or policies that may come into effect with respect to the property development industry in general or the requirements for obtaining of such approvals. If we fail to obtain the relevant permits, licences, certificates or other approvals or to fulfill the conditions of therein for our property developments, our developments may not proceed on schedule, and our business, financial condition, results of operations and prospects may be materially and adversely affected.

We are exposed to seasonal volatility in the overall hotel industry.

We derive a portion of our revenue from hotel operations. Hotel guests are short-term occupants of the hotel rooms and do not generally commit to medium- or long-term contractual rental payments. As a result, hotel occupancy rates and room rates are subject to a high degree of variability due to seasonal factors and the nature of the hotel business. Comparisons of results of operations between different periods within a single financial year may not be meaningful and should not be relied upon as indicators of our performance.

OTHER RISKS RELATING TO OUR GROUP

Our indebtedness may have an adverse effect on our financial condition, diminish our ability to raise additional capital to fund our operations and limit our ability to explore business opportunities or there may be an event of default under our debt financing arrangements that entitles the lenders to terminate such financing.

As at 30 June 2017, our total outstanding borrowings amounted to HK$27,887 million. During the Track Record Period, our main sources of funding were our own internal funds from operating activities, loans from fellow subsidiaries, amounts due to our immediate holding company and fellow subsidiaries and external funds from bank borrowings. The aggregate net outstanding amounts owed by our Group to the Remaining Wharf Group (including loans from fellow subsidiaries and net amounts due to our immediate holding company and fellow subsidiaries) were HK$17,286 million, HK$24,034 million, HK$41,028 million and HK$36,716 million, and our bank loans were HK$14,956 million, HK$8,943 million, HK$4,382 million and HK$2,885 million as at 31 December 2014, 2015 and 2016, and 30 June 2017, respectively. The Inter-Group Balances will be settled by way of the Promissory Note, the settlement of which is to be through (i) the payment of cash drawn under bank facilities and (ii) the assumption by our Company or its subsidiaries of the liabilities of Wharf or its subsidiaries under certain novated banking facilities, within five business days after the completion of the Spin-off.

Our level of indebtedness, both under our current loan facilities and any future financing, could have significant adverse consequences, including, but not limited to, the following: (a) our cash flow may be insufficient to meet our required principal and interest payments which, unless we are able to obtain alternative funding, would result in us defaulting and all or part of the amounts borrowed under the loan facilities becoming immediately due and payable, and potentially result in a cross default under any other financing arrangements we may enter into, (b) we may be unable to borrow additional funds as needed on favourable terms or at all, (c) we may be unable to refinance our indebtedness at maturity or the refinancing terms may be less favourable than the terms of our current loan facilities, (d) we may default on our obligations and the lenders or mortgagees may foreclose on the mortgaged properties, or foreclose on our interests in the entities that own the mortgaged properties and require a forced sale of those entities, and the relevant entities and our Company will be prohibited from declaring and making any dividend payments to their shareholders, (e) we are subject to restrictive covenants in the loan facilities and may be subject to similar or other restrictive covenants in future loan agreements, which may limit or otherwise adversely affect the operations of the members of our Group, (f) we may be more vulnerable to adverse general economic or industry conditions and to increases or potential increases in interest rates, (g) our flexibility in planning for, or reacting to, changes in our business or the industry in which we operate may be limited, and (h) we may be restricted from making strategic acquisitions or taking advantage of business opportunities. If any of these events were to occur, our cash flow, cash available for paying dividends and making distributions, our ability to satisfy our debt service obligations, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We recorded net current liabilities as at 31 December 2016 and 30 June 2017.

We recorded net current liabilities of HK$16,613 million as at 31 December 2016, reversing from net current assets of HK$870 million as at 31 December 2015, primarily due to (i) change of net position from an amount due from our immediate holding company to an amount due to our immediate holding company of HK$10,354 million, which mostly arose from amounts we borrowed from our immediate holding company to fund our operations and the acquisition of our premises at Wheelock House in FY2016; and (ii) a decrease in the amount due from our immediate holding company in accordance with the treasury arrangements within the Wharf Group, of which we were a part during the Track Record Period. Our net current liabilities increased to HK$20,583 million as at 30 June 2017, primarily due to (i) an increase in the amount due to our immediate holding company which was used for funding part of the repayment of our loan from our fellow subsidiaries; and (ii) a decrease in bank deposits and cash, mainly resulting from payment of the construction expenses for The Murray and Suzhou IFS. There can be no assurance that we will not record a net current liabilities position in the future, which may materially and adversely affect our business, financial condition, results of operations and prospects.

If we are unable to collect the full amount of receivables on time from our customers, our operating results will be adversely affected.

We face the risk that payments may not be paid to us by our customers on time or in full. Our trade receivables primarily consist of receivables from our hotel operations. Our trade receivables amounted to HK$456 million, HK$390 million, HK$288 million and HK$275 million as at 31 December 2014, 2015 and 2016 and 30 June 2017, respectively, and our impairment losses recognised in respect of trade receivables were nil, HK$3 million, nil and nil for FY2014, FY2015, FY2016 and 1H2017, respectively. There is no assurance that the financial position of our customers will remain healthy in the future and that we will be able to collect payments of receivables from our customers on time and in full. If the financial position of any of our major customers deteriorates in the future, the risk of default will increase and we may need to make additional provisions for impairment, which in turn may materially and adversely affect our business, financial condition, results of operations and prospects.

We may not be able to secure sufficient debt financing and/or refinancing to fund our required capital expenditure or to support our future strategies or operations.

Under our current loan facilities and under any future debt financing arrangements that we may enter into, we will be subject to risks normally associated with debt financing and refinancing. Payments of principal and interest on borrowings may result in us having insufficient cash resources for our operations. In particular, the interest rates under some of our current loan facilities are subject to the potential impact of any fluctuation in the Hong Kong Interbank Offered Rate ("**HIBOR**") on interest expenses in the future. See "Other Risks Relating to our Group — Changes in interest rates may affect our cost of financing and in turn results of operations." below for further details.

We may also need funding to support the operations, working capital and capital expenditure requirements of our investment properties and hotels, and we may be adversely affected if we are unable to finance our required working capital or capital expenditure. For example, our investment properties and hotels will require periodic refurbishment, renovation and improvement to remain competitive. We may not be able to fund capital improvements solely from cash from our operating activities. Additional equity or debt financing, or the refinancing of any debt, is subject to prevailing conditions in the equity and credit markets, and may not be available on favourable terms or at all. In particular, any further debt financing may be at a higher cost of funding than our current loan facilities and we cannot guarantee that we will be able to borrow funds in the amounts we require or on terms that are favourable to us given our level of indebtedness and the security arrangements under our current loan facilities. Therefore, our future expansion or any acquisition may be dependent upon our ability to raise equity capital, which may result in dilution to our Shareholders. Consequently, any inability to secure sufficient debt financing and/or refinancing may materially and adversely affect our business, financial condition, results of operations and prospects.

Changes in interest rates may affect our cost of financing and in turn our profit and results of operations.

Our borrowings which are denominated in Hong Kong dollars form a major source of financing for our operations. Interest rates on some of our outstanding Hong Kong dollar denominated borrowings are benchmarked to HIBOR. Any change in interest rates may affect our financing costs and, ultimately, our profit and results of operations. Hong Kong is also vulnerable to any rise in U.S. interest rates given the fact that the Hong Kong dollar is pegged to the U.S. Dollar. Therefore, any rise in U.S. interest rates may cause rates in Hong Kong to increase, which in turn would lead to higher borrowing costs. As HIBOR is revised on a daily basis, we cannot assure you that it will not fluctuate. We cannot assure you that banks or other financial institutions from which we borrow will not raise lending rates in the future. Any increase in these rates will increase our financing cost and could materially and adversely affect our business, financial condition, results of operations and prospects.

The appraised value of our properties may be different from the actual realisable value and is subject to change.

The appraised values of our Valuation Properties are based on assumptions, which are set out in Appendix III, that include elements of subjectivity and uncertainty, and may be subject to substantial fluctuations. The key assumptions include:

- the title of the properties is good and marketable and that all documentation is satisfactorily drawn;
- the property interests are not subject to any unusual or onerous covenants, restrictions, encumbrances or outgoings;

- in respect of our property interests in the PRC, we have been granted transferable land use rights for specific terms at nominal value land use fees, and any premiums payable have already been fully settled;

- the properties are insurable against all usual risks in all respects;

- there is no unidentified adverse ground or soil conditions and that the load bearing qualities of the site of the properties are sufficient to support the building constructed or to be constructed;

- the properties are in full compliance with, and without contravention of, any Ordinances, statutory requirement and notices, and that all required licenses, permits, certificates, consents, approvals, and authorisation has been obtained, except for those disclosed to the Property Valuer; and

- the development projects will be completed on time.

In addition, the appraised values of our investment properties as contained in the Accountants' Report set out in Appendix I to this listing document are based on assumptions including their net income allowing for reversionary potential of the properties. The bases and assumptions adopted in the valuation of investment properties in the Accountants' Report set out in Appendix I to this listing document are consistent with those adopted by the Property Valuer. Even though our property valuers adopted valuation methodologies used in valuing similar types of properties when preparing the property valuation report, the assumptions adopted may prove to be incorrect.

Therefore, the appraised value of our properties may be different from their actual realisable value or a forecast of their realisable value. Unforeseen changes to national and local economic conditions may affect the value of our property holdings. In particular, the fair value of our properties could remain stable or decrease in the event that the market for comparable properties experiences a downturn as a result of global or regional financial crisis. If any of the assumptions proves to be incorrect and/or the actual realisable value of any of our properties is significantly lower than its appraised value, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our results of operations for each of the years/periods during the Track Record Period include revaluation adjustments which are unrealised and the future fair value of our investment properties is likely to fluctuate from time to time.

We have adopted a policy of measuring our investment properties at fair value, as a result we are required under HKFRS to reassess the fair value of our investment properties at each reporting date for which we issue financial statements. Under HKFRS, gains or losses arising from changes in the fair value of our investment properties are included in our combined statements of profit or loss in the period in which they arise. During the Track Record Period, the valuations upon which the market values of our investment properties were determined were based on the income capitalisation approach, under which the estimated net rental income to be generated from the investment properties is capitalised at an appropriate rate to arrive at the value conclusions. A direct comparison approach was also used, under which our investment properties were directly compared with other comparable properties of similar size, character and location, in order to provide a fair comparison of capital values. Our investment properties were revalued by qualified surveyors as at 31 December 2014, 2015 and 2016 and 30 June 2017 on an open market, existing use basis, which reflected market conditions on each reporting date. Based on such valuation, we recognised the aggregate fair market value of our investment properties in our combined statements of financial position, and recognised fair value gains on investment properties in our combined statements of profit or loss. For FY2014, FY2015, FY2016 and 1H2017, the fair value gains on our investment properties were HK$27,729 million, HK$5,329 million, HK$1,191 million and HK$478 million, respectively, and accounted for approximately 75%, 33%, 10% and 7%, respectively, of our profit before taxation.

Fair value gains or losses do not change our cash position as long as the relevant investment properties are held by us and, therefore, do not increase or decrease our liquidity in spite of the increased or decreased profit. Therefore, fair value gains would not generate any cash flow from which dividends could be paid. The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. Any significant decrease in the future in the fair value of our investment properties may have a material adverse effect on our business, financial condition, results of operations and prospects.

We are exposed to foreign exchange risks.

Part of our revenue is in Renminbi and may need to be converted into freely convertible currencies to pay dividends or make other payments. Under PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditure from trade, may be made in foreign currencies without prior approval, subject to certain procedural requirements. However, foreign exchange controls are imposed on capital account transactions, including repayment of loan principal and return of direct capital investments and investments in negotiable securities. In the past, there have been shortages of U.S. Dollars or other foreign currency available for conversion of Renminbi in the PRC, and it is possible such shortages could recur, or that restrictions on conversion could be re-imposed. A portion of our operating costs is denominated in Renminbi. Any devaluation of the Renminbi against foreign currencies will increase the amount of Renminbi we need to service our obligations denominated in foreign currencies. Accordingly, any volatility of the Renminbi exchange rate especially against the Hong Kong dollar in the future may have a material adverse effect on our business, financial condition, results of operations and prospects.

We may be involved in disputes and legal and other proceedings arising out of our operations from time to time and may face significant liabilities as a result.

We may be involved in disputes arising out of the leasing, usage, development or sale of our properties with tenants, residents, residents of surrounding areas, contractors, suppliers, construction workers, co-investors, joint venture partners, purchasers or other parties. These disputes may lead to protests, legal or other proceedings and may damage our reputation and divert our resources and management's attention. Significant costs may have to be incurred in defending ourselves in such proceedings whether we succeed or not. If we are not successful in defending ourselves in such proceedings, we may be liable for damages, the amount of which may be significant. In addition, we may have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings or unfavourable decrees that may result in liabilities and cause delays to our property developments. We may also be involved in disputes or legal proceedings in relation to delays in the completion and delivery of our projects. Any of the above could have a material adverse effect on our business, financial condition, results of operations and prospects. Further, we have endeavoured to structure our business in a tax efficient manner. If any of our arrangements is successfully challenged by the relevant tax authorities, we may incur additional tax liabilities, which could adversely affect our business, financial condition, results of operations and prospects.

We are exposed to various types of taxes in the jurisdictions in which we operate or have a presence.

As our operations are primarily based in Hong Kong and the PRC, the income and gains derived by us are primarily exposed to tax laws in Hong Kong and the PRC. In addition, the current PRC tax system has been reformed such that the business tax, which is a tax on revenue without accounting for input tax credits, has been replaced by value-added tax. Pursuant to the "Notice on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax" (關於全面推開營業稅改徵增值稅試點的通知) (Cai Shui [2016] No. 36) issued on March 23, 2016 ("**Circular 36**") by the Ministry of Finance ("**MOF**") and PRC State Administration of Taxation ("**SAT**"), effective from 1 May 2016, PRC tax authorities have started imposing value-added tax on revenues from all business tax payers including those in the construction industry, real estate industry, finance industry and consumer service industry, replacing the business tax. Since the issuance of Circular 36, a series of tax circulars to clarify the uncertain treatments relating to different industries concerned have been issued subsequently. However, details of concrete measures are still being formulated in accordance with Circular 36. We are still in the process of assessing the comprehensive impact of the new value-added tax regime on our tax burden, our revenues and results of operations, which remain uncertain. While we intend to manage our tax situation in these jurisdictions efficiently and to ensure compliance with the applicable tax rules and regulations, there can be no assurance that the estimated tax outcome will be achieved. In addition, the level of taxation in these jurisdictions is subject to changes in laws and regulations as well as changes in the application of existing laws and regulations by tax authorities, and such changes may lead to an increase in our effective tax rates. We will also be subject to taxes in any new jurisdictions in which we acquire and/or develop properties, and similar risks will apply in respect of such taxes. All of these factors may materially and adversely affect our business, financial condition, results of operations and prospects.

Any adverse media reports about us or our properties, whether substantiated or not, may cause harm to our reputation.

As a major property owner in Hong Kong, information about us or our projects appears frequently in various media outlets. Some of these media reports contain inaccurate information about our Company and our projects. There can be no assurance that there will not be false, inaccurate or adverse media reports about us or our projects in the future. In particular, we may be required to respond or take defensive and remedial actions with regard to such inaccurate or adverse media reports, which may adversely divert our resources and our management's attention and may materially and adversely affect our business, financial condition, results of operations and prospects.

Failures or breakdowns in our information and technology systems may interrupt our business operations.

We use modern information and technology systems to control and manage our operations. These information and technology systems are intended to enable us to improve efficiency and monitor and control our operations and are fundamental to ensuring that we maintain our competitiveness in our industry. Our information systems are vulnerable to damage or interruption from circumstances beyond our control, including but not limited to, fire, power loss, hardware failure, software program error, back-up data failure, telecommunications failure, computer viruses, human error, hacking and break-in and other similar events. Any failure or breakdown in these systems could interrupt our normal business operations and result in a significant decrease in operational and management efficiency during such failure or breakdown. Recovery from such disasters may result in lost data as a result of such malfunction and disruption. In addition, precautionary measures may only be partly, if at all, successful. Any prolonged failure or breakdown could dramatically impact our ability to manage our properties and offer services to our customers, which may materially and adversely affect our business, financial condition, results of operations and prospects.

Our success depends on the continued services of our Executive Directors, our senior management team and personnel.

Our success depends on the continued services provided by our Executive Directors, senior management team and other personnel. Competition for experienced and suitable personnel is intense in the property sector. If members of our core management team leave us and we are unable to find suitable replacements, our business could be adversely affected. In addition, as we continue to expand our business, we will need to employ, train and retain more personnel. If we cannot attract, train and retain experienced and suitable personnel, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our Controlling Shareholders have substantial control over our Company and their interests may not be aligned with the interests of the other Shareholders.

Prior to and immediately following completion of the Spin-off, our Controlling Shareholders will remain the controlling shareholders of our Company with substantial control over its issued share capital. Subject to the Memorandum and Articles of Association of our Company and the Cayman Companies Law, Wheelock, by virtue of its controlling beneficial ownership of the share capital of our Company, will be able to (i) exercise significant control and (ii) exert significant influence over our business or other matters of significance to us by voting at our general meetings, including:

- election of Directors;
- amount and timing of dividend payments and other distributions;
- acquisition of or merger with other entities;
- overall strategic and investment decisions;
- issuance of securities and adjustments to our capital structure; and
- amendments to the Articles of Association.

The interests of our Controlling Shareholders may differ from the interests of other Shareholders and they are free to exercise their votes according to their interests. To the extent the interests of our Controlling Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders can be disadvantaged and harmed.

Our future dividend payments will be subject to the discretion of the Board.

The amount of any dividends that our Company may declare and pay in the future will be subject to the discretion of the Board and will be based upon our earnings, cash flow, financial condition, capital requirements, distributable reserves and any other conditions that our Directors deem relevant. The payment of dividends may also be limited by legal restrictions and by financing agreements that we may enter into from time to time. The amounts of distributions that any company within our Group or Wharf has declared and made in the past are not indicative of the dividends that our Company may pay in the future.

RISKS RELATING TO THE SPIN-OFF

There is no existing public market for our Shares and their liquidity and market price may fluctuate.

Prior to the completion of the Spin-off, there has not been any public market for our Shares. Our Company has applied for the listing of, and permission to deal in, our Shares on the Stock Exchange. The Listing, however, does not guarantee that an active trading market for our Shares will develop or, if it does develop, that it will be sustained following completion of the Spin-off or that the market price of our Shares will not fluctuate following completion of the Spin-off. In addition, we cannot assure you that the Listing will result in the development of an active and liquid public trading market for our Shares. Furthermore, the price and trading volume of our Shares may be volatile. Factors such as the following may affect the volume and price at which our Shares will trade:

- actual or anticipated fluctuations in our results of operations;
- news regarding recruitment or loss of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- general economic, market or regulatory conditions or other developments affecting us or our industry;
- the level of tourism in Hong Kong or the amount or pattern of spending by tourists;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control;
- release of lock-up or other transfer restrictions on the outstanding Shares or sales or perceived sales of Shares by our Controlling Shareholders or other Shareholders;
- reduction or restriction of financing for the property industry; and
- announcements of new projects or land acquisitions by us or our competitors.

You should note that the stock prices of companies in the property industry have experienced wide fluctuations. Such wide market fluctuations may adversely affect the market price of our Shares. In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may materially and adversely affect the market price of our Shares.

Shareholders' interests in our Company's share capital may be diluted in the future.

In order to expand our business, we may consider offering and issuing Shares or equity-linked securities in the future, which may result in a dilution in our net tangible book value or earnings per Share. In addition, the Board has been granted an unconditional general mandate to issue Shares with an aggregate nominal value of not more than 20% of the aggregate nominal value of the ordinary share capital immediately following the Spin-off as described in "Share Capital".

U.S. Holders may be subject to U.S. federal income tax on the receipt of Shares pursuant to the Distribution.

No statutory, judicial or administrative authority directly addresses how the Distribution should be treated for U.S. federal income tax purposes. In particular, the application of U.S. federal income tax laws to demergers and similar transactions governed by non-U.S. corporate law is unclear. Our Company has not conducted the detailed and complex U.S. federal income tax analysis required to determine whether the distribution of Shares pursuant to the Distribution may qualify as a transaction to which Section 355 of the Internal Revenue Code of 1986, as amended (the "**Code**") applies.

If the issue of Shares pursuant to the Distribution does qualify as a Section 355 Transaction, however, and if the receipt of the Shares is a reorganisation to which Section 368(a) of the Code applies, then, subject to the discussion of passive foreign investment company ("**PFIC**") rules below. Generally, the following tax consequences should be applicable to a U.S. Holder (as defined in "Certain U.S. Federal Income Tax Considerations" in Appendix VI) receiving Shares in the Distribution upon receipt of the Shares:

- the U.S. Holder should not recognise any income, gain or loss upon the receipt of Shares,

- the U.S. Holder should apportion its tax basis in the Wharf Shares between such Wharf Shares and the Shares received in the Distribution in proportion to the relative fair market value of the Wharf Shares and the Shares on the date on which the Shares are distributed, and

- the U.S. Holder should have a holding period for the Shares that includes the period during which the U.S. Holder held the Wharf Shares.

It is possible that the distribution of the Shares pursuant to the Distribution does not qualify under Section 355 and section 368(a) of the Code (the "**Alternative Treatment**"). If the Alternative Treatment applies, subject to the PFIC rules described below and described in "Certain U.S. Federal Income Tax Considerations — Ownership of the Shares — PFIC

Considerations Relevant to Owning the Shares", a U.S. Holder receiving Shares in the Distribution generally should have the following tax consequences upon receipt of the Shares:

- the U.S. Holder would be required to treat the distribution of Shares pursuant to the Distribution as a dividend in a U.S. Dollar amount equal to the fair market value of the Shares on the date of receipt;

- the U.S. Holder would take a tax basis in the Shares equal to the U.S. Dollar amount included in income as a dividend and would have a holding period in the Shares that begins with the effective date of the Distribution; and

- the U.S. Holder should treat the dividend generally as from sources outside the United States for foreign tax credit purposes.

Our Company also has not conducted the detailed and complex U.S. federal income tax analysis required to determine whether our Company or Wharf has previously been a PFIC during the holding period of any U.S. Holder, or will be a PFIC in the current year or future years. The application of the PFIC rules to the distribution of the shares pursuant to the Distribution if the Shares or Wharf Shares are or have previously been during the holding period of any U.S. Holder treated as shares of a PFIC is not fully described herein but could materially and adversely change the consequences to a U.S. Holder summarised above. It could also have material adverse consequences for an owner of Shares following the Distribution. The application of the proposed regulations §1.1291-6 to the Distribution is complex. U.S. Holders should therefore consult their tax advisors as to the application of the PFIC rules in the event that the Wharf Shares and/or the Shares received in the Distribution were treated as shares of a PFIC.

For further detail on the U.S. federal income tax treatment on the receipt of Shares pursuant to the Distribution, see "Certain U.S. Federal Income Tax Considerations" in Appendix VI to this listing document. Investors should consult their own tax advisers about the U.S. federal income tax consequences of participating in the Distribution and acquiring, owning and disposing of Shares.

There is uncertainty regarding taxation with respect to the indirect transfer of equity interests in PRC resident enterprises.

The SAT issued the Circular on Several Issues Relating to Corporate Income Tax on Gains from Indirect Transfer of Assets by Non-resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) ("**Bulletin 7**") on 3 February 2015, which sets out the rules of taxation under the circumstance when a non-PRC resident enterprise indirectly transfers the equity interests of a PRC resident enterprise by disposing of its equity interests in a non-PRC holding company directly or indirectly holding the equity interests of a PRC resident enterprise (the "**Indirect Transfer**"). Pursuant to Bulletin 7, the transferor, the transferee or the underlying PRC resident enterprise being transferred could report the Indirect Transfer transaction to the PRC tax authority voluntarily.

Based on the "substance over form" principle, if a PRC tax authority considers that the Indirect Transfer lacks bona fide commercial purpose and thus regarded as avoiding PRC tax, it may disregard the existence of the non-PRC holding company, deem the Indirect Transfer as the direct transfer of equity interests of a PRC resident enterprise and impose PRC Enterprise Income Tax ("**EIT**") on the attributable capital gain. Bulletin 7 stipulates detailed guidelines on the circumstances when such Indirect Transfer is considered to lack a bona fide commercial purpose and thus regarded as avoiding PRC tax. Furthermore, if the Indirect Transfer is subject to EIT, the transferee has an obligation to withhold tax from the sale proceeds and the transferor shall pay tax directly when the transferee fails withholding enough tax. The EIT payable is 10% of the attributable capital gain if the transferor is a non-PRC resident (and may be 25% if the transferor is deemed as PRC tax resident).

Whether Bulletin 7 would apply to the indirect transfer of equity interests in PRC resident enterprises that would be undertaken by our Group under the Reorganisation depends on the ultimate determination of the PRC tax authorities. If Bulletin 7 is applicable to such transactions, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

Shareholders and investors could face difficulties in protecting their interests because our Company is incorporated under the laws of the Cayman Islands and these laws could provide different protections to minority Shareholders than the laws of Hong Kong.

Our corporate affairs are governed by the Memorandum and the Articles and by the Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholder could differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. Such differences could mean that the minority Shareholders could have different protections from those they would have under the laws of Hong Kong.

We cannot guarantee the accuracy of certain facts and statistics contained in this listing document.

Certain facts and statistics in this listing document, including those relating to Hong Kong and the PRC, their respective economies and their respective real estate industries have been derived from various official government and other publications generally believed to be reliable. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by us or any of the Relevant Persons and no representation is given as to its accuracy. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the facts and statistics in this listing document may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy (as the case may be) in other jurisdictions. Therefore, you should not unduly rely upon the facts and statistics contained in this listing document.

You should read this entire listing document carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Spin-off.

Prior to the publication of this listing document, there has been press and media coverage regarding us and the Spin-off. Such press and media coverage included certain operational information, financial information, financial projections, valuations and other information about us that are not contained in this listing document. There may continue to be additional press and media coverage on us and the Spin-off. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this listing document is inconsistent or conflicts with the information contained in this listing document, we disclaim it, and accordingly, you should not rely on any such information.

DIRECTORS

Name	Address	Nationality
Chairman, Executive Director and Managing Director		
Mr. Ng Tin Hoi Stephen (吳天海先生)	2A, Trafalgar Court 70 Tai Hang Road Hong Kong	Chinese
Vice Chairman and Executive Director		
Ms. Lee Yuk Fong Doreen (李玉芳女士)	Flat B1, 1/F., Block 1 Mount Trio Court No. 1 Hok Yu Lane, Homantin Kowloon Hong Kong	Chinese
Executive Directors		
Ms. Leng Yen Thean (凌緣庭女士)	Flat E, 40/F Tower 2, Sorrento 1 Austin Road, West Kowloon Kowloon Hong Kong	Singaporean
Mr. Leung Kai Hang (梁啟亨先生)	Flat D, 7th Floor Tower 2, The Wings 9 Tong Yin Street Tseung Kwan O Hong Kong	Chinese

Name	Address	Nationality
Independent Non-executive Directors		
Mr. Au Siu Kee Alexander (歐肇基先生)	Flat B, 9th Floor, Tower 1 1 Po Shan Road Hong Kong	British
Mr. Andrew James Seaton (奚安竹先生)	Apt 2339, 23/F Tower 5, Parkview 88 Tai Tam Reservoir Road Hong Kong	British
Mr. Richard Gareth Williams (韋理信先生)	Flat B, 20/F Sherwood Court 17 Mosque Junction Hong Kong	British
Professor Yeoh Eng Kiong (楊永強教授), *GBS, JP*	Room A, 18/F, Tower II Ruby Court, 55 South Bay Road Repulse Bay Hong Kong	Chinese

For more information on our Directors, see "Directors and Senior Management".

PARTIES INVOLVED IN THE SPIN-OFF

Joint Sponsors	**HSBC Corporate Finance (Hong Kong) Limited** 1 Queen's Road Central Hong Kong **Somerley Capital Limited** 20th Floor, China Building 29 Queen's Road Central Hong Kong
Legal Advisers to our Company	*As to Hong Kong laws* **Deacons** 5th Floor, Alexandra House 18 Chater Road Hong Kong *As to PRC laws* **Jingtian & Gongcheng** 34th Floor, Tower 3, China Central Place 77 Jianguo Road Beijing, PRC *As to Cayman Islands laws* **Conyers Dill & Pearman** Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Legal Advisers to the Joint Sponsors	*As to Hong Kong and U.S. laws* **Freshfields Bruckhaus Deringer** 11th Floor, Two Exchange Square Hong Kong *As to PRC laws* **King & Wood Mallesons** 17th Floor, One ICC 999 Huaihai Zhong Road Shanghai, PRC

Auditors and Reporting Accountants	**KPMG** *Certified Public Accountants* 8th Floor, Prince's Building 10 Chater Road Central, Hong Kong
Property Valuer	**Knight Frank Petty Limited** 4th Floor, Shui On Centre 6-8 Harbour Road Wanchai, Hong Kong

Registered Office	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and Principal Place of Business in Hong Kong	16th Floor, Ocean Centre Harbour City, Canton Road Kowloon, Hong Kong
Authorised Representatives	Mr. Ng Tin Hoi Stephen (吳天海先生) 2A, Trafalgar Court 70 Tai Hang Road Hong Kong Mr. Hui Chung Ying Kevin (許仲瑛先生), *FCCA, CPA* Flat D, 8/F., Block 2 Mandarin Court 138 Argyle Street, Ho Man Tin, Kowloon Hong Kong
Company Secretary	Mr. Hui Chung Ying Kevin (許仲瑛先生), *FCCA, CPA*
Audit Committee	Mr. Au Siu Kee Alexander (歐肇基先生) *(Chairman)* Mr. Richard Gareth Williams (韋理信先生) Professor Yeoh Eng Kiong (楊永強教授), *GBS, JP*
Remuneration Committee	Mr. Au Siu Kee Alexander (歐肇基先生) *(Chairman)* Mr. Ng Tin Hoi Stephen (吳天海先生) Mr. Andrew James Seaton (奚安竹先生)
Nomination Committee	Mr. Ng Tin Hoi Stephen (吳天海先生) *(Chairman)* Mr. Au Siu Kee Alexander (歐肇基先生) Professor Yeoh Eng Kiong (楊永強教授), *GBS, JP*
Compliance Adviser	Somerley Capital Limited
Cayman Islands Principal Share Registrar and Transfer Agent	**Conyers Trust Company (Cayman) Limited** Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong Branch Share Registrar	**Tricor Investor Services Limited** Level 22, Hopewell Centre 183 Queen's Road East Hong Kong

Principal Banker	**The Hongkong and Shanghai Banking Corporation Limited** 1 Queen's Road Central Hong Kong
Company Website	**www.wharfreic.com** (A copy of this listing document will be available on our Company's website. Except for information contained in this listing document, none of the other information on our Company's website forms part of this listing document)

OUR HISTORY AND DEVELOPMENT

Our predecessor, Wharf, was founded in 1886 in Hong Kong and developed into one of the largest local real estate companies in Hong Kong with a proven track record in developing, investing and operating iconic properties at strategic locations in Hong Kong. Our Group was established to focus on ownership and operation of investment properties of substantial scale in Hong Kong.

KEY MILESTONES

Our key milestones are as follows:

Year	Event
1966	Opening of Ocean Terminal (now part of Harbour City) located in Tsim Sha Tsui, Hong Kong
1969	Opening of the Marco Polo Hongkong Hotel located in Tsim Sha Tsui, Hong Kong
1971	Listing of HCDL on the Main Board of the Stock Exchange
1977	Opening of Ocean Centre (now part of Harbour City) located at Tsim Sha Tsui, Hong Kong
1983	Opening of Prince Hotel located in Tsim Sha Tsui, Hong Kong
1994	Opening of Times Square, which was transformed from the Causeway Bay tram depot
	Opening of the Gateway Hotel located in Tsim Sha Tsui, Hong Kong
1997	Opening of Plaza Hollywood located in Kowloon East, Hong Kong
2013	Acquisition of the former Murray Building in Central, Hong Kong (which is under conversion to a hotel, The Murray) by HCDL
2014	Acquisition of Crawford House
2016	Acquisition of our premises at Wheelock House

REORGANISATION

The Spin-off is a demerger effecting the separation of the Wharf Group's Hong Kong property investment business from its other businesses.

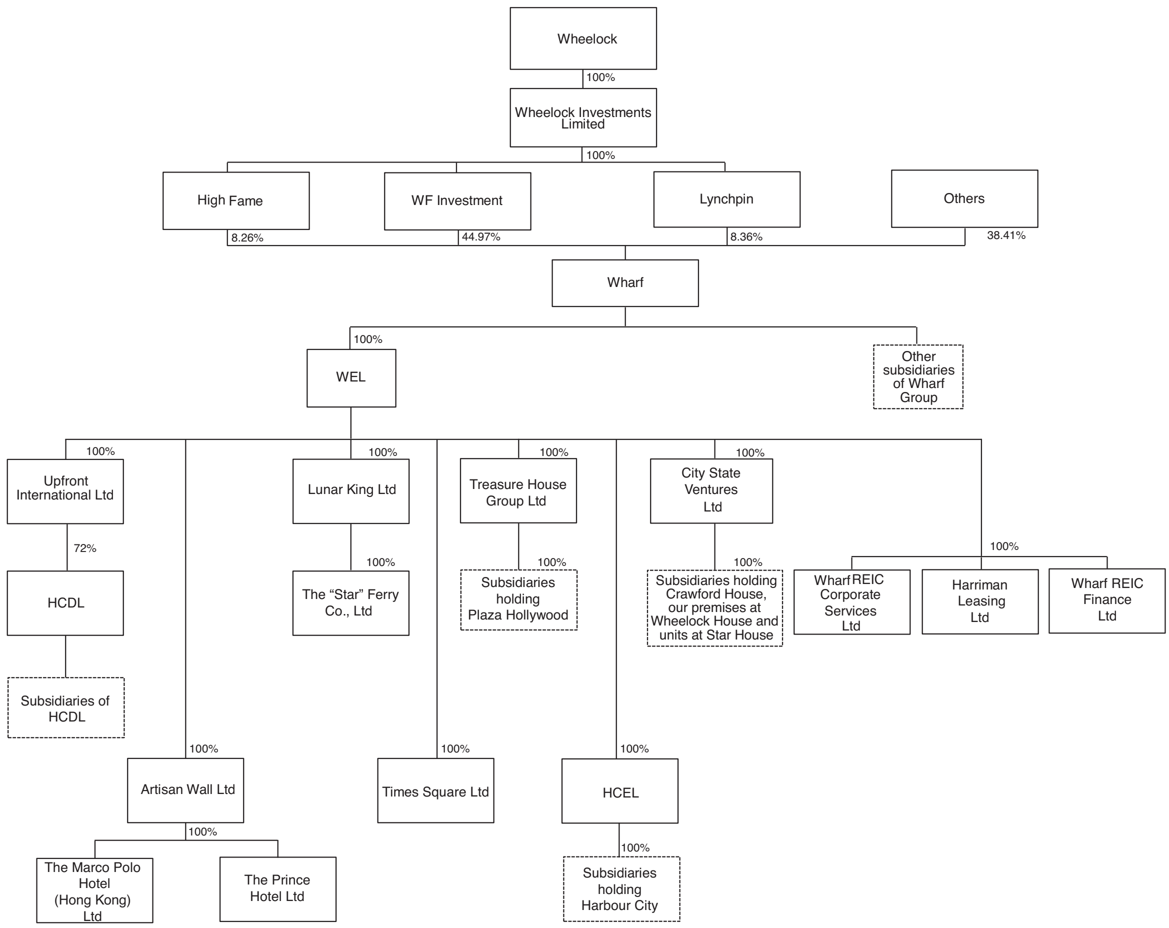
Reorganisation Steps

In preparation for the Spin-off, we have implemented various reorganisation steps. See "Appendix VII — General Information — Further Information About Our Group — 6. Reorganisation".

CORPORATE STRUCTURE

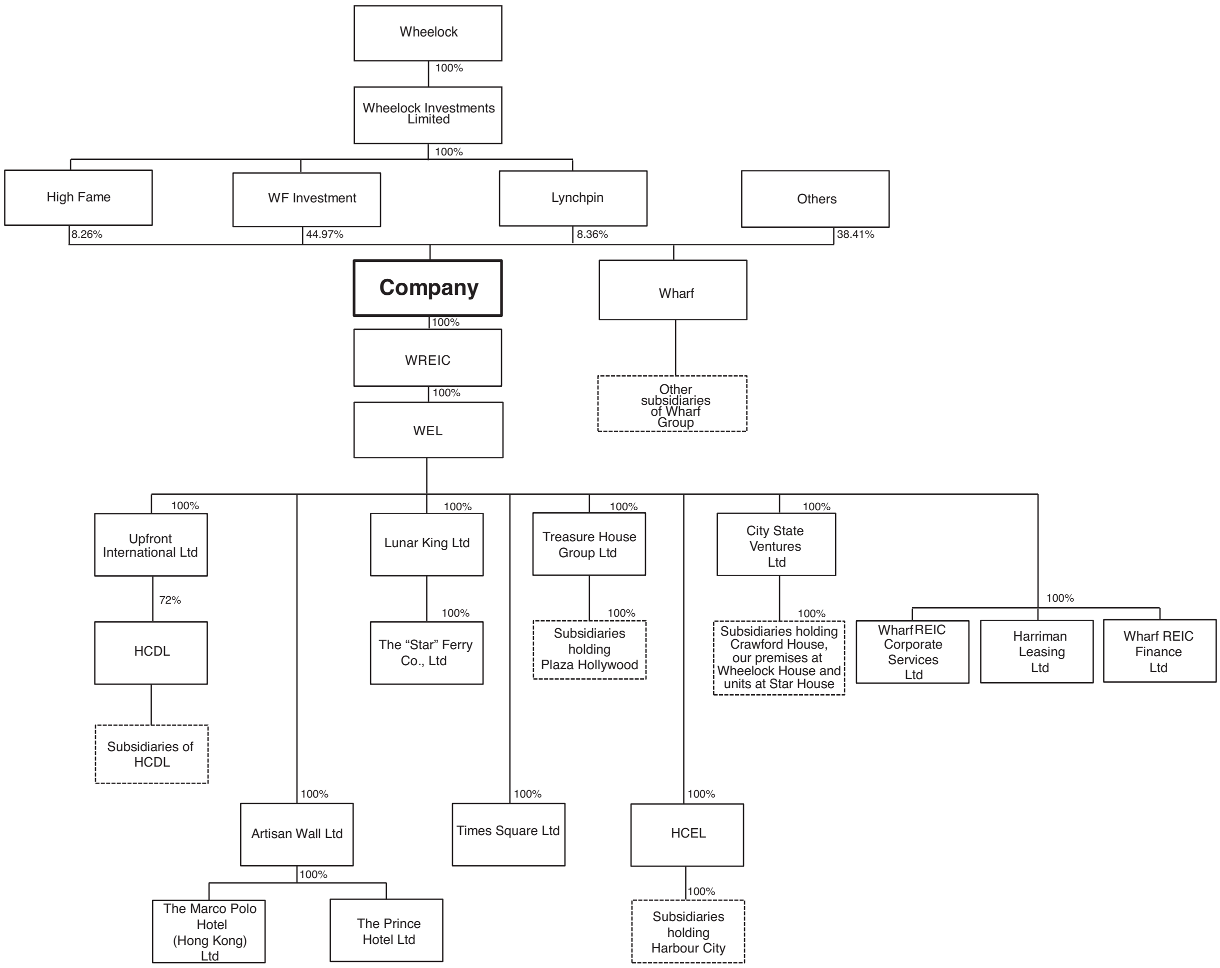
Corporate structure prior to Reorganisation

The simplified corporate and beneficial shareholding structure of our Group prior to the Reorganisation is as follows:



Corporate structure immediately following completion of the Spin-off

Immediately following completion of the Spin-off, the simplified corporate and beneficial shareholding structure of our Group will be as follows:



The information and statistics in this section, unless otherwise indicated, are derived from various private and official governmental publications and publicly available sources. We believe that the information and statistics are derived from appropriate sources and reasonable care has been taken by our Directors in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false and misleading. The information set out in this section has not been independently verified by our Company or any of the Relevant Persons and none of them gives any representations as to its accuracy and the information should not be relied upon in making, or refraining from making, any investment decision.

Source of Information

This listing document cites materials prepared by the Hong Kong Census and Statistics Department, the Hong Kong Trade Development Council, the Hong Kong Tourism Board, the Hong Kong Rating and Valuation Department, the National Bureau of Statistics of China, the Economist Intelligence Unit (EIU) macroeconomic data, BMI macroeconomic forecasts and CEIC Data Company Ltd. macroeconomic data. None of our Company or any of the Relevant Persons has commissioned any of the materials prepared by these research sources for use as citations in this listing document. The materials we have used are widely available periodic publications and/or data complications by the respective research sources. The parametres and assumptions used by researchers in compiling the reports are based on their own in-house standards.

Our Directors confirm that, after due enquiry, there has been no material adverse change in the market information since the issue date of the sources referred to above which may qualify, contradict or adversely impact the information contained in this section.

Hong Kong Real Estate Market Overview

Due to Hong Kong's geographic location, its well established legal system and its importance as a gateway to China, Hong Kong is one of the world's leading financial and trading centres. Being a free market economy, the city is highly integrated with and aligned to global business conditions. Hong Kong's economy has grown moderately over the past five years, with its nominal and real GDP having increased at a CAGR of 5.1% and 2.5% respectively over that period.

	2012	2013	2014	2015	2016	2017E
Nominal GDP (HK$ billion)	2,037	2,138	2,260	2,398	2,489	2,626
Nominal GDP growth (%)	5.3	5.0	5.7	6.1	3.8	5.5
Real GDP (HK$ billion)	2,133	2,199	2,260	2,314	2,359	2,421
Real GDP growth (%)	1.7	3.1	2.8	2.4	1.9	2.6
Per capita GDP (HK$)	284,720	297,503	312,082	328,293	338,806	354,685
Median household income (US$)	54,820	57,450	59,550	61,890	63,180	65,490
CPI (%)	4.1	4.3	4.4	3.0	2.4	1.7
Total value of retail sales (HK$ billion)	445.5	494.5	493.2	475.2	436.6	218.4 *(Note)*
Total value of retail sales y-o-y growth (%)	9.8	11.0	(0.2)	3.7	(8.1)	(0.7)
Tourist arrivals ('000 persons)	48,615	54,299	60,839	59,308	56,655	NA

Source: Hong Kong Census and Statistics Department for 2012-2016 historical data (except for tourist arrival numbers), EIU Estimates for 2017E data, Hong Kong Tourism Board for tourist arrival numbers (2012-2016)

Note: Represents total value for January to June 2017; no full year forecast data is available.

Hong Kong experienced economic growth in 2016, with an overall year-on-year increase in real GDP of 1.9%. The growth of private consumption expenditure slowed to 1.6% for 2016, from 4.8% for 2015, whereas growth in investment expenditure decreased to 0.5% for 2016, from 3.2% for 2015. As to the external sector, exports of goods grew by 1.7% in 2016, compared to a decline of 1.7% in 2015, while exports of services declined by 3.1% in 2016, compared to marginal growth of 0.3% in 2015. According to the Hong Kong Trade Development Council, for 2017, the external environment is expected to improve whereas domestic demand will continue to be supported by the largely stable income and employment conditions. Economic growth is expected to continue in the near future, with the EIU forecasting a 2.6% increase in real GDP in 2017.

The labour market remained stable during 2016 and improved slightly in late 2016, as the Hong Kong economy continued to benefit from its position as an international financial centre. According to the Hong Kong Census and Statistics Department, the seasonally adjusted unemployment rate remained steady at 3.4% for the period between September 2015 and October 2016, before falling to 3.3% for the period between November 2016 and January 2017.

Visitor arrivals in Hong Kong registered a 4.5% year-on-year decline in 2016, driven by a decrease in visitors from China. In 2016, China registered the largest visitor decline compared to other short haul markets, long haul markets and new markets (which include India, Gulf Cooperation Council Markets, Russia, Netherlands and Vietnam), with a 6.7% year-on-year decline, due in substantial part to a devaluation of the Renminbi leading to weaker consumer spending. China nevertheless still accounted for 75.5% of Hong Kong's total visitor arrivals. Non-China short haul markets registered a year-on-year growth of 4.3%, due to strong travel from South Korea, Indonesia, the Philippines and Thailand. Visitor arrivals recovered in the first six months of 2017, with total visitor arrivals to Hong Kong achieving a 2.4% period-on-period increase. Arrivals from non-China short haul markets registered the largest growth, with a 5.2% period-on-period increase, while Mainland and overall non-China long-haul visitor arrivals achieved 2.3% and 0.6% year-on-year increases respectively.

In the beginning of 2016, consumer spending fell in Hong Kong as consumer spending by China visitors fell largely as a result of a devaluation in the Renminbi, and spending recovered slightly in late 2016 during the holiday season, before falling again in February 2017. Retail spending totaled HK$218.4 billion in the first six months of 2017, representing a period-on-period decrease of 0.6% from HK$219.7 billion for the same period in 2016. However, retail sales are expected to recover due to the celebration of the 20th anniversary of the resumption of China's sovereignty over of Hong Kong and an increase in visitors expected from South Korea in the second half of 2017.

According to forecasts by the EIU, per capita disposable income in Hong Kong is high by international standards, and continued to grow in 2016 with a 3.6% year-on-year increase. Monthly per capita disposable income for Hong Kong was approximately HK$143,950 at the end of 2016, substantially higher than China, and comparable to the level of many developed countries around the world.

As one of the world's leading financial and trading centres, Hong Kong is highly integrated with the global business cycle. As a result, persistent uncertainties in the global outlook and financial markets due to factors such as potential interest rate increases, the proposed exit of the United Kingdom from the European Union (Brexit), a more nationalistic and protectionist U.S. government administration, monetary policy divergence as well as refugee and terrorist issues around the world, has had, and may continue to have, an impact on the Hong Kong economy including the real estate market. Global uncertainties may limit companies' relocation and expansion plans, affecting demand and rental rates for office and retail space in Hong Kong, and also cause uncertainty throughout the hospitality sector. However, the limited supply of prime offices and retail assets is expected to limit any potential impact on occupancy and rental rates.

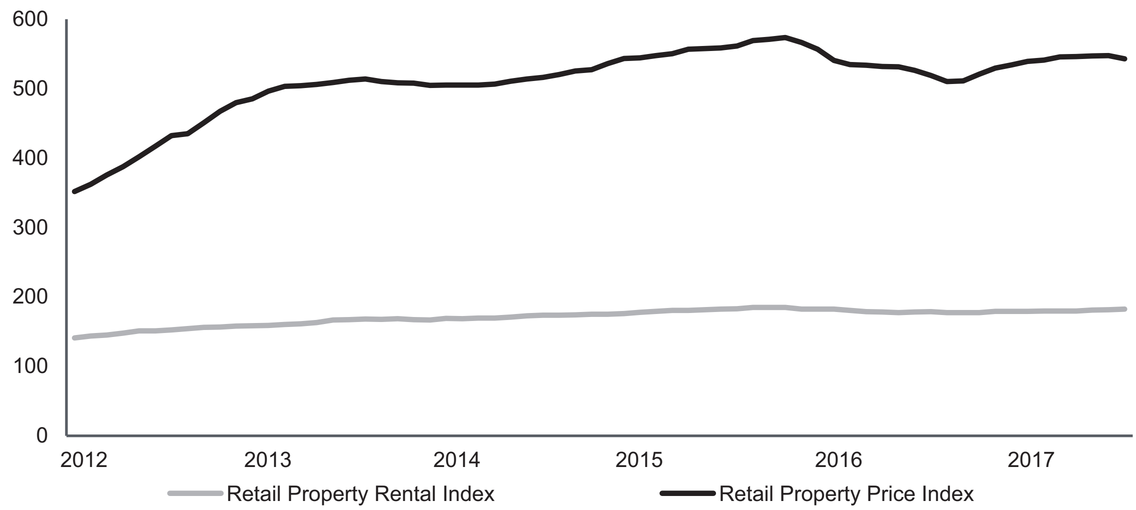
Hong Kong Retail Property Market Overview

According to the Hong Kong Property Review 2017 issued by the Hong Kong Rating and Valuation Department, the retail sector consisted of approximately 119.8 million sq.ft of stock at the end of 2016. Although the stock of the retail sector is of a similar size to the office sector, it has a greater spread in geographic locations, with 29% of the total space being on Hong Kong Island, 41% in Kowloon and 30% in the New Territories. By the end of 2017, private retail stock was anticipated to increase by 1.1% to approximately 121.2 million sq.ft.

New retail completions in 2016 totalled approximately 1.3 million sq.ft, with 21% and 29% of the completions in Hong Kong Island and Kowloon respectively. The Hong Kong Property Review 2017 also forecasts that new retail completions will be approximately 1.4 million sq.ft and approximately 1.8 million sq.ft in 2017 and 2018 respectively. The majority of new completions in 2017 are expected to be contributed mainly from the following districts in Hong Kong: Tsuen Wan (23%), Central and Western (12%), and Yau Tsim Mong (the districts of Yau Ma Tei, Tsim Sha Tsui and Mong Kok) (11%). In 2018, the main source of contribution is expected to be from Yau Tsim Mong (30%), Sai Kung (15%) and Sham Shui Po (14%).

The retail sector was impacted by a decrease in visitor numbers from China and emerging markets over the past two years. According to the Hong Kong Rating and Valuation Department, vacancy rates increased to 9.0% in 2016 from 6.9% in 2012, with a negative take-up of 452,084 sq.ft in 2016.

Rental and Price indices for retail sector



Source: Hong Kong Rating and Valuation Department

As regards the rent of retail properties, according to the Hong Kong Rating and Valuation Department, the retail property rental index increased by 29.6% from January 2012 to June 2017. In the first six months of 2017, the retail property rental index continued to climb, reflecting the moderate recovery and growth in consumer spending. The retail property rental index in June 2017 increased by 2.2% as compared to the same index in June 2016. According to the Hong Kong Rating and Valuation Department, the average monthly rental for retail space in Hong Kong Island, Kowloon and New Territories in June 2017 was HK$135.4, HK$125.6 and HK$132.2 per sq.ft, respectively.

As regards the selling price of retail properties, according to the Hong Kong Rating and Valuation Department, the private retail property price index recorded a year-on-year growth of 4.6% from June 2016 to June 2017. The average sale prices for private retail space in Hong Kong Island, Kowloon, and New Territories in June 2017 were HK$51,891.1, HK$33,343.6, and HK$39,645.0 per sq.ft, respectively.

Retail Property Sub-markets in Tsim Sha Tsui and Causeway Bay

Tsim Sha Tsui (where Harbour City is located) and Causeway Bay (where Times Square is located) are two of the major shopping areas in Hong Kong highlighted by the Hong Kong Tourism Board. Both areas offer a full range of malls, department stores and shopping streets.

Tsim Sha Tsui

Within Tsim Sha Tsui, there are multiple shopping spots, including (i) the Canton Road area, (ii) the Nathan Road area and (iii) the Tsim Sha Tsui East area. Harbour City is situated on Canton Road next to Victoria Harbour. Nathan Road, a main road in the Kowloon peninsula that goes in a south-north direction from Tsim Sha Tsui to Sham Shui Po, is another popular area for shopping. Tsim Sha Tsui East is also known for shopping, entertainment and tourist attractions. These shopping spots include shops operated by the same brands within Harbour City and/or by other brands that may compete with the shops in Harbour City.

The above shopping spots within Tsim Sha Tsui are conveniently located near Tsim Sha Tsui MTR Station or East Tsim Sha Tsui MTR Station. Public transport access is also available by bus, minibus and ferry.

Other shopping malls located in Tsim Sha Tsui include 1881 Heritage, China Hong Kong City, iSQUARE, K11, Mira Place, The One, Tsim Sha Tsui Centre and Empire Centre.

Causeway Bay

There are a multitude of retail properties and shopping streets in Causeway Bay, typically connected to or located within walking distance from Causeway Bay MTR Station. Public transport access is also available by bus, minibus and tram.

Russell Street in the southwest side of Causeway Bay is one of the most expensive luxury shopping streets in the world. It is next to the Causeway Bay MTR Station, which directly connects to Times Square underground. Other popular shopping spots in Causeway Bay include areas on (i) Hennessey Road; (ii) Great George Street and Peterson Street in the east; (iii) Jaffe Road and Lockhart Road; and (iv) Hysan Avenue and Yun Ping Road in the south. These shopping spots include shops operated by the same brands within Times Square and/or by other brands that may compete with the shops in Times Square.

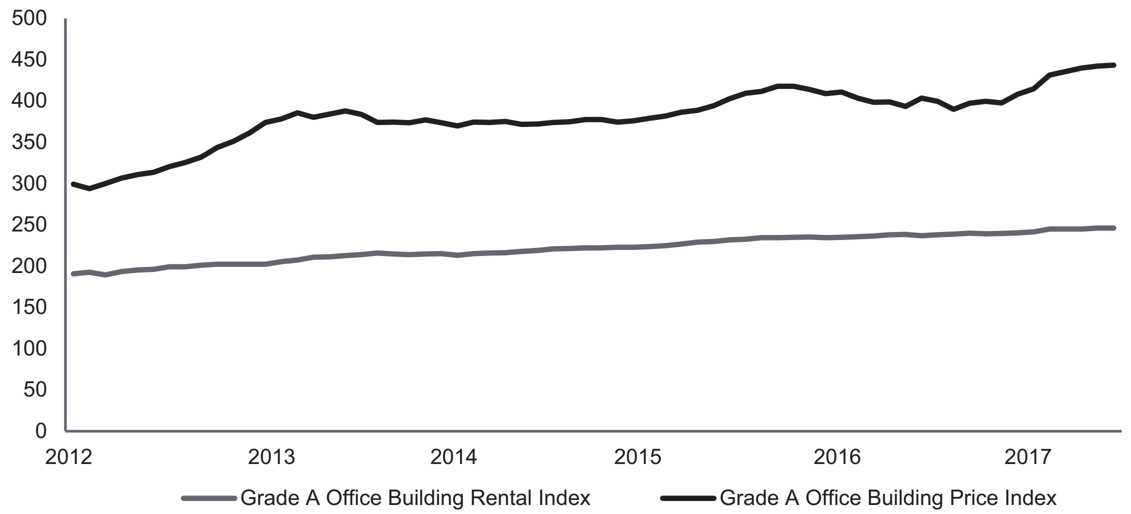
Other shopping malls located in Causeway Bay include Fashion Walk, Hysan Place, Lee Gardens One & Two, Lee Theatre, SOGO and wtc more.

Hong Kong Office Property Market Overview

According to the Hong Kong Property Review 2017 issued by the Hong Kong Rating and Valuation Department, private office stock at the end of 2016 amounted to approximately 124.1 million sq.ft, of which approximately 79.6 million sq.ft or 64.1% consisted of Grade A office space. Hong Kong Island remains the largest source of Grade A office space, accounting for 51% of the stock, while Kowloon and the New Territories accounted for 37% and 12% respectively. The Hong Kong Rating and Valuation Department has forecast new completions of Grade A office space in 2017 of approximately 2.7 million sq.ft.

Given the limited supply of land in Hong Kong, Grade A office supply has historically been limited and restricted particularly to Central, the prime central business district in Hong Kong. By the end of 2017, private office space is anticipated to increase by 3.0 million sq.ft or 2.4% to approximately 127.1 million sq.ft, of which approximately 82.2 million sq.ft or 64.7% is anticipated to consist of Grade A office space, with Kwun Tong to provide 54% of new stock. In 2018, Grade A office completions are forecast by the Hong Kong Rating and Valuation Department to be approximately 1.1 million sq.ft, of which the new supply will be concentrated in the Eastern district which will account for 71% of the estimated completions.

Rental and Price indices for Grade A offices



Source: Hong Kong Rating and Valuation Department

Primarily as a result of strong demand and relatively limited supply, Hong Kong Grade A office rental rates have grown significantly over the past few years despite a significant adjustment due to the global financial crisis. The Grade A office building rental index increased by 29.0% from January 2012 to June 2017 according to the Hong Kong Rating and Valuation Department. Due primarily to the limited supply of Grade A offices for sale and low interest rates, the Grade A office building price index also increased by 48.2% during the same period. In the first six months of 2017, the monthly Grade A office building rental index continued to climb, reflecting strong demand still for premium office space in a resilient economy. The Grade A office building rental index in June 2017 saw a 4.0% increase as compared to the same index in June 2016. According to the Hong Kong Rating and Valuation Department, the average monthly rentals for Grade A offices in Central, Wan Chai/Causeway Bay and Tsim Sha Tsui in June 2017 were HK$107.2, HK$72.0 and HK$49.4 per sq.ft respectively.

The chart below sets out the completion, take-up, vacancy rates and total stock of Grade A Offices.

Grade A office Completions, Take-up and Vacancy

('000s sq.ft.)	**2012**	**2013**	**2014**	**2015**	**2016**
Completions	1,116	1,042	26	1,333	1,530
Take-up	1,439	130	1,251	160	1,165
Vacancy	4,498	5,409	4,899	6,004	6,372
Vacancy %	6.1%	7.2%	6.4%	7.8%	8.0%
Total stock	74,252	75,303	76,004	77,280	79,552

Source: Hong Kong Rating and Valuation Department

Hong Kong Hospitality Market Overview

According to the Hong Kong Monthly Digest of Statistics published by the Hong Kong Census and Statistics Department, there were a total of 74,868 hotel rooms in Hong Kong as at 31 December 2016, reflecting a CAGR of approximately 2.7% from a total of 67,394 hotel rooms as at 31 December 2012. Overall performance in the hotel industry, which can be reflected in operating data such as average achieved hotel room rates and occupancy rates, is associated with both the performance of the overall economy and Hong Kong's tourism sector.

The table below sets out the key indicators of the Hong Kong hospitality market for the periods indicated:

Key Statistics - Hong Kong Hospitality Sector

	2012	2013	2014	2015	2016	2017
Total number of hotels. . . .	211	225	244	253	263	271(1)
High Tariff A Hotels	34	34	34	35	35	36(1)
High Tariff B Hotels	73	83	86	90	95	99(1)
Medium Tariff Hotels	84	88	95	104	110	111(1)
Unclassified	20	20	29	24	23	25(1)
Total number of hotel rooms	67,394	70,017	72,721	73,846	74,868	77,553(1)
Total number of visitors (million)	49	54	61	59	57	28(2)
% of Chinese visitors	71.8	75.0	77.7	77.3	75.5	75.1(2)
Average achieved hotel room rate (HK$)	1,489	1,447	1,473	1,337	1,287	NA
Occupancy rate (%).	89	89	90	86	87	NA

Source: Hong Kong Tourism Board, BMI estimates. Hong Kong Monthly Digest of Statistics

Notes: (1) As at 30 June 2017.

(2) For the six months ended 30 June 2017.

China Real Estate Market Overview

The Chinese economy has grown significantly since the Chinese government introduced economic reforms in the late 1970s. China's accession to the World Trade Organisation in 2001 further accelerated the development of the Chinese economy. According to the National Bureau of Statistics of China, China overtook Japan to become the world's second largest economy in terms of GDP in the second quarter of 2010. As a result of the rapid economic growth and increasing urbanisation in China, the real estate market has also achieved strong growth with sales of commodity properties increasing in both volume and value during the period 2012 to the end of 2016. The table below sets out selected data relating to the China property market over the periods indicated:

	2012	2013	2014	2015	2016	2012-16 CAGR
Nominal GDP (RMB billion)	54,037	59,524	64,397	68,905	74,413	8.3%
Real GDP growth rate (%)	7.9%	7.8%	7.3%	6.9%	6.7%	NA
Per capita GDP (RMB)	40,007	43,852	47,203	50,251	53,980	7.8%
Total real estate investment (RMB billion)	7,180	8,601	9,504	9,598	10,258	9.3%
Total GFA completed (million sq.m.)	2,413	2,572	2,648	2,657	2,325	(0.9%)
Total GFA sold (million sq.m.)	1,113	1,306	1,206	1,285	1,573	9.0%

Source: National Bureau of Statistics of China, CEIC

The Chinese government exerts considerable direct and indirect influence on the development of China property sector by imposing industry policies and other economic measures, such as control over the supply of land for property development and control of foreign exchange, property financing, taxation and foreign investment. For details, see "Appendix IV — Regulatory Overview".

Cities in China in which we have Operations

As at 30 June 2017, we had operations in Suzhou and Changzhou and also presence in Chongqing and Shanghai via our joint ventures and our associate.

Suzhou is a major city in Eastern China and is the largest city by GDP in Jiangsu province in 2016. Jiangsu province is one of the most affluent provinces in China. Changzhou is a major city in the Yangtze River Delta and ranked 6th in terms of GDP within Jiangsu province in 2016. Chongqing is the only municipality directly-controlled by the PRC Central Government in Western China and is the biggest inland city in China. Shanghai is located on the eastern coast of China, and is one of the most developed cities in China and a leading international economic, financial, trading and shipping centre.

The table below sets out selected data relating to the overall property market for each of these four cities for the periods indicated.

	2012	2013	2014	2015	2016	2012-16 CAGR
Total population (million)						
- Suzhou	10.5	10.6	10.6	10.6	10.6	0.2%
- Changzhou	4.7	4.7	4.7	4.7	4.7	0.1%
- Chongqing	29.5	29.7	29.9	30.2	30.5	0.9%
- Shanghai	23.8	24.2	24.3	24.2	24.2	0.4%
Per capita GDP (RMB)						
- Suzhou	114,029	123,209	129,925	136,702	145,638	6.3%
- Changzhou	85,040	92,995	104,423	112,221	122,721	9.6%
- Chongqing	38,914	43,223	47,850	52,321	57,902	10.4%
- Shanghai	85,373	90,993	97,370	103,796	113,600	7.4%
Total real estate investment (RMB billion)						
- Jiangsu*(Note)*	620,610	724,145	824,022	815,368	895,637	9.6%
- Chongqing	250,835	301,278	363,023	375,128	372,595	10.4%
- Shanghai	238,136	281,959	320,648	346,894	370,903	11.7%
Average selling price of residential properties (RMB/sq.m.)						
- Jiangsu*(Note)*	6,423	6,650	6,783	7,177	8,734	8.0%
- Chongqing	4,805	5,239	5,094	5,012	5,162	1.8%
- Shanghai	13,870	16,192	16,415	21,501	25,910	16.9%
Total residential GFA completed (thousand sq.m.)						
- Jiangsu*(Note)*	76,871	75,842	72,591	79,302	76,027	(0.3%)
- Chongqing	33,864	28,675	27,716	31,859	30,840	(2.3%)
- Shanghai	16,091	14,174	15,355	15,890	15,329	(1.2%)
Total residential GFA sold (thousand sq.m.)						
- Jiangsu*(Note)*	79,234	101,915	88,009	102,759	126,577	12.4%
- Chongqing	41,051	43,592	44,237	44,777	51,055	5.6%
- Shanghai	15,926	20,158	17,809	20,092	20,198	6.1%

Source: National Bureau of Statistics of China, CEIC

Note: City-level data for Suzhou and Changzhou is not available; provincial-level data is shown for reference only.

OVERVIEW

We are an owner and operator of premium quality properties which we hold for investment purposes in prime locations in Hong Kong. Our Valuation Properties in Hong Kong had an aggregate GFA of 11.5 million sq.ft. and a total valuation of HK$255.9 billion as at 31 August 2017. Harbour City and Times Square, our flagship properties, are strategically located in Tsim Sha Tsui and Causeway Bay, respectively. These iconic properties with substantial scale in two of the most popular shopping destinations and busiest business districts in Hong Kong attract constant flows of local shoppers and tourists. They occupy leading market positions among commercial properties in Hong Kong.

Harbour City is a mixed-use integrated complex with retail and office premises, serviced apartments, hotels and a club. Strategically located at the harbour front in Tsim Sha Tsui, it includes one of the largest shopping malls in Hong Kong with a contiguous mall space of approximately 1,286,000 sq.ft. in terms of LFA as at 31 August 2017, drawing shoppers and tourists to its entertainment, dining and hotel components. Harbour City's close proximity to Victoria Harbour and Star Ferry, which are both iconic tourist attractions, strongly appeal to tourists.

Times Square is a mixed-use integrated complex which is directly connected to the MTR station in Causeway Bay, with retail and office premises which house 16 levels of shopping mall. As at 31 August 2017, our retail premises at Times Square had a LFA of approximately 531,000 sq.ft., and housed international brands and other retailers, 20 restaurants and a cinema.

Given their strategic locations, Harbour City and Times Square provide a showcase for internationally renowned brands, attracting a diversified mix of tenants. Our tenants in the properties comprise leading international corporations, well-known brands and retailers across a wide variety of industries and trades. We believe that the strategic locations and substantial scale of these flagship properties are very difficult to replicate in Hong Kong, and their leading market positions and substantial scale enable these shopping malls to maintain their well-established brands and build up strong relationships with a diverse base of tenants.

The following table sets out the GFA and total independent valuation of our Valuation Properties at Harbour City and Times Square as at 31 August 2017:

	GFA	Total independent valuation
	(million sq.ft.)	(HK$ billion)
Harbour City	8.3	172.7 *(Note)*
Times Square	2.0	54.5

Note: This includes the value of the hotels at Harbour City which are stated at cost less impairment losses in the Accountants' Report in Appendix I and excludes the Pacific Club which was not valued by the Property Valuer. See "Our Property Portfolio — Mixed-use integrated complexes held for investment purposes in Hong Kong" in this section for further information.

We also own and operate other premium quality properties in Hong Kong which we hold for investment purposes. These properties comprise Crawford House and our premises at Wheelock House in Central, the prime central business district in Hong Kong, as well as Plaza Hollywood, a leading shopping mall in Kowloon East.

HCDL, whose shares are listed on the Main Board (stock code: 51), is indirectly owned as to approximately 72% by our Company. The HCDL Group holds the Marco Polo Hongkong Hotel in Harbour City and the former Murray Building (which is currently undergoing conversion into a hotel, The Murray) in Central and certain PRC property interests.

We also operate Star Ferry, which provides a ferry service between Central/Wanchai and Tsim Sha Tsui.

The following table sets out the breakdown of our revenue by business segment and by geography for the periods indicated:

	FY2014		FY2015		FY2016		1H2016		1H2017	
	(HK$ million)	(%)	(HK$ million)	(%)	(HK$ million)	(%)	(HK$ million) (unaudited)	(%)	(HK$ million)	(%)
Revenue by business segments										
Investment properties										
Retail										
Harbour City	5,674	32.5%	5,949	33.8%	6,207	36.8%	3,108	35.3%	3,258	34.1%
- Base rent	4,190	24.0%	5,006	28.5%	5,568	33.0%	2,770	31.5%	2,943	30.8%
- Turnover rent	1,484	8.5%	943	5.3%	639	3.8%	338	3.8%	315	3.3%
Times Square	1,883	10.8%	2,017	11.5%	2,137	12.7%	1,087	12.3%	1,065	11.2%
- Base rent	1,693	9.7%	1,919	10.9%	2,097	12.4%	1,059	12.0%	1,041	10.9%
- Turnover rent	190	1.1%	98	0.6%	40	0.3%	28	0.3%	24	0.3%
Plaza Hollywood	513	2.9%	529	3.0%	546	3.2%	270	3.1%	287	3.0%
- Base rent	476	2.7%	492	2.8%	518	3.1%	254	2.9%	272	2.8%
- Turnover rent	37	0.2%	37	0.2%	28	0.1%	16	0.2%	15	0.2%
Others	83	0.6%	182	1.1%	218	1.3%	103	1.2%	111	1.1%
Sub-total	8,153	46.8%	8,677	49.4%	9,108	54.0%	4,568	51.9%	4,721	49.4%
Office										
Harbour City	2,121	12.2%	2,317	13.2%	2,437	14.5%	1,208	13.7%	1,235	12.9%
Times Square	661	3.8%	670	3.8%	701	4.2%	348	4.0%	350	3.7%
Others	24	0.1%	73	0.4%	213	1.2%	83	0.9%	132	1.4%
Sub-total	2,806	16.1%	3,060	17.4%	3,351	19.9%	1,639	18.6%	1,717	18.0%
Serviced apartments	301	1.7%	301	1.7%	316	1.9%	156	1.8%	163	1.7%
Sub-total	11,260	64.6%	12,038	68.5%	12,775	75.8%	6,363	72.3%	6,601	69.1%
Development properties	4,361	25.0%	3,930	22.4%	2,482	14.7%	1,686	19.2%	2,166	22.7%
Hotels	1,462	8.4%	1,359	7.7%	1,342	8.0%	621	7.1%	646	6.8%
Others	354	2.0%	249	1.4%	252	1.5%	134	1.4%	133	1.4%
Total	**17,437**	**100.0%**	**17,576**	**100.0%**	**16,851**	**100.0%**	**8,804**	**100.0%**	**9,546**	**100.0%**
Revenue by geography										
Hong Kong	12,829	73.6	13,474	76.7	14,200	84.3	7,020	79.7	7,296	76.4
PRC	4,575	26.2	4,064	23.1	2,606	15.4	1,752	19.9	2,221	23.3
Singapore[(Note)]	33	0.2	38	0.2	45	0.3	32	0.4	29	0.3
Total	**17,437**	**100.0**	**17,576**	**100.0**	**16,851**	**100.0**	**8,804**	**100.0**	**9,546**	**100.0**

Note: The revenue attributable to Singapore comprised dividend income from shares listed in Singapore.

OUR COMPETITIVE STRENGTHS

We believe our key competitive strengths include the following:

Our flagship properties, Harbour City and Times Square, are iconic properties in Hong Kong that command leading market positions, possess substantial scale and occupy strategic locations in Hong Kong

Our iconic flagship properties, Harbour City and Times Square, occupy commercially strategic locations and leading market positions among commercial properties in Hong Kong. Located in Tsim Sha Tsui and Causeway Bay, respectively, which are among the most popular shopping destinations and busiest business districts in Hong Kong, they possess substantial scale and are heavily sought after by tenants. These mixed-use integrated commercial complexes comprise primarily retail and office premises and offer a wide range of shopping, dining and entertainment to local shoppers and tourists. Given the strategic locations of Harbour City at the harbour front and Times Square which is directly connected to the Causeway Bay MTR station, they provide a showcase for international retailers, attracting a diversified mix of brands. See "Our Property Portfolio — Mixed-use integrated complexes held for investment purposes in Hong Kong" below for further information on Harbour City and Times Square.

We believe that the strategic locations and substantial scale of our flagship properties are very difficult to replicate in Hong Kong, and their leading market positions and substantial scale enable us to maintain our well-established reputation as a property owner and operator and build strong relationships with a diverse base of tenants, including internationally renowned retail brands.

We benefit from strong cash flow, stable income and economies of scale and synergies from our substantial investment property portfolio

Our business is focused on the ownership and operation of investment properties in Hong Kong, which provides us with strong cash flow from their stable revenue. Our revenue from investment properties was HK$11.3 billion in FY2014, HK$12.0 billion in FY2015 and HK$12.8 billion in FY2016, representing a CAGR of 6.5%. Our revenue from investment properties also grew from HK$6.4 billion in 1H2016 to HK$6.6 billion in 1H2017, representing a period-on-period growth of 3.7%. Revenue from our investment properties amounted to 64.6%, 68.5%, 75.8% and 69.1% of our revenue in FY2014, FY2015, FY2016 and 1H2017, respectively.

Our revenue from investment properties has been resilient over the economic cycles, as demonstrated by the steadily increasing revenue from our investment properties at Harbour City and Times Square over the past ten years, even during times of financial crisis. The average occupancy rates for each of FY2014, FY2015, FY2016 and 1H2017 of our retail premises at Harbour City and Times Square have been maintained at consistently high levels, which were 98%, 99%, 97% and 96%, respectively, for Harbour City, and 100%, 99%, 98% and 97%, respectively for Times Square. Revenue from Harbour City (excluding hotels) grew from HK$3.3 billion for 2007 to HK$9.0 billion for 2016, and revenue from Times Square grew from HK$1.1 billion for 2007 to HK$2.8 billion for 2016. See "Our Property Portfolio — Mixed-use integrated complexes held for investment purposes in Hong Kong" for further information.

Our flagship investment properties are complemented by our other diversified properties, comprising office and retail premises of our Central portfolio located at prime locations, Plaza Hollywood in Kowloon East and our hotel properties which diversify our sources of revenue from our investment properties portfolio. Of our revenue from investment properties in FY2016, 71.3%, 26.2% and 2.5% was attributable to our retail premises, office premises and serviced apartments, respectively.

Furthermore, the simultaneous ownership and operation of our substantial investment property portfolio enables us to benefit from economies of scale through operational efficiencies and cost savings. They also provide us useful information on a wide range of retail and office tenants, shoppers, diners, and tourists, enabling us to better understand their preferences, tastes and behaviour. These are valuable inputs in formulating our strategies.

The well-established brands of our shopping malls and our reputation as landlord of choice creates a broad, diverse and loyal tenant base

Our flagship properties, Harbour City and Times Square, have earned strong brand recognition from their market positions which enables us to optimise our tenant mix and establish a broad, diverse and loyal tenant base. We have developed long-term relationships with a significant number of tenants, including internationally renowned retail brands which in turn attract local shoppers and tourists to our premises. Our success in attracting and retaining tenants is reflected in the consistently high average occupancy rates at our retail premises at Harbour City and Times Square during the Track Record Period. In respect of our office premises, we believe that their prime locations and the cluster effect created by their significant scales also enable us to attract and retain tenants. We believe that our well-established relationships with tenants enhance the occupancy rate of our other commercial properties.

Our asset enhancement initiatives and effective and forward looking marketing initiatives underpin the performance of our flagship properties

(i) ***Asset enhancement initiatives***

We carry out our asset enhancement initiatives at our retail premises with the aim to optimise space utilisation and shopping experience, and thereby increase their marketability and financial performance. We recognise the importance of asset enhancement both to retain existing tenants and to attract new tenants. During the Track Record Period, we carried out various asset enhancements or premises improvement works, including various conversion and relocation projects to (i) optimise layout and space utilisation of our premises, (ii) update and refresh the premises to maintain the quality of our properties, (iii) cater for the latest or anticipate future market trends, and (iv) manage the shopper flow in the properties. We believe such asset enhancement initiatives improved marketability to tenants, as illustrated by the opening of the flagship store of a major international sportswear brand and a reputable high-end Chinese restaurant (in its Kowloon debut) following the asset enhancement initiatives in Gateway of Harbour City.

We actively manage our shopping mall space to cater for a diversified range of shoppers and tenants. We also strive to tap into shoppers' evolving demand by continuously optimising our tenant mix. For instance, we undertook a value-accretive revamp in Times Square a few years ago by relocating the cinema, which had been operating for close to 20 years and needed an update, to the 13th floor, vacating its original spot on the ground and 2nd floors for new luxury anchor stores, and refining the restaurant mix to house a diverse offering of restaurants. These initiatives aim to improve the overall shopping experience, expand our retail tenant mix to attract shoppers from different walks of life, strengthen Times Square's positioning as a must-visit "shoppertainment mall" on Hong Kong Island, and thereby improve its financial performance. See "Asset Enhancement" below for further information.

(ii) ***Effective and forward looking marketing initiatives***

We have a dedicated marketing team which places great emphasis on the design and launch of shopping centre-wide marketing campaigns to raise public awareness, generate additional footfall and enhance the overall shopping experience at our retail premises. We have organised numerous marketing events and programmes attracting both local and overseas visitors to our shopping centres. Our diverse marketing programmes include exhibitions by local and renowned international artists, as well as character themed events which aim to draw shoppers to our shopping malls and reinforce the brand awareness of the malls.

Our marketing events in respect of Harbour City and Times Square such as "Rubber Duck" in 2013, "The Happiness Hunt — Where's Wally" in 2015, "We're All Smurfs" in 2016 and "The Living Room Museum" in 2016 were well received by the public and well covered by the media. In recognition of our marketing initiatives, we have received numerous awards and recognitions. Apart from marketing events, we also offer shopper service and membership programmes with an aim to increasing shopper loyalty as well as attracting new shoppers. See "Sales and Marketing — Investment properties" and "Awards" below for further details.

OUR STRATEGIES

Our principal strategy is to hold and invest in premium quality commercial properties in Hong Kong and we aim to provide shareholders with stable dividends and with the potential for the sustainable long-term growth in the dividends by proactively managing our properties portfolio including any properties we may acquire in the future, while maintaining a high level of financial discipline and financial flexibility. The implementation of our strategy can be broadly categorised into our (i) asset management strategy, and (ii) capital management strategy.

Asset management strategy

We intend to continue managing actively our properties portfolio held for investment purposes through sustaining high average occupancy rates, achieving high rental reversion rates, and maintaining a high quality tenant base. These are to be achieved through firstly proactive lease management and tenant mix optimisation, secondly continual asset enhancement and value creation, and thirdly the implementation of effective and forward looking marketing initiatives.

(i) ***Proactive lease management and tenant mix optimisation***

We actively monitor and assess our tenants' business performance, product and brand competitiveness, clientele profile and marketing strategies, with an aim to maintaining an optimal tenant mix. We maintain close relationships with our tenants and commence lease renewal discussions in a timely manner so as to retain quality tenants.

As we have maintained a high average occupancy rate for our investment properties throughout the Track Record Period, we have been able to be selective of our tenants, especially in respect of our retail premises, and take into account the business performance of our tenants when we consider whether to renew their tenancies. To stay ahead of market trends, to bring positive and regular changes to shoppers and to manage specific business sector tenancy risks, we also strive to refine our retail tenant mix and introduce new, aspirational and lifestyle brands. We also review and enhance the restaurant offerings at our shopping malls to offer a diverse collection of dining options. Our management select our tenants based on the recommendations of our leasing team, taking into consideration factors such as brand image, sales performance (for existing tenants), whether the presence of the tenant will be an attribute to our property and whether it will be able to drive footfall, its shop area requirement, rental it offers, its market potential and market trends. We also seek to determine our tenant's locations in our properties based on factors such as (i) the enhanced attraction to shoppers that comes with the cluster effect of placing tenants offering similar products or services together, (ii) shopper flow management (e.g. cinemas, restaurants and banks are often placed at less convenient locations), (iii) the impact on the visual appearance and image of the shopping mall (e.g. renowned brands are generally preferred at prime locations on the low floors of Times Square and the street level of Harbour City); and (iv) brand relationship management, e.g. the tenant's own preference as to its neighboring shops.

As we have robust demand for opening or expansion from well-known retailers, we will continue to refine and seek to attract a desirable tenant mix by attracting new tenants and providing the Hong Kong and/or Kowloon debuts of international and renowned brands.

(ii) ***Continual asset enhancement and value creation***

We intend to continue enhancing our existing assets by refurbishment, repositioning and/or organic expansion as and when appropriate opportunities arise, with an aim to update and refresh the premises to maintain the quality of our properties, to cater for the latest or anticipate future market trends, and to manage the shopper flow in our properties. For instance, the four-storey extension building at Ocean Terminal with a LFA of approximately 94,000 sq.ft. with new food and retail offerings, together with a panoramic view of Victoria Harbour and the Hong Kong city skyline, which opened in October 2017, is intended to draw crowds and throw a new spotlight on Harbour City, thereby further reinforcing the position of this iconic complex and its competitive edge.

We will continue to identify and evaluate other asset enhancement opportunities that would add value to our existing assets, provide attractive yields, stable cash flows and potential for long-term capital appreciation.

(iii) ***Implementation of effective and forward looking marketing initiatives***

Leveraging on our track record of marketing excellence and innovation, we will continue to implement property-wide marketing strategies to drive continued growth. In particular, we will continue to implement marketing strategies targeting both local shoppers and overseas visitors, maintain Harbour City's position as one of the must-visit shopping destinations in Hong Kong, and promote the "The Living Room Museum" located at the Open Piazza in Times Square, with a variety of events involving local arts and culture, collaborations with international galleries and museums, popular characters and film companies.

Capital management strategy

It is our intention that our capital structure should optimise our cost of capital while maintaining financing flexibility and that we will also maintain prudent and disciplined financial management. In addition to cash generated from operating activities, we may use a combination of bank loans, bonds and other types of debt and equity instruments to fund our business in the future.

We will adopt a prudent liquidity risk management policy and seek to have undrawn committed lines of funding with staggered maturities to reduce refinancing risk and maintain flexibility in meeting our liquidity requirements in the short and longer term.

OUR PROPERTY PORTFOLIO

We own a diversified portfolio of properties in Hong Kong for investment purposes comprising retail, office, serviced apartments hotels and club. We also own a number of properties in the PRC through our listed subsidiary, HCDL. Such PRC properties are intended for sale in the next few years.

Our investment properties and development properties that were valued by the Property Valuer are set out in "Appendix III — Property Valuation". Our property interests that were not valued by the Property Valuer comprise certain units at Star House in Tsim Sha Tsui, the Pacific Club, and our interests in Shanghai South Station and Shanghai Xiyuan and had an aggregate net book value of HK$2,209 million as at 30 June 2017.

The following map shows the approximate locations of our investment properties in Hong Kong (other than the units at Star House) and The Murray.

Mixed-use integrated complexes held for investment purposes in Hong Kong

The following table shows the GFA, LFA and other information of our mixed-use integrated complexes held for investment purposes in Hong Kong as at 31 August 2017. Information in the table below (other than the independent valuation attributable to our Group) for each property is in respect of 100% of that property and not on an attributable basis.

Property	Location	Approximate GFA	Approximate LFA	Year of completion	Year of leasehold expiry	Segment classification in Accountants' Report in Appendix I	Interest attributable to our Group	Total independent valuation	Independent valuation attributable to our Group	Property number in the property valuation report in Appendix III
		(sq.ft.)	(sq.ft.)				(%)	(HK$ million)	(HK$ million)	
Harbour City .	**Tsim Sha Tsui**	**8,271,000(1)**	**6,186,000**					**172,650(1, 4)**	**170,217(1, 4)**	**1 to 10, 15, 16, 17**
Retail			1,286,000	1966-1998/99	2033-2880	Investment properties	72-100(2)			
Office			4,239,000	1970-1998/99	2863-2880	Investment properties	100			
Serviced apartments .			661,000	1998/99	2880	Investment properties	100			
Hotels and club.			—	1970-1983	2021-2880	Hotels	72-100(3)			
Times Square .	**Causeway Bay**	**1,976,000**	**1,557,000**					**54,540**	**54,540**	**11**
Retail			531,000	1993	2850/60/80	Investment properties	100			
Office			1,026,000	1993	2850/60/80	Investment properties	100			

Notes:

(1) This excludes the Pacific Club which was not valued by the Property Valuer.

(2) Other than the attributable 72% interest of our Group in the commercial section of the Marco Polo Hongkong Hotel as it is wholly-owned by HCDL, the attributable interest of our Group in the remaining portions of our retail premises at Harbour City is 100%.

(3) Other than the attributable 72% interest of our Group in the Marco Polo Hongkong Hotel as it is wholly-owned by HCDL, the attributable interests of our Group in Gateway Hotel, Prince Hotel and The Pacific Club at Harbour City are 100%.

(4) This includes the value of the hotels at Harbour City which are stated at cost less impairment losses in the Accountants' Report in Appendix I.

Reconciliation of net book value of the properties as at 30 June 2017 to their fair value as at 31 August 2017

A reconciliation of the net book value of the properties as at 30 June 2017 as set out in "*Appendix I — Accountants' Report*" to their fair value as at 31 August 2017 as stated in "*Appendix III — Property Valuation*" is set out below:

	HK$ million
Net book value as at 30 June 2017	
Hotels and club properties and leasehold land	7,429
Investment properties	245,424
Properties for sale	930
Net book value of the properties as at 30 June 2017 as set out in "Appendix I — Accountants' Report"	253,783
Attributable interests in properties owned by a joint venture and an associate	1,688
Interests in properties owned by subsidiaries excluded from valuation(1)	(741)
Attributable interest in properties owned by an associate excluded from valuation(2)	(1,468)
Net changes during the period from 30 June 2017 to 31 August 2017(3)	194
Add: Valuation surplus	10,565
Gross valuation as at 31 August 2017 as set out in "*Appendix III — Property Valuation*"(4)	264,021
Gross valuation attributable to our Group	256,482

Notes:

(1) Comprise certain units at Star House in Tsim Sha Tsui, the Pacific Club and Shanghai Xiyuan.

(2) Comprises our attributable interest in Shanghai South Station.

(3) Includes additions, disposals, depreciation and amortisation during the period from 1 July 2017 to 31 August 2017.

(4) Properties owned by a joint venture are accounted for based on our attributable interest.

The following table shows the revenue and occupancy data of Harbour City (excluding hotels) and Times Square for the periods indicated:

	FY2014	FY2015	FY2016	1H2017
Harbour City				
Revenue (HK$ million)	8,096	8,567	8,960	4,656
Average occupancy rate (retail) (%)	98	99	97	96
Average occupancy rate (office) (%)	96	98	97	97
Average occupancy rate (serviced apartments) (%)	74	71	73	76
Times Square				
Revenue (HK$ million)	2,544	2,687	2,838	1,415
Average occupancy rate (retail) (%)	100	99	98	97
Average occupancy rate (office) (%)	96	95	96	94

Revenue from Harbour City and Times Square together represented 94.5%, 93.5%, 92.4% and 92.0% of our revenue from investment properties for FY2014, FY2015, FY2016 and 1H2017, respectively.

The following table shows, based on our management records, the lease renewal retention rates of our office premises (retail lease renewal retention rates are not shown in light of the relatively higher level of lease management and tenant mix optimisation for our retail premises) at Harbour City and Times Square for the periods indicated:

	FY2014	FY2015	FY2016	1H2017
Harbour City	83%	75%	69%	70%
Times Square	75%	65%	86%	59%

Harbour City

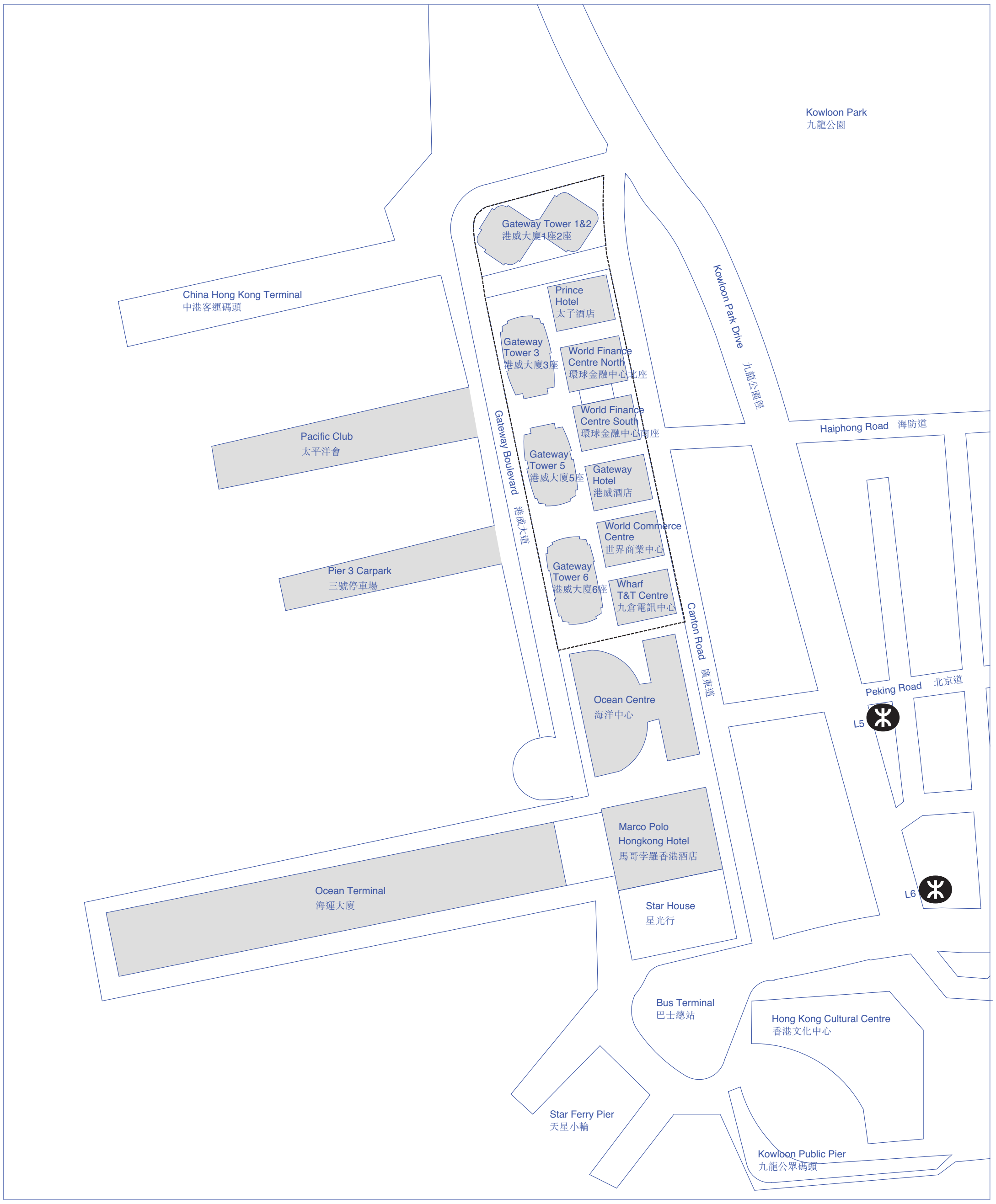
Harbour City provides a showcase for internationally renowned brands, attracting a diversified mix of tenants.

"Rubber Duck", the exhibition of an inflatable giant Rubber Duck at Ocean Terminal floating in Victoria Harbour in 2013.

Harbour City is one of our flagship properties. It is a showcase for internationally renowned brands and an iconic complex for shoppers. It anchors the "Greater Harbour City" cluster of premium commercial complexes covering high-traffic shopping, entertainment, dining and lifestyle spaces.

Located near the Tsim Sha Tsui MTR station and Star Ferry pier, it is a mixed-use integrated complex comprising various towers and premises for retail, office, restaurants, serviced apartments, hotels and a club. As at 31 August 2017, our Valuation Properties at Harbour City had a total GFA of approximately 8,271,000 sq.ft.

The map below shows the location of our premises in Harbour City.



Note: Ocean Galleries is a portion of a six-storey podium in the area marked by the dashed line.

Details of the properties in Harbour City are set out in the table below:

Property	Details
Ocean Terminal	• A three-storey shopping arcade with a car park and a berthing pier for cruise vessels • A four-storey extension building at Ocean Terminal which opened in October 2017
Ocean Centre	• The property comprises a five-storey retail portion and a 13-storey office portion with a car park
Wharf T&T Centre	• The property comprises a 13-storey office block, built over a six-storey (including basement level and sub-basement level) commercial/car park/mechanical floor podium
World Commerce Centre	• The property comprises a 13-storey office/commercial block built over a six-storey (including basement level and sub-basement level) commercial/car park/mechanical floor podium
World Finance Centre	• South and North Tower, each comprising a 13-storey office building built over a six-storey (including basement level and sub-basement level) commercial/car park/mechanical floor podium
Ocean Galleries	• A portion of a six-storey (including basement level and sub-basement level) commercial/car parking/mechanical floor podium
Gateway I	• A development consisting of two 32-storey office towers over a six-storey integrated shopping centre and a car park
Gateway II	• The property comprises three towers, namely Gateway Towers 3, 5 and 6: each of Gateway Towers 3 and 5 comprises 17 storeys of offices (known as The Gateway Prudential Tower and The Gateway Sun Life Tower, respectively) and 14 storeys of serviced apartments and Tower 6, comprising 31 storeys of offices
Commercial section of Marco Polo Hongkong Hotel	• The Marco Polo Hongkong Hotel is an 18-storey hotel/commercial/office building • The commercial section of the building comprises shop units, restaurants, office premises and a cinema

Property	Details
Marco Polo Hongkong Hotel	• Located in an 18-storey hotel/commercial/office building at Harbour City • 665 rooms with sizes ranging from 270 sq.ft. for a superior room to 1,615 sq.ft. for the Marco Polo suite • Features recreational and other facilities and amenities including a swimming pool, an in-house gym, 14 function rooms, and three restaurants and bars • The Continental Club at the Marco Polo Hongkong Hotel offers dedicated accommodation with exclusive privileges, full business facilities and round the clock butler service • In our effort to continually provide a top-quality environment for our guests at the Marco Polo Hongkong Hotel, an exterior upgrading programme was completed in July 2017
Gateway Hotel	• Located in a 21-storey hotel/commercial building at Harbour City • 400 rooms with sizes ranging from 296 sq.ft. for a superior room to 930 sq.ft. for the Gateway suite • Features recreational and other facilities and amenities including two restaurants and bars, access to the nearby Marco Polo Hongkong Hotel for the swimming pool and the Prince Hotel's gym, and four function rooms
Prince Hotel	• Located in a 21-storey hotel/commercial building at Harbour City • 394 rooms with sizes ranging from 314 sq.ft. for a superior room to 601 sq.ft. for a superior suite • Features recreational and other facilities and amenities including a restaurant and an in-house gym, and access to the nearby Marco Polo Hongkong Hotel for its swimming pool
The Pacific Club	• Located at Harbour City, The Pacific Club serves as a private venue for social and business events

Retail

As at 30 June 2017, our retail premises at Harbour City had a total of approximately 570 tenants. The five largest customers of our retail premises of Harbour City contributed an aggregate of HK$99 million in revenue, representing 19% of the revenue of our retail premises at Harbour City, for the month ended 30 June 2017, and accounted for 15% of the total LFA leased to tenants of our retail premises at Harbour City as at 30 June 2017. For this purpose and for statements in this listing document regarding our five largest customers of other premises in our investment properties, we have determined our customers on a legal entity basis and accordingly a customer may be a tenant of more than one of our premises and/or a tenant of more than one unit within any of our premises.

The table below shows, based on our management records, the retail tenant mix of Harbour City by rental for the periods indicated:

	% by rental			
	FY2014	FY2015	FY2016	1H2017
Fashion	34.4	37.8	38.8	38.4
Leather goods — shoes, bags & related trade	23.7	21.9	21.4	20.7
Jewellery, beauty and accessories	18.7	19.2	20.5	19.8
Department store and confectionery products	11.3	8.6	6.7	9.2
Restaurant, fast food, food and beverage, and entertainment	3.3	3.5	3.7	3.7
Children's wear, toy and related trades	2.8	3.0	3.1	2.9
Sports wear	1.9	2.1	2.2	2.2
Electrical and audio-visual equipment	2.2	2.2	1.9	1.8
Others	1.7	1.7	1.7	1.5
Total	100.0	100.0	100.0	100.0

Note: Differences in the tenant mix percentages between periods result from, among others, changes in the composition of the respective properties' tenants (see "Proactive lease management and tenant mix optimisation" above) and (as a result of, among others, turnover rent and changes in rental upon lease renewals) from tenants' respective contributions to our revenue. Undue reliance should not be placed on the significance of changes in the tenant mix percentages between periods.

For FY2014, FY2015, FY2016 and 1H2017, the average occupancy rate of our retail premises at Harbour City was 98%, 99%, 97% and 96%, respectively. For the same periods, the average effective monthly rent of our retail premises at Harbour City was HK$378, HK$390, HK$407 and HK$429. The weighted average lease term to expiry was approximately 2.0 years as at 30 June 2017.

For FY2014, FY2015, FY2016 and 1H2017, the aggregate sales turnover of the tenants of the retail premises at Harbour City was approximately HK$35 billion, HK$31 billion, HK$28 billion and HK$14 billion, respectively.

The following table shows the average occupancy cost ratios for the retail premises at Harbour City, based on our management records, for the periods indicated.

	FY2014	FY2015	FY2016	1H2017
Average occupancy cost ratio (%)	16	18	21	23

Rental rates for our retail premises at Harbour City are a function of the demand for and supply of those premises. Factors including but not limited to tourists' desire and willingness to travel to and stay in Hong Kong which in turn impacts the Hong Kong retail industry, changes in market rental levels, competition for tenants, lease renewal rates, and the impact of e-commerce, as well as macro-economic conditions and changes in general consumer demand or commercial market sentiment or changes in Hong Kong's or the PRC's political and economic policies and conditions, have affected and will continue to affect our business. See the section "Risk Factors" in this listing document which sets out risks and uncertainties that our business faces and in particular the sub-sections "Risks Relating to our Business", "Risks Relating to the Property and Hospitality Industry" and "Other Risks Relating to our Group".

The following table shows the breakdown of the revenue of Harbour City by nature for the periods indicated:

Revenue by nature	**FY2014**		**FY2015**		**FY2016**		**1H2016**		**1H2017**	
	HK$ million	**%**	**HK$ million**	**%**	**HK$ million**	**%**	**HK$ million (unaudited)**	**%**	**HK$ million**	**%**
Rental income.	5,171	90.3	5,388	90.6	5,607	90.3	2,812	90.5	2,952	90.6
Management fee[(1)] . . .	262	4.4	265	4.5	274	4.4	137	4.4	140	4.3
Other charges[(2)]	241	5.3	296	4.9	326	5.3	159	5.1	166	5.1
Total	5,674	100.0	5,949	100.0	6,207	100.0	3,108	100.0	3,258	100.0

Notes:

(1) Includes air-conditioning charges.

(2) Other charges mainly include carpark income, license income, advertising income and exhibition income.

Office

Our office premises at Harbour City are located in Ocean Centre, Wharf T&T Centre, World Commerce Centre, World Finance Centre, Gateway I and Gateway II and a portion of the commercial section of the Marco Polo Hongkong Hotel.

As at 30 June 2017, our office premises at Harbour City had a total of approximately 680 tenants. The five largest customers of our office premises at Harbour City contributed an aggregate of HK$48 million in revenue, representing 23% of the revenue of our office premises at Harbour City, for the month ended 30 June 2017, and accounted for 24% of the total LFA leased to tenants of our office premises at Harbour City as at 30 June 2017.

For FY2014, FY2015, FY2016 and 1H2017, the average occupancy rate of our office premises at Harbour City was 96%, 98%, 97% and 97%, respectively. For the same periods, the average effective monthly rent of our office premises at Harbour City was HK$37, HK$39, HK$41 and HK$42. The weighted average lease term to expiry was approximately 1.7 years as at 30 June 2017.

Serviced Apartments

The 25th to 38th floors and the penthouse of Gateway Towers 3 and 5 in Gateway II are serviced apartments known as Sutton Court and Hampton Court, respectively. They feature a total of 499 units with apartment types ranging from studios to three-bedroom penthouse units with sizes from 712 sq.ft. to 2,702 sq.ft. As part of our asset enhancement strategy for better operating efficiency and yield enhancement, we intend to convert Hampton Court into office premises, which is expected to complete by June 2019. In August 2017, we served a six-month notice to the tenants, and expect to obtain vacant possession of the premises by February 2018. The financial impact of the conversion of Hampton Court is expected to be immaterial to our Group, as the revenue from Hampton Court for FY2014, FY2015, FY2016, 1H2016 and 1H2017, was HK$135 million, HK$124 million, HK$156 million, HK$75 million and HK$83 million, respectively, representing 0.8%, 0.7%, 0.9%, 0.9% and 0.9%, respectively, of our total revenue for the same periods.

The following table shows the average occupancy rate and average effective monthly rent of Gateway serviced apartments for the periods indicated:

	FY2014	FY2015	FY2016	1H2017
Average occupancy rate (%)	74	71	73	76
Average effective monthly rent (HK$ per sq.ft.)	51	53	54	54

Hotels

Harbour City also includes three hotels, namely the Marco Polo Hongkong Hotel, the Gateway Hotel and the Prince Hotel, and one club, namely the Pacific Club. They are located within close proximity to a variety of means of transportation, including a main bus terminal, Star Ferry, Tsim Sha Tsui MTR station and the cruise terminal, with easy access to the area's major tourist attractions such as Kowloon Park, Hong Kong Museum of Art, Hong Kong Space Museum and Hong Kong Cultural Centre. The three hotels are managed by Wharf Hotels. See "Connected Transactions — B. Continuing Connected Transactions Subject to the Reporting and Announcement Requirements of the Listing Rules — 2. Provision of Hotel Management Services by the Remaining Wharf Group" for further information.

The following table shows the average occupancy rate and other operating data of each of the three hotels during the Track Record Period. The decrease in the average room rate during the Track Record Period was generally in line with the changes in the average room rate in the hospitality industry in Hong Kong, which decreased as a result of a decrease in the total number of visitors to Hong Kong and an increase in the total number of hotel rooms in Hong Kong during the same period, details of which are set out in “Industry Overview — Hong Kong Hospitality Market Overview”:

	FY2014	FY2015	FY2016	1H2017
Average occupancy rate (%)				
Marco Polo Hongkong Hotel	89	81	81	76
Gateway Hotel	87	86	83	87
Prince Hotel	91	87	85	87
Average room rate (HK$ per room)				
Marco Polo Hongkong Hotel	2,176	2,001	1,896	1,821
Gateway Hotel	2,051	1,844	1,847	1,807
Prince Hotel	1,899	1,687	1,686	1,655
RevPAR (HK$)				
Marco Polo Hongkong Hotel	1,929	1,627	1,540	1,386
Gateway Hotel	1,776	1,587	1,530	1,565
Prince Hotel	1,734	1,466	1,438	1,432

Star Ferry

We operate Star Ferry, which provides two inner harbour ferry services, Tsim Sha Tsui - Central and Tsim Sha Tsui - Wanchai, and a harbour tour service. The existing franchise of the two routes will expire on 31 March 2018, and, as at the Latest Practicable Date, we had already submitted an application to renew the franchise for another 15 years and were under discussions on the new franchise with the Hong Kong government.

Times Square

Another of our key flagship properties is Times Square, which is an iconic mixed-use integrated complex which is directly connected to the Causeway Bay MTR Station, comprising two office blocks of 33 and 26 storeys each over a 20-storey commercial/car parking podium. As at 31 August 2017, Times Square had a total GFA of approximately 1,976,000 sq.ft.

Retail

Our retail premises at Times Square consists of a 20-storey (including 6 levels of basement) commercial/car parking podium with shops, restaurants and a cinema.

As at 30 June 2017, our retail premises at Times Square had a total of approximately 230 tenants. The five largest customers of our retail premises at Times Square contributed an aggregate of HK$36 million in revenue, representing 21% of the total revenue of our retail premises at Times Square, for the month ended 30 June 2017, and accounted for 24% of the total LFA leased to tenants of our retail premises at Times Square as at 30 June 2017.

The table below shows, based on our management records, the retail tenant mix of Times Square by rental for the periods indicated:

	% by rental			
	FY2014	**FY2015**	**FY2016**	**1H2017**
Fashion	35.6	34.3	34.0	33.7
Jewellery, beauty, healthcare and accessories	32.0	33.2	33.7	33.6
Department stores and confectionery products	12.2	14.1	13.6	13.8
Restaurant, fast food, food and beverage and entertainment	7.4	7.3	7.4	7.3
Electrical and audio-visual equipment	6.6	5.0	5.1	5.4
Sports wear	5.0	4.6	4.2	4.1
Others	1.2	1.5	2.0	2.1
Total	100.0	100.0	100.0	100.0

Note: Differences in the tenant mix percentages between periods result from, among others, changes in the composition of the respective properties' tenants (see "Proactive lease management and tenant mix optimisation" above) and (as a result of, among others, turnover rent and changes in rental upon lease renewals) from tenants' respective contributions to our revenue. Undue reliance should not be placed on the significance of changes in the tenant mix percentages between periods.

For FY2014, FY2015, FY2016 and 1H2017, the average occupancy rate of our retail premises at Times Square was 100%, 99%, 98% and 97%, respectively. For the same periods, the average effective monthly rent of our retail premises at Times Square was HK$266, HK$285, HK$297 and HK$302. The weighted average lease term to expiry was approximately 1.4 years as at 30 June 2017.

For FY2014, FY2015, FY2016 and 1H2017, the aggregate sales turnover of the tenants of the retail premises at Times Square was approximately HK$10 billion, HK$9 billion, HK$8 billion and HK$4 billion, respectively.

The following table shows the average occupancy cost ratios for the retail premises at Times Square, based on our management records, for the periods indicated.

	FY2014	FY2015	FY2016	1H2017
Average occupancy cost ratio (%)	17	21	25	27

Rental rates for our rental premises at Times Square are a function of the demand for and supply of those premises. Factors including but not limited to tourists' desire and willingness to travel to and stay in Hong Kong which in turn impacts the Hong Kong retail industry, changes in market rental levels, competition for tenants, lease renewal rates, and the impact of e-commerce, as well as macro-economic conditions and changes in general consumer demand or commercial market sentiment or changes in Hong Kong's or the PRC's political and economic policies and conditions, have affected and will continue to affect our business. See the section "Risk Factors" in this listing document which sets out risks and uncertainties that our business faces and in particular the sub-sections "Risks Relating to our Business", "Risks Relating to the Property and Hospitality Industry" and "Other Risks Relating to our Group".

The following table shows the breakdown of the revenue of Times Square by its nature for the periods indicated:

Revenue by nature	FY2014		FY2015		FY2016		1H2016		1H2017	
	HK$ million	%	HK$ million	%	HK$ million	%	HK$ million	%	HK$ million	%
							(unaudited)			
Rental income	1,664	88.4	1,783	88.4	1,895	88.7	966	88.9	949	89.1
Management fee(1). . . .	101	5.4	105	5.2	112	5.2	56	5.1	57	5.4
Other charges(2)	118	6.2	129	6.4	130	6.1	65	6.0	59	5.5
Total	1,883	100.0	2,017	100.0	2,137	100.0	1,087	100.0	1,065	100.0

Notes:

(1) Includes air-conditioning charges.

(2) Other charges mainly include carpark income, license income, advertising income and exhibition income.

Office

As at 30 June 2017, our office premises at Times Square had a total of approximately 130 tenants. The five largest customers of our office premises at Times Square contributed an aggregate of HK$17 million in revenue, representing 28% of the revenue of our office premises at Times Square, for the month ended 30 June 2017, and accounted for 29% of the total LFA leased to tenants of our office premises at Times Square as at 30 June 2017.

For FY2014, FY2015, FY2016 and 1H2017, the average occupancy rate of our office premises at Times Square was 96%, 95%, 96% and 94%, respectively. For the same periods, the average effective monthly rent of our office premises at Times Square was HK$50, HK$51, HK$52 and HK$53. The weighted average lease term to expiry was approximately 1.8 years as at 30 June 2017.

Other properties held for investment purposes in Hong Kong

The following table shows the GFA, LFA and other information of our other principal properties held for investment purposes in Hong Kong as at 31 August 2017. Information in the table below (other than the independent valuation attributable to our Group) for each property is in respect of 100% of that property and not on an attributable basis.

Property	Location	Approximate GFA	Approximate LFA	Year of completion	Year of leasehold expiry	Segment classification in Accountants' Report in Appendix I	Interest attributable to our Group	Total independent valuation	Independent valuation attributable to our Group	Property number in the property valuation report in Appendix III
		(sq.ft.)	(sq.ft.)				(%)	(HK$ million)	(HK$ million)	
Plaza Hollywood . . .	Diamond Hill	562,000	375,000					9,550	9,550	
Retail.			375,000	1998	2047	Investment properties	100			12
Crawford House	Central	189,000	171,000					5,910	5,910	13
Retail.			66,000	1977	2842	Investment properties	100			
Office.			105,000	1977	2842	Investment properties	100			
Our premises at Wheelock House. .	Central	215,000	204,000					6,543	6,543	14
Retail.			3,000	1984	2854	Investment properties	100			
Office.			201,000	1984	2854	Investment properties	100			
The Murray	Central	336,000								
Hotel			—	Under development	2063	Hotels	72(Note)	6,710	4,831	18

Note: The Murray is owned by HCDL, which is owned as to 72% by our Company.

Plaza Hollywood

Plaza Hollywood is a leading shopping mall in Kowloon East. Located near the Diamond Hill MTR station, it comprises eight storeys which accommodate retail shops, restaurants, cinema, a car park, a public transport terminus and ancillary recreational and public facilities.

As at 31 August 2017, Plaza Hollywood had a GFA of approximately 562,000 sq.ft.. The premises included 34 restaurants, a six-screen cinema and a car park. The retail premises had approximately 210 tenants as at 30 June 2017.

The five largest customers of Plaza Hollywood contributed an aggregate of HK$9 million in revenue, representing 18% of the revenue of our retail premises at Plaza Hollywood, for the month ended 30 June 2017, and accounted for 25% of the total LFA leased to tenants of our retail premises at Plaza Hollywood as at 30 June 2017.

For FY2014, FY2015, FY2016 and 1H2017, the average occupancy rate of Plaza Hollywood was 99%, 97%, 95% and 96%, respectively. For the same periods, the average effective monthly rent of Plaza Hollywood was HK$95, HK$102, HK$106 and HK$109. The weighted average lease term to expiry was approximately 1.3 years as at 30 June 2017.

Central Portfolio

We own and operate a premium quality property portfolio in Central, the central business district in Hong Kong, comprising Crawford House and our premises at Wheelock House, which are office buildings located in prime locations in Central with retail premises, as well as the former Murray Building, which is currently undergoing conversion into a hotel, The Murray.

Crawford House

Crawford House is a 24-storey (including a basement) commercial/office building with retail premises in the basement and on the ground to 5th floors and Grade A office premises from the 6th to 23rd floors. We acquired Crawford House in August 2014. As at 31 August 2017, Crawford House had a GFA of approximately 189,000 sq.ft.

Office

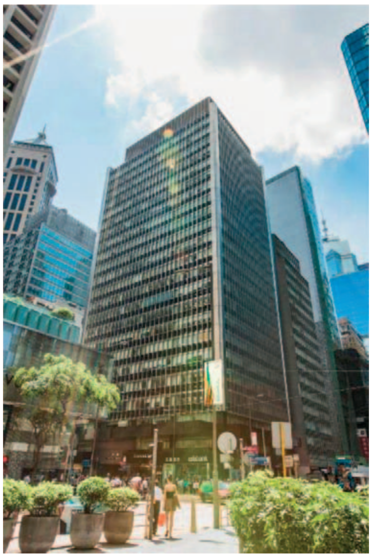
As at 30 June 2017, there were approximately 100 tenants of our office premises at Crawford House. The five largest customers of our office premises at Crawford House contributed an aggregate of HK$1 million in revenue, representing 16% of the revenue of our office premises at Crawford House, for the month ended 30 June 2017, and accounted for 16% of the total LFA leased to tenants of our office premises at Crawford House as at 30 June 2017.

For FY2014, FY2015, FY2016 and 1H2017, the average occupancy rate of our office premises at Crawford House was 97%, 97%, 97% and 99%, respectively. For the same periods, the average effective monthly rent of our office premises at Crawford House was HK$52, HK$53, HK$54 and HK$56. The weighted average lease term to expiry was approximately 1.5 years as at 30 June 2017.

Retail

Our retail premises at Crawford House consists of the basement and the ground to 5th floors. As at 30 June 2017, there were two tenants of our retail premises at Crawford House. For FY2014, FY2015, FY2016 and 1H2017, the average effective monthly rent of our retail premises at Crawford House was HK$171, HK$193, HK$202 and HK$202, respectively.

Wheelock House



Wheelock House comprises 25 storeys of commercial/office space. Our premises at Wheelock House comprise 21 consecutive floors of Grade A office premises from the 3rd to 24th floor (with the 13th floor being omitted from the floor numbering) and retail premises on the ground floor, and were acquired in March 2016. As at 31 August 2017, the GFA of our premises at Wheelock House was approximately 215,000 sq.ft.

Office

As at 30 June 2017, there were 28 tenants of our office premises at Wheelock House. The five largest customers of our office premises at Wheelock House contributed an aggregate of HK$7 million in revenue, representing 42% of the revenue of our office premises at Wheelock House, for the month ended 30 June 2017, and accounted for 40% of the total LFA leased to tenants of our office premises at Wheelock House as at 30 June 2017.

For FY2016 and 1H2017, the average occupancy rate of our office premises at Wheelock House was 100% and 100%, respectively. For the same periods, the average effective monthly rent of our office premises at Wheelock House was HK$69 and HK$71, respectively. The weighted average lease term to expiry was approximately 1.7 years as at 30 June 2017.

Retail

As at 30 June 2017, our retail premises at Wheelock House was leased to an Italian luxury menswear brand.

The Murray

Located in Central, Hong Kong, the former Murray Building was acquired by our Group in 2013 and is currently under conversion into The Murray, a hotel to be managed as a Niccolo

Hotel by Wharf Hotels. See "Connected Transactions — B. Continuing Connected Transactions subject to the Reporting and Announcement Requirements of the Listing Rules — 2. Provision of Hotel Management Services by the Remaining Wharf Group" for details. It is expected to open by the end of 2017 as a new luxury landmark hotel with a contemporary urban chic design by Sir Norman Foster. The building comprises 27 floors and the hotel will feature 336 suites and guest rooms, coupled with wellness facilities, five destination restaurants and bars including a rooftop bar with panoramic views. The hotel's terraces on its podium level will feature a garden surrounding the signature arches of the heritage building. It will also have a ballroom and seven multi-function rooms. The building was constructed in 1969 and won multiple awards for its ground-breaking and energy-efficient design.

The table below shows certain information of The Murray:

Expected conversion completion date	:	By the end of 2017
Acquisition cost	:	Approximately HK$4,400 million
Estimated conversion cost *(Note)*	:	Approximately HK$3,100 million
Carrying cost as at 30 June 2017	:	HK$6,501 million
Financing	:	Our internal resources

Note: Including estimated conversion cost of approximately HK$2,710 million and a prudent contingency in case of cost overruns.

Units at Star House

We also own for investment purposes certain units at Star House located in Tsim Sha Tsui.

Properties held for investment purposes in the PRC

Our properties held for investment purposes in the PRC are all held by HCDL and comprise (i) Suzhou IFS in Suzhou, a mixed-use integrated complex under development including a hotel, and (ii) the Marco Polo Changzhou hotel in Changzhou. In light of the rapidly changing business environment, the HCDL Group has been evaluating different business options and currently intends to divest its interests in these assets if appropriate offers with acceptable commercial terms from third parties are received.

The table below shows the GFA and other information of our properties held for investment purposes in the PRC as at 31 August 2017. Information in the table below (other than the independent valuation attributable to our Group) for each property is in respect of 100% of that property and not on an attributable basis.

Property	Location	Usage	Approximate GFA	Year of completion	Year of leasehold expiry	Segment classification in Accountants' Report in Appendix I	Interest attributable to our Group	Total independent valuation	Independent valuation attributable to our Group	Property number in the property valuation report in Appendix III
			(sq.m.)				(%)	(RMB million)	(RMB million)	
Suzhou IFS	Suzhou	Retail, office, serviced apartments and hotel	274,300	Under development	2047	Investment properties	57 [(1)]	3,370	1,921	19
Marco Polo Changzhou . .	Changzhou	Hotel and state guest house	47,200	2014	2048	Hotels	72 [(2)]	487	351	25

Notes:

(1) The attributable interest to our Group is 57%, as Suzhou IFS is held as to 80% by HCDL (which is owned as to 72% by our Company) and 20% by an independent third party.

(2) The attributable interest to our Group is 72% as Marco Polo Changzhou is wholly-owned by HCDL (which is owned as to 72% by our Company).

Suzhou IFS

Suzhou IFS is a mixed-use integrated complex under development for investment purposes, in which HCDL owns an 80% interest. Located in the new central business district in Suzhou, Suzhou IFS will be a 450-metre tower comprising Grade A offices, sky residences, serviced apartments and a premium boutique hotel, Niccolo Suzhou, with 133 rooms (which is intended to be managed by Wharf Hotels). See "Connected Transactions — B. Continuing Connected Transactions Subject to the Reporting and Announcement Requirements of the Listing Rules — 2. Provision of Hotel Management Services by the Remaining Wharf Group" for further information. The table below shows certain information of Suzhou IFS:

Expected construction completion date	:	End of 2018
Acquisition cost	:	Approximately RMB351 million
Estimated development cost....................	:	Approximately RMB5,400 million
Carrying cost as at 30 June 2017	:	Approximately RMB2,821 million
Financing of our attributable portion	:	Our internal resources

Marco Polo Changzhou

Located in the Xinbei District in Changzhou, the Marco Polo Changzhou hotel has 302 rooms, with areas ranging from 452 sq.ft. to 1,948 sq.ft. for guest rooms, and 4,446 sq.ft. for the Presidential Suite . It features recreational and other facilities and amenities including a pillar-less grand ballroom, meeting rooms, a business centre, a fitness centre, outdoor venues for weddings, four restaurants and bars. It is managed by Wharf Hotels. See "Connected Transactions — B. Continuing Connected Transactions Subject to the Reporting and Announcement Requirements of the Listing Rules — 2. Provision of Hotel Management

Services by the Remaining Wharf Group" for further information. The following table shows the average occupancy rate and other operating data of the Marco Polo Changzhou during the Track Record Period:

	FY2014	FY2015	FY2016	1H2017
Average occupancy rate (%)	16 *(Note)*	31	44	53
Average room rate (RMB per room)	512	468	427	383
RevPAR (RMB)	84	143	188	201

Note: Marco Polo Changzhou opened in August 2014.

Development Properties in the PRC

Our development properties in the PRC comprise four property development projects in Chongqing, Changzhou, Suzhou and Shanghai, the PRC, of which two are held by subsidiaries of HCDL, and the remaining two are held through joint ventures and an associate, respectively. It is intended that all completed properties in these four projects will be sold. As at 31 December 2016, 93% of the saleable GFA of these four projects had either been sold or pre-sold. We expect that (i) most of the pre-sold properties will be delivered to the purchasers by the end of 2017 and that we will not generate significant revenue from property development in the PRC following such delivery, and (ii) the Shanghai South Station project (in which HCDL has a 27% interest and through which we have a 19% attributable interest), which will contribute to our share of results after tax of our associate, will be completed in the first half of 2022. The HCDL Group has no other landbank for development and we understand from HCDL that it does not intend to replenish its landbank. We do not intend to further engage in property development in the PRC.

The following table shows certain information of our Valuation Properties which are development properties in the PRC as at 31 August 2017. Information in the table below (other than the independent valuation attributable to our Group) for each property is in respect of 100% of that property and not on an attributable basis, regardless of whether the property is held through a member of our Group or a joint venture.

	Completed development properties		Development property under development
Project	**The U World, Chongqing**	**Changzhou Times Palace**	**Suzhou Times City**
Location	Chongqing	Changzhou	Suzhou
Usage	Retail and residential	Retail and residential	Retail and residential
GFA as at 31 August 2017 *(approximate sq.m.)*	16,500	33,300	124,400

	Completed development properties		Development property under development
Project	**The U World, Chongqing**	**Changzhou Times Palace**	**Suzhou Times City**
Description	A large-scale residential development comprising medium-rise apartments, high-rise apartments, terrace houses and retail units.	Comprising residential towers, medium-rise apartments, high-rise apartments, villas and retail units.	Residential development to be erected over four parcels of contiguous land located along the main east-west thoroughfare of Xiandai Da Dao and near a future metro station.
Construction completion date / Expected construction completion date	2017	March 2018	November 2017
Interest attributable to our Group *(%)*	39[(1)]	72[(2)]	57[(3)]
Total independent valuation *(RMB million)*	726	230	2,689
Independent valuation attributable to our Group *(RMB million)* . .	283	166	1,533
Property number in the property valuation report in Appendix III	24	20, 21	22, 23

Notes:

(1) The attributable interest to our Group is 39% as The U World, Chongqing is held as to 55% by HCDL (which is held as to 72% by our Company) and 45% by an independent third party.

(2) The attributable interest to our Group is 72% as Changzhou Times Palace is wholly-owned by HCDL (which is held as to 72% by our Company).

(3) The attributable interest to our Group is 57% as Suzhou Times City is held as to 80% by HCDL (which is held as to 72% by our Company) and 20% by an independent third party.

The acquisition cost of Suzhou Times City was RMB2,722 million. The total estimated development cost is RMB4,600 million and the estimated remaining development cost expected to be incurred is RMB300 million, of which our attributable portion has been or will be financed by our internal resources.

We also hold a non-controlling interest in Shanghai South Station, a commercial development in Xuhui District, Shanghai, through an associate. The property is located next to Shanghai South Railway Station and had a total GFA of approximately 634,500 sq.m. as at 31 August 2017. Construction is expected to be completed in the first half of 2022. The attributable interest to our Group is 19%, as the project is held as to 27% by HCDL and collectively 73% by independent third parties.

PROPERTY LEASING AND MANAGEMENT

We provide property leasing and management services for all of our properties, other than (i) Crawford House and our premises at Wheelock House for which we engage the Ex-Wharf-REIC Wheelock Group to provide property management and (ii) our hotels, which are managed by Wharf Hotels. Leasing is conducted either directly by our property leasing team or through the appointment of agents. Our principal customers are tenants of our investment properties. See "Customers" below for details of our leasing arrangements with our customers.

Lease Renewal Policy

Our property management system keeps track of the expiry dates of the leases of our investment properties, and we take a proactive approach in discussing lease renewals with our preferred tenants, based on the tenant's track record, and (i) for retail tenants: their retail performance and whether they conform with the prevailing market trend and our planned trade mix in the relevant property, and (ii) for office tenants: their corporate image. The typical lease term is two to three years, but in exceptional cases such as major flagship stores or large restaurants which commit to make substantial capital expenditure investment, we may consider offering a longer lease term. Other factors which we take into consideration in determining lease terms include the size and location of the premises, and whether any relocation or renovation of premises would be required.

Property Management

Our property management team is committed to providing professional and quality services to tenants and visitors of our properties. While our on-site staff members routinely inspect the structures and conditions of the properties to ensure cleanliness, safety and security, they also actively solicit feedback from tenants and visitors with a view to continuously improving our services and standards. Routine maintenance for all facilities is carried out by our staff as well as outsourced contractors to ensure smooth operations.

Property Maintenance, Refurbishment and Renovation

We continuously carry out property maintenance and refurbishment at our investment properties as part of our property management process. Maintenance of facilities such as elevators, escalators and fire and safety equipment are conducted regularly, and in compliance with the relevant regulatory requirements where applicable. We frequently conduct reviews to identify any need for refurbishment and renovation for our investment properties based on the wear and tear of the premises, and as part of our asset enhancement, as described below. Refurbishment and renovation works are arranged and conducted in a manner so as to minimise any disruption to our tenants and our retail or office operations as a whole.

ASSET ENHANCEMENT

We constantly carry out asset enhancements or premises improvement works to improve the performance and appeal of our properties. We actively manage our mall space to cater for a diversified range of shoppers and tenants. We also strive to tap into shoppers' evolving demand by continuously optimising our tenant mix. During the Track Record Period we carried out various asset enhancements or premises improvement works, including various conversion and relocation projects to (i) optimise layout and space utilisation of our premises, (ii) update and refresh the premises to maintain the quality of our properties, (iii) cater for the latest or anticipate future market trends, and (iv) manage the shopper flow in the properties. We believe such asset enhancement initiatives improved the marketability of the properties to tenants.

For instance, we undertook a value-accretive revamp in Times Square prior to the Track Record Period by relocating the cinema, which had been operating on its site for close to 20 years and needed an update, to the 13th floor, vacating its original location on the ground and second floors for new luxury anchor stores, and refining the restaurant mix to house a diverse offering of restaurants. As part of the revamp plan, we also upgraded the elevators to cater for the cinema and to enhance the access of shoppers to the upper restaurant floors and consequently improve the attractiveness of the restaurants and in turn attract more diners. These initiatives aim to improve the overall shopping experience, expand our retail tenant mix to attract shoppers from different walks of life, and strengthen Times Square's positioning as a must-visit "shoppertainment mall" on Hong Kong Island.

Another example is that we have upgraded Plaza Hollywood as a "one-stop destination for shopping, dining and entertainment" in Kowloon East. We added more popular medium-priced brands and refined our food and beverage offering with crowd-drawing and revenue-driving capabilities, improved the layout through a realignment of the shopfronts facing the atrium, and reconfigured ex-restaurant space to house a large supermarket and converted the previous food court to house three popular restaurants. The aim of the revamp was to transform Plaza Hollywood into a regional mall instead of a local neighbourhood mall. We have identified and added tenants which contribute to the overall visitor experience, including entertainment and renowned restaurants. We strategically placed our tenants to manage traffic flows and optimise usage of floor space.

The following table shows our capital expenditure on our investment properties for the Track Record Period:

Capital expenditure (HK$ million)	FY2014	FY2015	FY2016	1H2017
Investment properties in Hong Kong				
Harbour City	569	559	784	221
Times Square	55	103	38	36
Plaza Hollywood	22	43	18	2
Others	5	7	—	—
Sub-total	651	712	840	259
Acquisitions	5,791	—	6,307	—
Other property (Suzhou IFS)	588	696	623	231
Total	7,030	1,408	7,770	490

Subsequent to the Track Record Period, we have opened a four-storey extension building at Ocean Terminal with a LFA of approximately 94,000 sq.ft.. The extension building at Ocean Terminal was planned and constructed subsequent and pursuant to the grant of government lease for Ocean Terminal in 2012.

When we decide to carry our asset enhancement works, we also often aim to manage the shopper flow in the properties. For example, the relocation of the cinema in Times Square and the associated upgrade of the elevators to cater for it to bring more shoppers to the upper restaurant floors of the shopping mall, and the extension building at Ocean Terminal, with dining options with view of the Victoria Harbour and areas for outdoor events, is seeking to bring more shoppers to the farthest end of Ocean Terminal.

Our asset enhancements or premises improvement works generally do not require material capital expenditure and do not have a material adverse financial impact on our Group. Conversely, the benefits they bring are not capable of being quantified. Rather, managing our shopping mall space and optimising our tenant mix are an integral part of our continuous and active lease management and the essence of what our business is. Refurbishment, renovation and reconfiguring of retail space are generally arranged in the normal course of our investment properties operations and conducted in a manner so as to minimise any disruption to our tenants, and to take place upon a tenant's departure and before the occupation of the premises by the incoming tenant.

SUPPLIERS

During the Track Record Period, our major suppliers consisted mainly of construction companies which provide construction services for our properties under development, and providers of cleaning, security and other maintenance services in Hong Kong and the PRC.

We typically contract out construction and construction-related work to construction companies which are independent third parties through selective tendering. We maintain a list of qualified contractors for different types of work. We select our contractors by taking into account various factors including their qualifications and experience, price quotations, reputation for reliability and quality and safety.

The quality and timeliness of the construction is warranted by contract. Generally, the contractors are responsible for, among others, (i) procurement of raw materials; (ii) any quality issues in relation to construction and construction-related work; and (iii) remedying defects during the defects liability period. Cost control and construction progress are monitored during the construction period with close on-site supervision and quality control procedures. Details on the quality control measures adopted are further set out in "Quality Control" below.

For FY2014, FY2015, FY2016 and 1H2017, purchases from our five largest suppliers accounted for approximately 18%, 13%, 11% and 17% of our total purchases, respectively. For the same periods, purchases from our largest supplier accounted for approximately 8%, 4%, 4% and 4% of our total purchases, respectively. As at the Latest Practicable Date, all but one of our five largest suppliers during the Track Record Period have been suppliers to us for more than five years.

After completion of the construction of our development properties, our major suppliers will be the suppliers for our properties held for investment purposes, including cleaning companies and security service providers.

During the Track Record Period, our five largest suppliers granted us credit terms of up to 60 days or allowed for payment by instalment as stipulated in the relevant contracts, and we settled our payment mainly by bank transfer.

Our five largest suppliers are independent third parties and, to the best knowledge and belief of our Directors, none of our Directors or their close associates or any Shareholders (which to the knowledge of our Directors own more than 5% of our Shares) had any interest in any of our five largest suppliers during the Track Record Period.

During the Track Record Period, we had not experienced any difficulties in sourcing our purchases or any significant defaults or delay in delivery of our purchases by our suppliers which caused material disruption to our business.

QUALITY CONTROL AND PROJECT MANAGEMENT

Investment Properties

See "Property Leasing and Management" and "Asset Enhancement" above for details of quality control measures in relation to our investment properties.

Hotels

Each of our hotels is regularly monitored by its general manager. In addition, our internal audit team as well as Wharf Hotels pay periodic visits to each of the hotels to audit the various operating procedures as well as to review the condition of the properties. Our three hotels in Hong Kong and one in the PRC are, and it is expected that Niccolo Suzhou in Suzhou IFS and The Murray will be, managed by Wharf Hotels, which provides services related to the management, marketing and technical services and/or any other services relating to the development and/or operation of hotels and/or serviced apartment property(ies) to us. See "Connected Transactions — B. Continuing Connected Transactions Subject to the Reporting and Announcement Requirements of the Listing Rules — 2. Provision of Hotel Management Services by the Remaining Wharf Group" for further information.

Development Properties

In view of Wharf Group's expertise in quality control and project management of development properties, we engaged Wharf China Development Limited, a wholly-owned subsidiary of Wharf, to provide quality control and project management services to our property development projects during the Track Record Period. It is expected that Wharf China Development Limited will continue to provide such quality control and project management services to us following Listing, which will constitute a continuing connected transaction under the Listing Rules. Further details in relation to the relevant quality control and project management services agreement are set out in "Connected Transactions — B. Continuing Connected Transactions subject to the Reporting and Announcement Requirements of the Listing Rules — 1. Provision of Property Services by the Ex-Wharf-REIC Wheelock Group".

SALES AND MARKETING

Investment Properties

Our marketing team is responsible for formulating the marketing strategies for our investment properties, design and implementation of the marketing campaigns and publicity of promotional events by use of various communication tools such as websites, social media, television and publications. It also closely monitors market conditions and identifies new potential marketing opportunities to bring attention to our investment properties.

The table below shows in generic terms the market positioning and our tenants' target shopper groups for Harbour City and Times Square.

Harbour City

Market positioning:	• iconic property with substantial scale in Tsim Sha Tsui, one of the most popular shopping destinations in Hong Kong • premier destination for shoppers	
Marketing initiatives implemented to achieve such positioning:	• showcasing internationally renowned brands, attracting a diversified mix of tenants • diverse culinary offerings	
Target shopper groups:	• local shoppers and tourists • customers of well-known brands and retailers across a wide variety of industries and trades	
Strategies to attract shoppers during Track Record Period:	• continuous optimisation of tenant mix to attract shoppers • "Shoppertainment" experience enhancement, e.g., Hong Kong debut of high-end French restaurant in 2014, opening of well-known international sportswear brand flagship and Kowloon debut of a high-end Chinese restaurant in 2016, and Hong Kong debut of a popular cheesecake shop in 2017 • glamorous events and exhibitions to attract foot traffic. See table below for examples of our notable promotional events • special decorations for festivals such as Christmas and Chinese New Year	
Areas or sub-sections with themes:	**Areas or sub-sections**	**Themes**
	• Kids Zone on G/F Ocean Terminal	• kids and maternity • toys
	• Sports Zone on 2/F Ocean Terminal	• sports
	• Premises along Canton Road	• international luxury / high-end brands
	• 3/F Ocean Centre	• electronics and audio-visual products
	• 2/F Gateway I	• trendy fashion
	• 2/F Ocean Terminal	• beauty and personal care

Times Square

Market positioning:	• iconic property with substantial scale in Causeway Bay, one of the most popular shopping destinations in Hong Kong • premier destination for shoppers	
Marketing initiatives implemented to achieve such positioning:	• showcases internationally renowned brands, attracting a diversified mix of tenants • diverse culinary offerings	
Target shopper groups:	• local shoppers and tourists • customers of well-known brands and retailers across a wide variety of industries and trades	
Strategies to attract shoppers during Track Record Period:	• continuous optimisation of tenant mix to attract shoppers • "Shoppertainment" experience enhancement, e.g., Hong Kong debut of a French luxury bakery, tea and sweets shop in 2014, and Hong Kong debut of a South Korean beauty and cosmetics brand in 2016 • glamorous events and exhibitions to attract foot traffic. See table below for examples of our notable promotional events • special decorations for festivals such as Christmas and Chinese New Year	
Areas or sub-sections with themes:	**Areas or sub-sections**	**Themes**
	• Food Forum on upper floors of the retail portion	• restaurants, including regional Chinese specialties, various Asian delicacies, and numerous western cuisine
	• Lower floors	• international luxury / high-end brands
	• 8/F	• audio-visual products, watch and jewellery
	• 7/F	• sportswear
	• B2	• cosmetics

The following are a selection of notable events held at Harbour City and Times Square in recent years:

	Year	Event
Harbour City	2013	"Rubber Duck", the exhibition of an inflatable 16.5-metre-tall giant Rubber Duck at Ocean Terminal floating in Victoria Harbour which became a talk-of-the-town event, attracted heavy foot traffic from the local population and tourists and created international media coverage
	2014	"Dare to Dream" Snoopy Art & Life Exhibition, where various Snoopy art pieces made with Japan's traditional crafts were displayed

	Year	Event
	2015	"The Happiness Hunt — Where's Wally?", where the precious original artwork of Martin Handford was exhibited in Asia for the first time and which successfully attracted crowds and media attention
	2016	"We're All Smurfs", a debut exhibition featuring 36 precious original works of the Belgian cartoonist Peyo
	2016	"Style Up BE@RBRICK", a fashion-art group exhibition
	2017	Bubble Up @ Harbour City, where Japanese artist Mr. Shinji Ohmaki held his first solo art exhibition in Hong Kong with "Millions of Bubbles", tailor-designed Bubble Pyramid at the centre of the forecourt, with bubble machines installed to produce millions of bubbles with Victoria Harbour as the backdrop
Times Square	2014	Gaudi Exhibition, which showcased 14 models of work designed by Spanish Catalan architect Antoni Gaudí, including Gaudí's best known unfinished masterpiece Sagrada Família cathedral in Barcelona
	2015	GUNDAM docks at Hong Kong II, where a 1:3 scale Unicorn Gundam, made with a mechanical steel body frame and a fiber glass surface, was displayed
	2016	"The Living Room Museum", established at the Open Piazza which became the centre stage of exhibitions including popular manga "Saint Seiya"'s 30th anniversary exhibition
	2017	Picasso and Jacqueline Exhibition, an exhibition showing pieces of artwork that Picasso dedicated to his last wife, Jacqueline, which were exhibited outside Spain for the first time

We offer quality shopper services such as the i-Concierge Kiosk at Harbour City, which is a digital personalised shopper service kiosk with a simple one-touch and user-friendly interface, live agent support and real-time directory service, allowing shoppers to communicate face-to-face with a live video agent.

With an aim to increase shopper loyalty, encourage shoppers' spending as well as attract new shoppers, we offer membership programmes such as the Harbour City VIC Club and Times Square VIC Club. Members of these programmes can enjoy a variety of loyalty benefits and privileges such as birthday offers, discounted purchases at certain stores and are incentivised to spend more with points redemption. We also incentivise shoppers to spend more with the numerous collaborations lined up by Harbour City and Times Square with major credit cards and debit cards.

Hotels

Our major sales distribution channels for our hotels include travel agents, online booking agents and cooperation with corporate customers. Room rates are reviewed and adjusted periodically, taking into account factors such as seasonality of the hospitality industry, price of our competitors and prevailing market conditions.

Development Properties

In view of the Wharf Group's expertise in sales and marketing of properties, during the Track Record Period, we engaged Wharf China Development Limited, a wholly-owned subsidiary of Wharf, to provide sales and marketing services. It is expected that Wharf China Development Limited will continue to provide such sales and marketing services to us following Listing, which will constitute a continuing connected transaction under the Listing Rules. Further details in relation to the relevant sales and marketing agreement are set out in "Connected Transactions — B. Continuing Connected Transactions Subject to the Reporting and Announcement Requirements of the Listing Rules — 1. Provision of Property Services by the Ex-Wharf-REIC Wheelock Group". During the Track Record Period, we also engaged external marketing companies for the marketing services of our properties.

CUSTOMERS

Our main revenue is rental income from our investment properties. We have a wide and diverse tenant base (more than 1,900 tenants as at 30 June 2017), and enjoy well-established and long-term relationships with our tenants.

Our five largest customers during the Track Record Period comprised major reputable retail brands. For FY2014, FY2015, FY2016 and 1H2017, revenue from our five largest customers in aggregate accounted for approximately 9%, 9%, 10% and 9% of our total revenue, respectively. For the same periods, revenue from our largest customer accounted for approximately 3%, 3%, 3% and 2% of our total revenue, respectively.

Lease terms for our principal investment properties range from two to twelve years and generally range from two to four years for retail tenants and three to six years for office tenants. Rental rates under our leases generally do not increase each year, but after the expiry of each term. Retail leases are usually subject to pre-agreed base rent or turnover rent at pre-agreed rates whichever is higher. Prior to expiry of the tenancies, the rental rates for such properties are typically locked in at a level which may deviate from the prevailing market rate for similar properties.

We generally require our tenants to pay their monthly rental in advance. For our hotel customers, we do not provide any credit term except that we may provide corporate customers and travel agents with credit terms of up to 30 days.

Our five largest customers are independent third parties and, to the best knowledge and belief of our Directors, none of our Directors or their close associates or any Shareholders (which to the knowledge of our Directors own more than 5% of our Shares) had any interest in any of our five largest customers during the Track Record Period. One of our five largest customers was a connected person of Wharf for a substantial part of the Track Record Period. The lease transactions we entered into with that customer, before it ceased to be a connected person of Wharf, were governed by a framework agreement. The then independent non-executive directors of Wharf confirmed that such transactions were (i) entered into in the normal and usual course of business, (ii) on normal commercial terms or better, and (iii) on terms that are fair and reasonable and in the interests of the Wharf Shareholders as a whole. That customer will not be a connected person of our Company upon Listing.

MARKET AND COMPETITION

Hong Kong

The property investment market in Hong Kong is highly competitive. We compete with other investment property owners and operators to attract and retain tenants. We compete for retail tenants primarily based on the leading market positions of our flagship properties, Harbour City and Times Square, which possess substantial scale, occupy strategic locations in Hong Kong and are well-established brands, as well as our effective and forward looking marketing initiatives which attract shoppers. For office premises, we compete primarily based on the quality and location of our properties and our reputation as a property owner. In the hotels and serviced apartments market, we compete primarily based on the location, reputation, brand recognition, room rates and range of services and facilities offered by our hotels and serviced apartments. Despite the competitive environment, we have been able to maintain high average occupancy rates for our investment properties.

We believe the increasing popularity of e-commerce retail channels will not have a material adverse effect on our business in the foreseeable future, as our flagship properties, Harbour City and Times Square, occupy commercially strategic locations and leading market positions among commercial properties in Hong Kong, and offer a wide range of shopping, dining and entertainment experience to local shoppers and tourists. We believe that our effective and forward looking marketing initiatives will continue to enable us to maintain the relevance of the physical stores at our retail premises. Further, we believe that international brands often open flagship stores at Harbour City and Times Square as showcases for the brands and not just for the purpose of generating immediate sales at the premises. Our dedicated marketing team places great emphasis on the design and launch of shopping centre-wide marketing campaigns. Our diverse marketing programmes include exhibitions by local and renowned international artists, as well as character themed events which aim to draw shoppers to our shopping malls and reinforce the brand awareness of the malls. We will continue to implement marketing strategies targeting both local shoppers and overseas visitors. See "Business — Sales and Marketing — Investment Properties" for further information.

The PRC

Our existing and potential competitors in the PRC are other major developers in the PRC. We focus on high-rise mixed-use developments in the PRC. Principal competitive factors include the experience and capabilities of the management team, the quality and location of the properties and market reputation. Our hotels in the PRC face competition from other hotel operators with hotels located in the vicinity, particularly those that offer rooms and banqueting and meeting facilities of a similar quality at similar prices. Our hotels in the PRC compete primarily based on the location, reputation, brand recognition, room rates and range of services and facilities offered by our hotels.

For more information on the competitive landscape of our various business segments, see "Industry Overview".

AWARDS

We have received numerous honours and awards for our properties and marketing events. The table below sets out the key awards we have received in the Track Record Period and up to the Latest Practicable Date:

Award	Year	Issuing Entity
Harbour City		
German Design Award Special 2017 — "Double Happiness" - "Excellent Communications Design - Event"	2017	The German Design Council
ICSC Asia Pacific Shopping Center Awards 2016 — "Swimming by the Harbour" - Gold Award (Public Relations and Events) — "Where's Wally?" - Gold Award (Sales Promotion/Traffic Activation)	2016	The International Council of Shopping Centers
Marketing Events Awards 2016 — Best PR Strategy Gold Award	2016	Marketing Magazine
ICSC China Shopping Center Awards 2015 — "Gold Award - Marketing"	2015	The International Council of Shopping Centers
The Golden Globe Tigers Awards 2015 — Marketing Campaign of the Year — Best Use of Social Media in Marketing	2015	CMO Council
Times Square		
Marketing Events Awards 2016 — "Times Square Music Room" - Gold Award (Best Use of Venue) — "The Living Room Museum" - Gold Award (Best Exhibition Event)	2016	Marketing Magazine
The Golden Globe Tigers Awards 2016 — "The Living Room Museum" - Shopping Center of the Year Award	2016	CMO Council

Award	Year	Issuing Entity
Plaza Hollywood		
Shopping Mall Awards 2016-2017 — "Top 25 My Favourite Shopping Malls Events"	2016-2017	Hong Kong Economic Times
U Travel Awards 2016 — Grand Award (My Favourite Integrated Travel Information Centre)	2016	U Lifestyle
Smart Parents' Choice - Brand Awards 2016 — Grand Award	2016	Smart Parents Magazine
Gateway Apartments		
Best of the Best Awards 2016 — The Best Serviced Apartment Award — The Best Eco-Friendly Serviced Apartment Award	2016	Squarefoot
Best Service Award 2016 (Serviced Apartment category)	2016	Capital Weekly
MobileWebAwards 2016 — Best Real Estate Mobile Website	2016	Web Marketing Association
Marco Polo Hongkong Hotel		
2017 Hong Kong Management Association's Quality Award — Merit Award	2017	Hong Kong Management Association
Marketing Events Awards — Marco Polo German Bierfest: Gold Award for 'Best Outdoor Events: Arts, Leisure and Entertainment'	2017	Marketing Magazine
Best Business Hotel Award	2016	Ctrip.com
Gateway Hotel		
— TripAdvisor — 2017 Certificate of Excellence	2017	TripAdvisor
— Best Popular Hotel Award	2016	Ctrip.com
— Luxury Hotel of Hong Kong	2016	Luxury Lifestyle Awards
Prince Hotel		
— TripAdvisor — 2017 Certificate of Excellence	2017	TripAdvisor
— Best Family-friendly Hotel Award	2016	Ctrip.com
— Talk's Top Leisure Hotel, Hong Kong	2016	Talk Magazine (Shanghai)
Marco Polo Changzhou		
China Travel Awards — Best Family Hotel	2016	Travel+ Magazine
China Travel Awards — Reader-Selected Hotel	2016	Travel+Leisure Magazine
City Traveler Best Hotel Awards — Best MICE Hotel Award	2016	City Traveler Magazine

CORPORATE SOCIAL RESPONSIBILITY

We are committed to a high standard of corporate social responsibility and aim to achieve excellent corporate governance, maximise economic and social value to the community, as well as reduce our impact on the environment.

We have participated in The Hong Kong Council of Social Service's Caring Company Scheme and were awarded the "Five Year Plus Caring Company Logo". We were also engaged in initiatives helping children with special needs and youth from underprivileged backgrounds by collaborating with charities including Children's Cancer Foundation, Heep Hong Society and Project *WeCan* partner schools. In particular, Project *WeCan* is a school improvement project launched by Wharf in 2011 that aims at empowering local secondary school students with disadvantaged backgrounds through learning opportunities.

EMPLOYEES

As at the Latest Practicable Date, we had a total of 2,660 full-time employees in Hong Kong and the PRC. A breakdown of our employees as at the Latest Practicable Date is set forth below:

Function	Number of employees
Hong Kong	
Investment properties	
- Accounting	46
- Personnel and administration	39
- Leasing	43
- Marketing and promotions	43
- Operations and tenant services	437
- Estate project management	68
- Serviced apartment	136
- Others	41
Hotels and club	1,183
Star Ferry	265
Sub-total:	2,300
The PRC	
Investment properties	39
Development properties	60
Hotels	261
Sub-total:	360
Total:	**2,660**

We offer competitive remuneration packages and medical insurance to our employees. Employees are remunerated according to their job responsibilities and market pay trends with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to our achievement and results.

We strive to provide a harmonious and supportive work environment to our employees. The recruitment process of our employees is based on principles of fairness and equality. We have established policies to ensure that all candidates are offered equal opportunities, regardless of their gender, race, age or any other demographic characteristics. Such antidiscrimination practices are also extended to the day-to-day workplace conduct to nurture a culture of inclusiveness and harmony.

In addition, we place great emphasis on the training and development of our employees. We provide our employees with appropriate job-related training and offer personal development training to our staff in managerial/supervisory roles to enhance their management and leadership abilities. We also offer sponsorships to eligible employees to participate in external professional or job-related seminars.

ENVIRONMENTAL MATTERS

We are committed to sustainable development and adhere to high environmental standards in our properties and hotel operations. Throughout the years, we have implemented various initiatives focusing on sustainable use of resources, carbon reduction and environmental protection.

We comply with relevant laws and regulations related to energy management such as the Building Energy Code and Building Energy Efficiency Ordinance (Chapter 610 of the Laws of Hong Kong) in Hong Kong. We continue to identify opportunities to better manage energy consumption by upgrading facilities and equipment, retrofitting operational practice and encouraging behavioral change of our employees and customers.

We continued to upgrade lighting systems across all premises. More than 1,400 lights were replaced with LED lights during 2016, which are expected to save over 315,970 kilowatt hour per year. Replacement of chillers and components of the ventilation and air-conditioning system with more energy efficient models have saved over 2,900,000 kilowatt hours in 2016. We continue to leverage renewable energy to support our operations. Solar photovoltaic panels on rooftop of Gateway Towers 1, 2 & 6 of Harbour City provide renewable energy to power staircase lighting and ventilation systems of our office buildings within these properties, while a solar water heating system is available on the rooftop of Gateway Apartments to provide hot water generated by clean energy throughout operations. Guidelines and tips are provided to our tenants to encourage environmentally friendly practice during renovation or fit out work.

The majority of our water is for use in our shopping malls, offices, hotels and serviced apartments, and usage is largely dependent on the behaviours of our tenants, shoppers and guests. Continuous efforts have been made to enhance efficient use of water and advocate for responsible consumption habits. We have obtained licenses for water and sewage discharge to comply with relevant laws and regulations such as the Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong).

Recently, we implemented various measures to achieve water efficiency in 2016. For example, ongoing replacement work of automatic taps, automatic flush water basins and urinals was in progress, while retrofitting works were conducted during the year to recycle bleed-off water from fresh water cooling towers for flushing. Across our premises and offices, where appropriate, water limiters and other water saving devices were installed to monitor and reduce overall water consumption.

We understand the materials procured and the waste generated by our operations may pose a significant impact on the environment. Green procurement policies and guidelines are put in place to give preference to more environmentally friendly products and services. We have also formed a long-term partnership with several environmental non-governmental organisations to recycle our waste for alternative uses.

We signed the "Stop/Reduce Using Plastic Umbrella Bags" Charter from Greeners Action, and place umbrella dryers in our shopping malls to encourage plastic free habits for our shoppers. Also, we encourage our tenants to donate unwanted furniture and electronic appliances to partner schools under Wharf's Project *WeCan* programme or people in need, which helps to reduce waste sent to landfills.

The Pacific Club has partnered with the Hong Kong Environmental Protection Association since 2014 to recycle Christmas and Peach Blossom Trees. Also, glass bottles in the food and beverage outlets are recycled and sent to Hong Chi Association to make eco-bricks.

Being a developer of properties in the PRC, we are subject to various environmental laws and regulations in the PRC, as set out in "Appendix IV — Regulatory Overview — C. Regulatory Overview of the PRC Property Industry — (e) Regulations on Environment Protection". During the Track Record Period, we did not experience any material environmental pollution incidents in the PRC.

During the Track Record Period, the total costs of compliance with applicable environmental laws and regulations incurred by us were immaterial to our Group. The annual costs of compliance going forward are expected to be similar. During the Track Record Period, none of our properties received any material fines or penalties associated with the breach of any environmental laws or regulations.

HEALTH AND SAFETY

We are subject to the health and safety requirements in Hong Kong and the PRC. We have internal policies and systems in place designed with a view to implementing and ensuring compliance with such requirements. We believe that we were in material compliance with such requirements during the Track Record Period up to the Latest Practicable Date.

Our liability to our employees is covered by insurance, which we are required by law in Hong Kong and the PRC to have. We do not have an insurable interest in relation to the employees of our contractors. Our contractors are required by applicable laws in Hong Kong and the PRC to have insurance which covers their liabilities to their employees.

In order to provide a safe working environment and protect our employees from occupational hazards, we have also implemented sound workplace measures to ensure all risk-bearing activities are monitored and supervised, and newly joined employees receive comprehensive orientation on the work safety procedures.

We also closely monitor any report of occupational incidents. During the Track Record Period, we were not involved in accidents that resulted in material injuries or fatality in the course of our operations, and no material prosecution has been laid against us by any relevant authorities in respect of violation of applicable laws on health and safety. During the Track Record Period, we did not receive any material claims for personal injuries by our employees under the employees' compensation insurance policies.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we had registered 15 trademarks and 8 domain names and had obtained license from the Wharf Group for the use of 16 trademarks, which are material to our business. For further details of intellectual property rights, see "Appendix VII — General Information — Further Information About Our Business — 8. Material Intellectual Property Rights".

We have entered into the trademark agreements with members of the Remaining Wharf Group and the Ex-Wharf Wheelock Group, pursuant to which they have granted to our Group a non-exclusive right to use the Wheelock and Wharf related trademarks and certain other trademarks for a nominal consideration (amounting to HK$1 per agreement). Further information on the trademark agreements are set out in "Connected Transactions".

As at the Latest Practicable Date, we were not engaged in any material dispute, litigation or legal proceedings relating to the violation of intellectual property rights.

INSURANCE

Our properties in Hong Kong are in general insured to standards in line with industry practice in Hong Kong. In addition to statutorily required insurances, we purchase other insurances, where considered necessary, to cover the major risks identified by us. The principal insurances in place for completed properties are property damage insurance, employees' compensation insurance and public liability insurance.

There are no national mandatory provisions under the relevant PRC laws and regulations requiring property developers to maintain insurance coverage with respect to their property development operations in the PRC. We maintain insurance policies including property all risks insurance, employer's liability insurance, accidents and public liability insurance.

During the Track Record Period, there were no significant or unusual excess or deductible amounts under these policies and our Directors are of the view that the insurance coverage under these policies is adequate and customary for our industry.

However, circumstances may develop in the future that render our present insurance policies inadequate. See "Risk Factors — Risk Relating to our Business — We may suffer losses arising from uninsured risks" for further details.

HEDGING ACTIVITIES

During the Track Record Period, certain portions of our Group's bank deposits and cash, equity investments, bank loans and inter-company balances were denominated in USD, RMB, JPY, SGD and AUD (as the case may be), while our revenue and direct costs and operating expenses were mainly denominated in HKD and RMB. In order to reduce our foreign exchange risk exposure, during the Track Record Period, we had derivative financial instruments substantially all of which were forward foreign exchange contracts. See "Financial Information — Description of Certain Items of Combined Statements of Financial Position — Derivative financial instruments" for details.

Our foreign exchange hedging activities were managed and monitored by a finance committee (the "**Finance Committee**"), the members of which included Mr. Ng Tin Hoi Stephen, our Chairman, Executive Director and Managing Director, Mr. Leung Kai Hang, our Executive Director, and Mr. Hui Chung Ying Kevin, our company secretary. During the Track Record Period, the Finance Committee assessed our hedging needs, taking into account factors such as foreign exchange rate movements, the estimated amount of bank deposits and cash, equity investments, bank loans and inter-company balances in USD, RMB, JPY, SGD and AUD (as the case may be), the then prevailing foreign exchange market condition and the recommendations from banks. The Finance Committee would obtain relevant market information, analyse the pros and cons of various types of the derivative instruments and determine the derivative instruments into which our Group could enter.

Our Directors confirm that the foreign exchange derivative financial instruments used by us during the Track Record Period were entered into for hedging purposes and not for speculation. We have ceased to enter into any new derivative financial instruments since December 2015 and we currently do not intend to enter into any further transactions involving derivative financial instruments.

LEGAL AND REGULATORY PROCEEDINGS AND COMPLIANCE MATTERS

Legal compliance

During the Track Record Period and up to the Latest Practicable Date, we complied with the relevant laws and regulations in relation to our business in all material respects and there were no material breaches or violations of the laws or regulations applicable to our Group that would have a material adverse effect on our business or financial condition taken as a whole.

Litigation

As at the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against our Group, that would have a material adverse effect on our business, financial condition or results of operations.

Licences and Permits

During the Track Record Period and up to the Latest Practicable Date, we had obtained all licences and permits in Hong Kong and the PRC the lack of which would have a material impact on our business or financial condition, and such licences and permits are still valid and in force. We have not experienced any refusal of the renewal application of any material licences or permits necessary for the operation of our business.

Further information on the material licences and permits necessary for the operation of our business is set out in "Appendix IV — Regulatory Overview".

You should read this section in conjunction with our combined financial information, including the notes thereto, as set out in the Accountants' Report in Appendix I to this listing document. The combined financial information has been prepared in accordance with HKFRS.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include those discussed in "Risk Factors".

OVERVIEW

We are an owner and operator of premium quality properties which we hold for investment purposes in prime locations in Hong Kong. Our Valuation Properties in Hong Kong had an aggregate GFA of 11.5 million sq.ft. and a total valuation of HK$255.9 billion as at 31 August 2017. Harbour City and Times Square, our flagship properties, are strategically located in Tsim Sha Tsui and Causeway Bay, respectively. These iconic properties with substantial scale in two of the most popular shopping destinations and busiest business districts in Hong Kong attract constant flows of local shoppers and tourists. They occupy leading market positions among commercial properties in Hong Kong.

We also own and operate other premium quality properties in Hong Kong which we hold for investment purposes. These properties comprise Crawford House and our premises at Wheelock House in Central, the prime central business district in Hong Kong, as well as Plaza Hollywood, a leading shopping mall in Kowloon East.

HCDL, whose shares are listed on the Main Board (stock code: 51), is indirectly owned as to approximately 72% by our Company. The HCDL Group holds the Marco Polo Hongkong Hotel in Harbour City and the former Murray Building (which is currently undergoing conversion into a hotel, The Murray) in Central and certain PRC property interests. We also operate Star Ferry, which provides ferry service between Central/Wanchai and Tsim Sha Tsui.

For FY2014, FY2015, FY2016, 1H2016 and 1H2017, our total revenue was HK$17,437 million, HK$17,576 million, HK$16,851 million, HK$8,804 million and HK$9,546 million, respectively, while our profit attributable to shareholders of our Company for the same periods was HK$35,127 million, HK$13,787 million, HK$9,917 million, HK$4,440 million and HK$4,900 million, respectively. For the same periods, excluding the attributable increase in fair value of investment properties, our profit for the year attributable to shareholders of our Company amounted to HK$7,464 million, HK$8,469 million, HK$8,706 million, HK$4,339 million and HK$4,428 million, respectively. See "Description of Selected Items in the Combined Statements of Profit or Loss" below for breakdown of our revenue by segment.

BASIS OF PREPARATION AND PRESENTATION

The financial information has been prepared by our Directors based on accounting policies which conform with HKFRS issued by the Hong Kong Institute of Certified Public Accountants, on the basis of preparation and presentation as set out in note 1 of section B of the Accountants' Report contained in Appendix I, and no adjustments have been made in preparing the financial information.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, including those set out below:

Economic Conditions and Market Cyclicality in Hong Kong and the PRC

General economic conditions, principally in Hong Kong and the PRC, have affected and may continue to affect our business and results of operations. Retail sentiment and consumer spending have a material impact on our retail tenants' businesses, which in turn affects revenue from our retail premises, in particular our turnover rent, substantially all of which revenue is derived from Hong Kong. Global economic conditions affect the number of tourists visiting Hong Kong and their spending, which impacts our revenue from our retail premises and our hotel businesses in Hong Kong. In addition, economic conditions in the PRC and austerity measures imposed by the PRC government affect both our PRC business and, through the impact on the number of PRC visitors to and their spending in Hong Kong, our retail premises at our Hong Kong investment properties. The level of business activity in Hong Kong also affects our revenue from our office premises. As such, we expect the demand for our properties and our operating results will continue to be affected by the general economic conditions.

Rental Rates, Occupancy Rates, Lease Expiries and Rent Reviews

Our revenue from investment properties depends primarily upon our rental rates and occupancy rates. Factors which can affect the rental rates for tenancies at our premises include supply levels of comparable premises, general levels of market demand, the industries and sectors in which our tenants operate, floor area and occupancy rates across the market. The revenue from investment properties mainly comprises base rent and turnover rent, both of which are heavily influenced by economic conditions as referred to above. Occupancy rates are driven largely by rental rates at comparative properties, levels of supply and demand in the market for similar properties, and our ability to minimise the time periods between lease expirations and terminations and the entry into of new leases. In addition, our results of operations may be affected if new leases are not obtained or negative rent reversion is agreed upon renewal of tenancies.

The following table shows information on the average occupancy rates and the average effective monthly rent for our retail and office premises at our principal investment properties for the periods indicated:

	FY2014		FY2015		FY2016		1H2016		1H2017	
	Average occupancy rate	Average effective monthly rent	Average occupancy rate	Average effective monthly rent	Average occupancy rate	Average effective monthly rent	Average occupancy rate	Average effective monthly rent	Average occupancy rate	Average effective monthly rent
	%	HK$ per sq.ft.	%	HK$ per sq.ft.	%	HK$ per sq.ft.	%	HK$ per sq.ft.	%	HK$ per sq.ft.
Retail										
- Harbour City	98	378	99	390	97	407	98	405	96	429
- Times Square. . . .	100	266	99	285	98	297	99	300	97	302
- Plaza Hollywood . .	99	95	97	102	95	106	95	105	96	109
Office										
- Harbour City	96	37	98	39	97	41	98	41	97	42
- Times Square. . . .	96	50	95	51	96	52	97	51	94	53
- Crawford House . .	97	52	97	53	97	54	97	54	99	56
- Our premises at Wheelock House .	N/A	N/A	N/A	N/A	100	69	100	68	100	71

See "Glossary of Technical Terms" for the definitions of "average occupancy rate" and "average effective monthly rent".

Lease terms for our principal investment properties range from two to 12 years and generally range from two to four years for retail tenants and three to six years for office tenants. Rental rates under our leases generally do not increase each year, but after the expiry of each term. Retail leases are usually subject to pre-agreed base rent together with turnover rent at pre-agreed rates. Prior to expiry of the tenancies or rental review (if any), the rental rates on such properties are typically locked in at a level which may deviate from the prevailing market rate for similar properties. Our ability to re-let premises upon lease expiry or termination, and the rental terms we are able to achieve, will have a material impact on our business, financial condition, results of operations and prospects.

The following table shows the weighted average lease term to expiry for our retail and office premises at our principal investment properties as at 30 June 2017:

	As at 30 June 2017
	Weighted average lease term to expiry (Year(s))
Retail	
- Harbour City	2.0
- Times Square	1.4
- Plaza Hollywood	1.3
Office	
- Harbour City	1.7
- Times Square	1.8
- Crawford House	1.5
- Our premises at Wheelock House	1.7

Access to and Cost of Financing

During the Track Record Period, our main sources of funding were our own internal funds from operating activities, loans from fellow subsidiaries and external funds from bank borrowings which are interest-bearing, and amounts due to our immediate holding company and fellow subsidiaries which are interest-free. See “Indebtedness” below for details of our indebtedness. Given the level of our indebtedness, any changes in interest rates may affect our cost of financing and our results of operations, as may the general availability of credit.

We intend to settle all outstanding borrowings from our fellow subsidiaries and net amounts due to our immediate holding company and fellow subsidiaries prior to Listing. For the settlement of the Inter-Group Balances, our Company will issue a Promissory Note to the Remaining Wharf Group immediately prior to completion of the Spin-off. See “— Indebtedness”, “Relationship with our Controlling Shareholders” and “Appendix VII — General Information — Further Information About Our Group — 6. Reorganisation” for further information. The Promissory Note will be settled shortly after the Listing Date by bank borrowings and the assumption of liabilities as described in “— Indebtedness — Loans from fellow subsidiaries — Settlement of Inter-Group Balances” below. We expect to use primarily a combination of cash generated from our operating activities, bank loans, bonds and other types of debt and equity instruments to finance our business in the future. Based on our strong financial position, we do not foresee any difficulties in obtaining external funding.

Changes in Fair Value of Investment Properties

The fair value of our investment properties will fluctuate from period to period because we revalue our investment properties at least annually. The changes in fair value of investment properties could have a material impact on our results of operations.

Our investment properties were valued at HK$229,023 million, HK$235,597 million, HK$244,375 million and HK$245,424 million as at 31 December 2014, 2015, 2016 and 30 June 2017, respectively. The increase in fair value of investment properties amounted to HK$27,729 million, HK$5,329 million, HK$1,191 million, HK$81 million and HK$478 million, equivalent to 78.9%, 38.7%, 12.0%, 1.8% and 9.8% of profit attributable to shareholders of our Company for FY2014, FY2015, FY2016, 1H2016 and 1H2017, respectively.

See "— Significant Accounting Policies and Critical Estimates and Judgment — Critical accounting judgments in applying our accounting policies" below for details of valuation of our investment properties.

Timing and Length of Property Development

Our revenue from property development is affected primarily by the completion schedule of our development properties, all of which are located in the PRC and most of which have already been pre-sold. It generally takes several years for a property development to be completed and for its revenue to be recognised. As such, our cash flows and revenue recognition may vary from period to period and may not match when property is under development. During the Track Record Period, we derived revenue from different properties we developed and the revenue level fluctuated in different periods depending on the timing of their completion and sales recognition. We do not intend to replenish our landbank or to further engage in property development in the PRC going forward.

Regulatory Measures Affecting the Property Development in the PRC

In recent years, the PRC government has implemented a series of measures to constrain perceived over-heating in the real estate market by taking various restrictive measures to discourage speculation, including regulating, among other things, land grants, pre-sales of properties, bank financing, mortgages and taxation, and higher minimum down payments requirements, mortgage and construction loan interest rates adjustments and the introduction of new property tax schemes in certain cities. Measures taken by the PRC government to control the money supply, credit availability, interest rates and fixed asset investment also have an impact on our business. The policies of the PRC government may lead to changes in market conditions, including changes in property prices, costs of ownership, costs of development and the balance of supply and demand with respect to our properties. We do not intend to replenish our landbank or to further engage in property development in the PRC going forward.

Competition in the Property and Hotel Industries

The property and hotel industries in Hong Kong and in the cities in the PRC where we operate are highly competitive. See "Business — Market and Competition" for details.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS

We have identified certain accounting policies that are significant to the preparation of our historical financial information. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that are subject to change. When reviewing our financial information, you should consider: (i) our selection of critical accounting policies; (ii) the judgments and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. For our accounting estimates on valuation of investment properties, assessment of the useful economic lives for depreciation of property, plant and equipment, impairment of non-current assets, provision for properties for sale and recognition of deferred tax assets, we have not noted material difference of our estimates from the actual results during the Track Record Period. In addition, we did not make any material change in the assumptions underlying such estimates during the Track Record Period. We do not currently expect the methodology and assumptions regarding such estimates to change in the foreseeable future. Our significant accounting policies, estimates and judgments which are important for an understanding of our financial condition and results of operations are set out in notes 2 and 3 of Part B of the Accountants' Report set out in Appendix I and are summarised below.

Significant Accounting Policies

Recognition of revenue

Revenue is measured at the fair value of the consideration received or receivables provided it is probable that the economic benefits will flow to us and the revenue and costs, if applicable, can be measured reliably.

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. Turnover rentals are recognised in the accounting period in which they are earned.

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 combined statements of financial position.

Investment properties, development properties, hotel and club properties, plant and equipment

Investment properties are stated in the combined statements 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 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 combined statements of profit or loss.

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

Gains or losses arising from the retirement or disposal of an item of hotel and club properties, 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 combined statements of profit or loss on the date of retirement or disposal.

Completed properties for sale are stated at the lower of cost and net realisable value. Properties under development for sale are classified as current assets and stated at the lower of cost and net realisable value.

Income tax

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 combined statements of profit or loss 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.

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.

Interests in an associate and joint ventures

An associate is an entity in which we have 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 we 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 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), is recorded in the combined statements of financial position initially at cost, adjusted for any excess of our share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in our share of the investee's net assets and any impairment loss relating to the investment.

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 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.

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 re-measurement to fair value is recognised immediately in profit or loss, 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.

The fair value of derivative financial instruments is recorded in accordance with the applicable accounting framework. Any changes in the fair value of derivative financial instruments will not cause actual cash inflow or outflow for any unrealised gain or loss on derivative financial instruments until settlement of such contracts.

Critical accounting judgments in applying our accounting policies

In the process of applying our accounting policies, management has made the following accounting judgments:

Valuation of investment properties

Investment properties are included in the combined statements 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 a property valuer engaged by our Company, after taking into consideration the net income allowing for reversionary potential and redevelopment potential of the properties, and adopted by our Company.

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.

Assessment of the useful economic lives for depreciation of hotel and club properties, plant and equipment

In assessing the estimated useful lives of hotel and club properties, plant and equipment, management takes into account factors such as the expected usage of the asset by us 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 judgment based on the experience of our Group.

Management reviews the useful lives of hotel and club properties, 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.

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.

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 a property valuer; 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 judgment as to the anticipated sale prices by reference to recent sale transactions in nearby locations, rates 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. Our estimates may be inaccurate and estimates may need to be adjusted in later periods.

Recognition of deferred tax assets

The recognition of deferred tax assets requires formal assessment by us of the future profitability of related operations. In making this judgment, we evaluate, amongst other factors, the forecast financial performance and operational and financing cashflows.

RESULTS OF OPERATIONS

The following table summarises the combined statements of profit or loss from the historical financial information during the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this listing document.

	FY2014	FY2015	FY2016	1H2016	1H2017
	HK$ million	HK$ million	HK$ million	HK$ million (unaudited)	HK$ million
Revenue	17,437	17,576	16,851	8,804	9,546
Direct costs and operating expenses	(6,034)	(4,965)	(4,247)	(2,304)	(2,049)
Selling and marketing expenses	(318)	(371)	(311)	(123)	(132)
Administrative and corporate expenses	(487)	(292)	(293)	(131)	(242)
Operating profit before depreciation, amortisation, interest and tax	10,598	11,948	12,000	6,246	7,123
Depreciation and amortisation	(182)	(189)	(176)	(88)	(73)
Operating profit	10,416	11,759	11,824	6,158	7,050
Increase in fair value of investment properties	27,729	5,329	1,191	81	478
Other net income/(charges)	175	257	216	(86)	(259)
	38,320	17,345	13,231	6,153	7,269
Finance costs	(1,264)	(1,302)	(1,351)	(622)	(526)
Share of results after tax of:					
An associate	(4)	133	23	(9)	4
Joint ventures	97	95	176	141	(40)
Profit before taxation	37,149	16,271	12,079	5,663	6,707
Income tax	(1,684)	(1,968)	(1,895)	(1,040)	(1,553)
Profit for the year/period	35,465	14,303	10,184	4,623	5,154
Attributable to:					
Shareholders of our Company	35,127	13,787	9,917	4,440	4,900
Non-controlling interests	338	516	267	183	254
	35,465	14,303	10,184	4,623	5,154

SEGMENTAL REVENUE AND RESPECTIVE ACCOUNTING TREATMENTS

We derive revenue from three reportable segments, namely (i) investment properties, (ii) development properties, and (iii) hotels, and from others, as described below. We manage our diversified businesses according to the nature of services and products provided. No operating segments have been aggregated to form the reportable segments.

Investment properties

Investment properties segment primarily comprises property leasing operations. Currently, our properties portfolio mainly consists of retail and office premises and serviced apartments which are primarily located in Hong Kong. Revenue from investment properties is accounted for as described in "— Significant Accounting Policies and Critical Estimates and Judgments — Significant Accounting Policies — Recognition of revenue" above.

Investment properties are the land and/or buildings which we own or hold under a leasehold interest to earn rental income and/or for capital appreciation. During the Track Record Period, our investment properties stated in the combined statements of financial position included completed investment properties stated at fair value, and investment properties under development stated at cost less impairment.

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 combined statements of profit or loss as "increase/decrease in fair value of investment properties".

Development properties

Development properties segment encompasses activities relating to the acquisition, development, design, construction, sales and marketing of our development properties in the PRC. Revenue from development properties is accounted for as described in "— Significant Accounting Policies and Critical Estimates and Judgments — Significant Accounting Policies — Recognition of revenue" above.

Our development properties under development or completed but which remain unsold are classified as "properties for sale" in our combined statements of financial position.

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

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

Hotels

Our hotels segment comprises hotel and club operations in Hong Kong and the PRC. Management evaluates performance primarily based on operating profit. Inter-segment pricing is generally determined on an arm's length basis. Revenue from hotels segment is accounted for as described in "— Significant Accounting Policies and Critical Estimates and Judgments — Significant Accounting Policies — Recognition of revenue" above.

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

Others

Others mainly represent the operation of Star Ferry and dividend income mainly from listed equity instruments. Revenue from others is accounted for as described in "— Significant Accounting Policies and Critical Estimates and Judgments — Significant Accounting Policies — Recognition of revenue" above.

DESCRIPTION OF SELECTED ITEMS IN THE COMBINED STATEMENTS OF PROFIT OR LOSS

Revenue

The following table shows the breakdown of our revenue by business segment and by geography for the periods indicated:

	FY2014		FY2015		FY2016		1H2016		1H2017	
	HK$ million	%	HK$ million	%	HK$ million	%	HK$ million (unaudited)	%	HK$ million	%
Investment properties										
Retail										
- Harbour City	5,674	32.5	5,949	33.8	6,207	36.8	3,108	35.3	3,258	34.1
- Times Square	1,883	10.8	2,017	11.5	2,137	12.7	1,087	12.3	1,065	11.2
- Plaza Hollywood	513	2.9	529	3.0	546	3.2	270	3.1	287	3.0
- Others	83	0.6	182	1.1	218	1.3	103	1.2	111	1.1
Sub-total of retail	8,153	46.8	8,677	49.4	9,108	54.0	4,568	51.9	4,721	49.4
Office										
- Harbour City	2,121	12.2	2,317	13.2	2,437	14.5	1,208	13.7	1,235	12.9
- Times Square	661	3.8	670	3.8	701	4.2	348	4.0	350	3.7
- Others	24	0.1	73	0.4	213	1.2	83	0.9	132	1.4
Sub-total of office	2,806	16.1	3,060	17.4	3,351	19.9	1,639	18.6	1,717	18.0
Serviced apartments	301	1.7	301	1.7	316	1.9	156	1.8	163	1.7
Sub-total of investment properties	11,260	64.6	12,038	68.5	12,775	75.8	6,363	72.3	6,601	69.1
Development properties	4,361	25.0	3,930	22.4	2,482	14.7	1,686	19.2	2,166	22.7
Hotels	1,462	8.4	1,359	7.7	1,342	8.0	621	7.1	646	6.8
Segments total	17,083	98.0	17,327	98.6	16,599	98.5	8,670	98.6	9,413	98.6
Others	354	2.0	249	1.4	252	1.5	134	1.4	133	1.4
Total	17,437	100.0	17,576	100.0	16,851	100.0	8,804	100.0	9,546	100.0
Revenue by geography										
Hong Kong	12,829	73.6	13,474	76.7	14,200	84.3	7,020	79.7	7,296	76.4
PRC	4,575	26.2	4,064	23.1	2,606	15.4	1,752	19.9	2,221	23.3
Singapore(Note)	33	0.2	38	0.2	45	0.3	32	0.4	29	0.3
Total	**17,437**	**100.0**	**17,576**	**100.0**	**16,851**	**100.0**	**8,804**	**100.0**	**9,546**	**100.0**

Note: The revenue attributable to Singapore comprised dividend income from shares listed in Singapore.

Investment properties

Our revenue from investment properties is generated from the leasing operations of our retail and office properties and serviced apartments located in Hong Kong. Our revenue from investment properties consists of the gross amount of the rental income recognised from the property, mainly comprising base rent, turnover rent, and other income recognised in respect of the property together with service charges, management fees, air conditioning charges, promotional levy and any other supplementary charges in respect of the property. During the Track Record Period, the majority of our revenue from investment properties was derived from our retail premises. We acquired Crawford House and our premises at Wheelock House in

August 2014 and April 2016, respectively, and they started to contribute to our revenue in August 2014 and April 2016, respectively. Revenue from the investment properties segment accounted for 64.6%, 68.5%, 75.8%, 72.3% and 69.1% of our total revenue in FY2014, FY2015, FY2016, 1H2016 and 1H2017, respectively.

Development properties

Our revenue from development properties is generated from activities relating to the acquisition, development, design, construction, sales and marketing of our trading properties, which are located in the PRC. Revenue from the development properties segment accounted for 25.0%, 22.4%, 14.7%, 19.2% and 22.7% of our total revenue in FY2014, FY2015, FY2016, 1H2016 and 1H2017, respectively.

Hotels

We generate revenue from the operation of our three hotels in Hong Kong and one hotel in the PRC, as well as one club in Hong Kong. During the Track Record Period, our revenue from the hotels segment mainly comprised of revenue from room rental and food and beverage. Revenue from our hotels segment accounted for 8.4%, 7.7%, 8.0% and 7.1% and 6.8% of our total revenue in FY2014, FY2015, FY2016, 1H2016 and 1H2017, respectively.

Others

Others mainly represents the operation of Star Ferry and dividend income mainly from equity investments listed on the Stock Exchange and Singapore Exchange Limited. Revenue from others accounted for 2.0%, 1.4%, 1.5%, 1.4% and 1.4% of our total revenue in FY2014, FY2015, FY2016, 1H2016 and 1H2017, respectively.

Direct costs and operating expenses

Our direct costs and operating expenses mainly comprise costs of developing our development properties, direct operating expenses for investment properties and other direct operating costs in relation to our operation of hotels and a club. Direct operating expenses for investment properties mainly consist of utility expenses, staff costs and building management fees. Others included in direct operating expenses for investment properties mainly comprise carpark operating cost, expenses for operation of Art Gallery and Bazaar in Harbour City and Times Square and other miscellaneous expenses. Other direct operating expenses mainly consist of staff costs and repair and maintenance costs and costs of food and beverage for operation of hotels and a club, as well as staff cost and repair and maintenance costs for the operations of Star Ferry.

Our direct costs and operating expenses amounted to HK$6,034 million, HK$4,965 million, HK$4,247 million, HK$2,304 million and HK$2,049 million for FY2014, FY2015, FY2016, 1H2016 and 1H2017, respectively.

The following table shows the breakdown of our direct costs and operating expenses for the periods indicated:

	FY2014		FY2015		FY2016		1H2016		1H2017	
	HK$ million	%	HK$ million	%	HK$ million	%	HK$ million (unaudited)	%	HK$ million	%
Cost of development properties for recognised sales	**3,859**	**64.0**	**2,768**	**55.8**	**1,968**	**46.3**	**1,234**	**53.6**	**999**	**48.8**
Direct operating expenses of investment properties										
- Building and tenancy expenses	593	9.8	659	13.3	609	14.3	280	12.2	282	13.8
- Utilities	196	3.2	199	4.0	191	4.5	89	3.9	83	4.1
- Rates	48	0.8	70	1.4	77	1.8	51	2.2	38	1.9
- Staff costs	224	3.7	262	5.3	270	6.4	117	5.1	118	5.8
- Others	295	5.0	289	5.8	347	8.2	143	6.1	143	6.8
Sub-total	**1,356**	**22.5**	**1,479**	**29.8**	**1,494**	**35.2**	**680**	**29.5**	**664**	**32.4**
Other direct operating expenses	**819**	**13.5**	**718**	**14.4**	**785**	**18.5**	**390**	**16.9**	**386**	**18.8**
	6,034	**100.0**	**4,965**	**100.0**	**4,247**	**100.0**	**2,304**	**100.0**	**2,049**	**100.0**

Selling and marketing expenses

Our selling and marketing expenses mainly comprise expenses in relation to the marketing campaigns of our shopping malls and development properties and letting commission paid for new leases and lease renewals. Such expenses fluctuated during the Track Record Period due to the differences in the scale and type of marketing activities.

Our selling and marketing expenses amounted to HK$318 million, HK$371 million, HK$311 million, HK$123 million and HK$132 million for FY2014, FY2015, FY2016, 1H2016 and 1H2017, respectively.

Administrative and corporate expenses

Our administrative and corporate expenses mainly comprise expenses in relation to administrative and management services which we shared with the Remaining Wharf Group.

During the Track Record Period, the expenses in relation to such (i) administrative services and (ii) management services, being remuneration of management personnel, were charged to our Group and other relevant subsidiaries of Wharf based on their respective financial performance. For the arrangement going forward, see "Connected Transactions — F. Fully Exempt Continuing Connected Transactions — 1. Advanced Payment of the Remuneration of certain Executive Directors by Wharf" and "2. Sharing of Administrative Services between our Group and the Remaining Wharf Group" for details.

Our administrative and corporate expenses amounted to HK$487 million, HK$292 million, HK$293 million, HK$131 million and HK$242 million for FY2014, FY2015, FY2016, 1H2016 and 1H2017, respectively. Administrative and corporate expenses were materially higher in FY2014 and 1H2017 than other comparable periods during the Track Record Period primarily due to the increase in the amount in respect of management services in FY2014 and 1H2017.

Depreciation and amortisation

Our depreciation and amortisation mainly arise from our hotel and club properties, plant and equipment. Such expenses amounted to HK$182 million, HK$189 million, HK$176 million, HK$88 million and HK$73 million, for FY2014, FY2015, FY2016, 1H2016 and 1H2017, respectively.

Operating profit and operating profit margin

The following table shows a breakdown of operating profit and operating profit margin by segment and by geography for the periods indicated:

	FY2014		FY2015		FY2016		1H2016		1H2017	
	Operating profit	Operating profit margin	Operating profit	Operating profit margin	Operating profit	Operating profit margin	Operating profit	Operating profit margin	Operating profit	Operating profit margin
	HK$ million	%	HK$ million	%	HK$ million	%	HK$ million (unaudited)	%	HK$ million	%
Operating profit and operating profit margin by business segments										
Investment properties	9,818	87.2	10,444	86.8	11,171	87.4	5,629	88.5	5,887	89.2
Development properties	380	8.7	1,041	26.5	425	17.1	429	25.4	1,135	52.4
Hotels	345	23.6	288	21.2	269	20.0	106	17.1	144	22.3
Segments total	10,543	61.7	11,773	67.9	11,865	71.5	6,164	71.1	7,166	76.1
Others	260	73.4	153	61.4	148	58.7	85	63.4	77	57.9
Less: corporate expenses	(387)	N/A	(167)	N/A	(189)	N/A	(91)	N/A	(193)	N/A
	10,416	59.7	11,759	66.9	11,824	70.2	6,158	69.9	7,050	73.9

	FY2014		FY2015		FY2016		1H2016		1H2017	
	Operating profit	Operating profit margin	Operating profit	Operating profit margin	Operating profit	Operating profit margin	Operating profit	Operating profit margin	Operating profit	Operating profit margin
	HK$ million	%	HK$ million	%	HK$ million	%	HK$ million (unaudited)	%	HK$ million	%
Operating profit and operating profit margin by geography										
Hong Kong	9,841	76.7	10,640	79.0	11,328	79.8	5,681	80.9	5,876	80.5
The PRC	542	11.8	1,081	26.6	451	17.3	445	25.4	1,145	51.6
Singapore	33	100.0	38	100.0	45	100.0	32	100.0	29	100.0
Total	10,416	59.7	11,759	66.9	11,824	70.2	6,158	69.9	7,050	73.9

For FY2014, FY2015, FY2016, 1H2016 and 1H2017, our operating profit amounted to HK$10,416 million, HK$11,759 million, HK$11,824 million, HK$6,158 million and HK$7,050 million, respectively, and the operating profit margin was 59.7%, 66.9%, 70.2%, 69.9% and 73.9%, respectively. The increases in our operating profit margin over the period were mainly attributable to increases in operating profit from investment properties which generally have a higher operating profit margin than other segments.

During the Track Record Period, the operating profit margins of our investment properties and hotels were generally stable. The operating profit margin of our development properties fluctuated mainly due to changes in the mix of our development properties, and consequently in their respective margins, for which sales were recognised. Our operating profit margin increased from 8.7% in FY2014 to 26.5% in FY2015 mainly due to an increase in revenue recognised from Suzhou Times City which had higher profit margin achieved as a result of a higher average selling price per sq.m. for sales recognised in FY2015. The operating profit margin of our development properties then decreased to 17.1% in FY2016, mainly due to a lower portion of revenue recognised for Suzhou Times City which had a higher operating profit margin. The operating profit margin of our development properties increased from 25.4% in 1H2016 to 52.4% in 1H2017 mainly due to an increase in revenue recognised from Suzhou Times City and the higher profit margin achieved compared to 1H2016 for the portion of Suzhou Times City for which sales were recognised in 1H2017.

Increase in fair value of investment properties

During the Track Record Period, our investment properties valued at fair value were mainly Times Square, Plaza Hollywood, Crawford House, our premises at Wheelock House and our investment properties at Harbour City.

The surplus arising from the revaluation of our investment properties, which is recorded as "increase in fair value of investment properties" in the combined statements of profit or loss, amounted to HK$27,729 million, HK$5,329 million, HK$1,191 million, HK$81 million and HK$478 million for FY2014, FY2015, FY2016, 1H2016 and 1H2017, respectively, equivalent to 78.2%, 37.3%, 11.7%, 1.8% and 9.3% of our total profit for the same periods. During FY2014, FY2015 and FY2016, the increase in fair value of investment properties was mainly attributable to Harbour City and Times Square, whereas in 1H2017 the increase was mainly attributable to Harbour City and our premises at Wheelock House.

Other net income/(charge)

Other net income/(charge) mainly represents net foreign exchange gains/(losses) from loans from fellow subsidiaries denominated in foreign currencies, such as the RMB, SGD, JPY and AUD. Other net income amounted to HK$175 million, HK$257 million, HK$216 million in FY2014, FY2015, FY2016, respectively, and other net charge amounted to HK$86 million and HK$259 million in 1H2016 and 1H2017, respectively.

Finance costs

Finance costs comprise mainly interest charges on our interest-bearing loans from fellow subsidiaries of the Remaining Wharf Group and bank borrowings less any amount capitalised. See "Indebtedness" below for details of the loans. Finance costs amounted to HK$1,264 million, HK$1,302 million, HK$1,351 million, HK$622 million and HK$526 million for FY2014, FY2015, FY2016, 1H2016 and 1H2017, respectively. The following table shows a breakdown of our finance costs for the periods indicated:

	FY2014	FY2015	FY2016	1H2016	1H2017
	HK$ million	HK$ million	HK$ million	HK$ million (unaudited)	HK$ million
Interest charged on:					
Bank loans	197	174	92	55	23
Loans from fellow subsidiaries	1,042	1,036	1,112	534	483
Total interest charge	1,239	1,210	1,204	589	506
Other finance costs	150	127	162	43	22
Less: amount capitalised	(125)	(35)	(15)	(10)	(2)
Total finance costs	1,264	1,302	1,351	622	526

Share of results after tax of an associate and joint ventures

Our share of results after tax of an associate mainly represented our share of results derived from our 19.0% effective stake in the Shanghai South Station project. Our share of results after tax of joint ventures mainly represented our share of results derived from our 39% effective stake in The U World, Chongqing. The results of our associate and joint ventures contributed minimally to our combined statements of profit or loss. See notes 13 and 14 to the Accountants' Report in Appendix I for details of our associate and joint ventures. The following table shows a breakdown of our share of results after tax of our associate and joint ventures for the periods indicated:

	FY2014	FY2015	FY2016	1H2016	1H2017
	HK$ million	HK$ million	HK$ million	HK$ million (unaudited)	HK$ million
Share of results after tax of:					
An associate	(4)	133	23	(9)	4
Joint ventures	97	95	176	141	(40)

Taxation

We are subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which companies comprising our Group are domiciled or operate.

Our income tax expenses were HK$1,684 million, HK$1,968 million, HK$1,895 million, HK$1,040 million and HK$1,553 million for FY2014, FY2015, FY2016 , 1H2016 and 1H2017, respectively.

During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our income tax obligations in all material respects and did not have any material unresolved income tax issues or disputes with the relevant tax authorities. See "Appendix VI — Taxation" for further details.

(i) ***Cayman Islands/BVI profits tax***

We have not been subject to any taxation in the Cayman Islands or BVI.

(ii) ***Hong Kong profits tax***

Hong Kong profits tax has been provided at the rate of 16.5% in FY2014, FY2015, FY2016, 1H2016 and 1H2017 on the estimated assessable profit.

(iii) ***PRC corporate income tax***

PRC corporate income tax has been generally provided at the applicable enterprise income tax rate of 25% on the estimated assessable profits of the companies established in the PRC in our Group during the Track Record Period.

(iv) ***PRC withholding income tax***

Dividends declared by the PRC subsidiaries to parent companies incorporated outside the PRC are subject to withholding tax of 10% or 5% under a treaty or agreement. Our withholding tax has been provided at a rate of 10% or 5% under a treaty or agreement during the Track Record Period. See "Appendix VI — Taxation — C. Overview of Tax Implications in the PRC" for further details.

(v) ***Land appreciation tax ("LAT")***

Other than current income tax, we are also subject to LAT in the PRC which is also included in our current tax provision. Under the Provisional Regulations on LAT, all gains arising from the transfer of real estate property in the PRC are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of the 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. See "Appendix VI — Taxation — C. Overview of Tax Implications in the PRC" for further details.

(vi) ***Effective tax rates***

Our effective tax rate, being the income tax expenses divided by the profit before taxation for the same period, was 4.5%, 12.1%, 15.7%, 18.4% and 23.2% for FY2014, FY2015,FY2016, 1H2016 and 1H2017, respectively. The effective tax rates in FY2014, FY2015 and FY2016 were mainly influenced by changes in the fair values of our investment properties in Hong Kong as these were not subject to current tax because the valuation gains were not realised but they were reflected in our profit before taxation. Our effective tax rate was relatively higher in 1H2017 mainly as a result of an increase in land appreciation tax on sales of development properties.

Profit attributable to shareholders of our Company

The table below shows the reconciliation between profit attributable to shareholders of our Company and profit attributable to the shareholders of our Company excluding attributable increase in fair value of investment properties for the periods indicated:

	FY2014	FY2015	FY2016	1H2016	1H2017
	HK$ million	HK$ million	HK$ million	HK$ million (unaudited)	HK$ million
Profit attributable to shareholders of our Company	**35,127**	**13,787**	**9,917**	**4,440**	**4,900**
Increase in fair value of investment properties	(27,729)[(2)]	(5,329)	(1,191)	(81)	(478)
Increase / (decrease) in fair value of investment properties attributable to non-controlling interests in HCDL[(1)]	66	11	(20)	(20)	6
Profit attributable to shareholders of our Company excluding attributable increase in fair value of investment properties	**7,464**	**8,469**	**8,706**	**4,339**	**4,428**

Notes:

(1) Calculated as HCDL's total increase/(decrease) in fair value of investment properties (being HK$231 million, HK$37 million, HK$(70) million, HK$(70) million and HK$20 million in FY2014, FY2015, FY2016, 1H2016 and 1H2017, respectively) multiplied by the ownership percentage of non-controlling interests in HCDL (being 28.6%, 28.6%, 28.5%, 28.5% and 28.5% in FY2014, FY2015, FY2016, 1H2016 and 1H2017, respectively).

(2) Our profit for FY2014 was significantly higher than that during the other periods during the Track Record Period, mainly due to the higher increase in fair value of our investment properties in Hong Kong, as a result of a greater increase in the assumed market rents for the year ended 31 December 2014 compared to the increases in the assumed market rents in the other periods comprising the Track Record Period.

For FY2014, FY2015, FY2016, 1H2016 and 1H2017, our profit attributable to shareholders of our Company was HK$35,127 million, HK$13,787 million, HK$9,917 million, HK$4,440 million and HK$4,900 million, respectively.

Our profit attributable to shareholders of our Company excluding attributable increase in fair value of investment properties for FY2014, FY2015, FY2016, 1H2016 and 1H2017 amounted to HK$7,464 million, HK$8,469 million, HK$8,706 million, HK$4,339 million and HK$4,428 million, respectively. This non-HKFRS measure is used by our management to evaluate our financial and business performance. Changes in fair value of investment properties do not change our cash position or liquidity, and would not generate any cash flows from which dividends could be paid, as long as the relevant properties continue to be held by us. Such measure is not defined under HKFRS and should not be considered as an alternative to our results of operation, which are determined in accordance with HKFRS. Furthermore, it may not be comparable to similarly titled measures of other companies.

REVIEW OF HISTORICAL RESULTS OF OPERATION

1H2017 compared to 1H2016

Revenue

Our revenue increased by HK$742 million or 8.4% from HK$8,804 million in 1H2016 to HK$9,546 million in 1H2017 mainly as a result of an (i) increase in revenue from investment properties; and (ii) increase in revenue from sales of development properties.

Investment properties

Our revenue from investment properties increased by HK$238 million or 3.7% from HK$6,363 million in 1H2016 to HK$6,601 million in 1H2017 mainly due to (i) an increase of HK$153 million or 3.3% in revenue from our retail premises; and (ii) an increase of HK$78 million or 4.8% in revenue from our office premises primarily as a result of positive average rental reversions.

Retail

Our revenue from our retail premises increased by HK$153 million or 3.3% from HK$4,568 million in 1H2016 to HK$4,721 million in 1H2017 mainly due to positive average rental reversions, in particular with respect to our base rent which was set with reference to prevailing market conditions upon renewal of tenancies. Such increase was demonstrated by the increase in average effective monthly rent across our principal investment properties offering retail premises. In particular, for Harbour City and Plaza Hollywood, the average effective monthly rent increased from HK$405 per sq.ft. in 1H2016 to HK$429 per sq.ft. in 1H2017 and from HK$105 per sq.ft. in 1H2016 to HK$109 per sq.ft. in 1H2017, representing an increase of 5.9% and 3.8%, respectively. Our average occupancy rate for Harbour City decreased slightly from 98% in 1H2016 to 96% in 1H2017, whilst the average occupancy rate for Times Square decreased slightly from 99% in 1H2016 to 97% in 1H2017 mainly due to tenant mix reshuffling.

Office

Our revenue from our office premises increased by HK$78 million or 4.8% from HK$1,639 million in 1H2016 to HK$1,717 million in 1H2017, mainly due to an increase of HK$27 million in revenue contribution from Harbour City due to positive average rental reversions and an increase of HK$47 million in revenue contribution from our premises at Wheelock House following our acquisition of such premises in April 2016. Our average effective monthly rent increased across all our investment properties offering office premises mainly due to positive average rental reversions as a result of strong demand for commercial and office premises in prime locations with consistently high average occupancy rates ranging from 94% to 100% in 1H2017. Given the strong demand and its prime location in Central, the average effective monthly rent of our premises at Wheelock House was relatively higher than our other office premises at HK$71 per sq.ft. in 1H2017 with an average occupancy rate of 100%.

Serviced apartments

Our revenue from our serviced apartments increased by HK$7 million or 4.5% from HK$156 million in 1H2016 to HK$163 million in 1H2017, mainly due to an increase in average occupancy rate from 72% to 76%.

Development properties

Our revenue from sales of development properties increased by HK$480 million or 28.5% from HK$1,686 million in 1H2016 to HK$2,166 million in 1H2017. The total saleable area of properties recognised was approximately 137,800 sq.m. and 125,200 sq.m. in 1H2016 and 1H2017, respectively, and the average selling price ranged from approximately HK$7,800 per sq.m. to HK$15,800 per sq.m. for 1H2016 and approximately HK$11,500 per sq.m.to HK$17,700 per sq.m. for 1H2017. The increase in revenue from sales of development properties compared to 1H2016 was mainly due to an increase in revenue recognised following completion of a portion of Suzhou Times City which resulted in an increase in total saleable area of properties for which sales were recognised for Suzhou Times City. Additionally a higher average selling price per sq.m. was achieved for these properties.

Hotels

Our revenue from hotels slightly increased by HK$25 million or 4.0% from HK$621 million in 1H2016 to HK$646 million in 1H2017. The increase was mainly due to a stabilised Hong Kong tourism market in 1H2017. Consequently, we recorded an increase in the average occupancy rates at most of our hotels in Hong Kong, except for Marco Polo Hongkong which underwent repair works on its major external concrete wall during 1H2017. The average room rates ranged from HK$1,621 to HK$1,868 in 1H2016 and HK$1,655 to HK$1,821 in 1H2017, reflecting a decrease in two of our hotels and an increase in one of them. For our PRC hotel operation, we recorded an increase in average occupancy rate from 43% in 1H2016 to 53% in 1H2017 for the Marco Polo Changzhou hotel following adjustment of our marketing strategy to lower average room rates, which fell from RMB440 in 1H2016 to RMB383 in 1H2017, to attract customers and expand our client base.

Direct costs and operating expenses

Direct costs and operating expenses decreased by HK$255 million or 11.1% from HK$2,304 million in 1H2016 to HK$2,049 million in 1H2017 mainly due to a decrease in (i) the cost of development properties for which sales were recognised from HK$1,234 million in 1H2016 to HK$999 million in 1H2017 mainly due to a decrease in the total saleable area of properties recognised; and (ii) direct operating expenses for investment properties from HK$680 million in 1H2016 to HK$664 million in 1H2017 mainly due to a decrease in costs associated with maintenance work for our investment properties.

Selling and marketing expenses

Selling and marketing expenses increased by HK$9 million or 7.3% from HK$123 million in 1H2016 to HK$132 million in 1H2017 mainly due to an increase in letting commission incurred for new leases and lease renewals as well as promotion expenses in relation to Harbour City and Times Square.

Administrative and corporate expenses

Administrative and corporate expenses increased by HK$111 million or 84.7% from HK$131 million in 1H2016 to HK$242 million in 1H2017, mainly due to an increase in management expenses in relation to the remuneration of management personnel shared with the Remaining Wharf Group in 1H2017.

Depreciation and amortisation

Depreciation and amortisation decreased by HK$15 million and 17.0% from HK$88 million in 1H2016 to HK$73 million in 1H2017 mainly due to a decrease in depreciation as a result of certain fixed assets at our hotels being fully depreciated in FY2016.

Operating profit and operating profit margin

As a result of the foregoing, our operating profit increased by HK$892 million or 14.5% from HK$6,158 million in 1H2016 to HK$7,050 million in 1H2017. Our operating profit margin increased from 69.9% in 1H2016 to 73.9% in 1H2017, which was mainly due to an increase in operating profit margin from development properties from 25.4% in 1H2016 to 52.4% in 1H2017.

Investment properties

Our operating profit from investment properties increased by HK$258 million or 4.6% from HK$5,629 million in 1H2016 to HK$5,887 million in 1H2017, which was mainly due to an increase in revenue from both our retail and office premises primarily as a result of positive average rental reversions. Our operating profit margin remained relatively stable at 88.5% in 1H2016 and 89.2% in 1H2017.

Development properties

Our operating profit from sales of development properties increased by HK$706 million or 164.6% from HK$429 million in 1H2016 to HK$1,135 million in 1H2017, which was mainly due to an increase in revenue recognised from Suzhou Times City and the higher profit margin achieved compared to 1H2016 for the portion of Suzhou Times City for which sales were recognised in 1H2017. Our operating profit margin increased from 25.4% in 1H2016 to 52.4% in 1H2017 for the same reasons.

Hotels

Our operating profit from hotels increased by HK$38 million or 35.8% from HK$106 million in 1H2016 to HK$144 million in 1H2017 mainly due to an increase in revenue from the hotels in Hong Kong, as a result of stabilisation in tourist arrivals in Hong Kong as discussed above. Our operating loss with respect to the Marco Polo Changzhou hotel further reduced in 1H2017 as a result of our marketing strategy as discussed above. Consequently, our operating profit margin for hotels increased from 17.1% in 1H2016 to 22.3% in 1H2017.

Increase in fair value of investment properties

The increase in fair value of investment properties was HK$397 million or 490.1% higher in 1H2017 at HK$478 million compared to the HK$81 million increase in 1H2016. Such higher increase in 1H2017 was mainly due to an increase in the fair value of our investment properties at Harbour City and our premises at Wheelock House as a result of a greater increase in the assumed market rents for valuation purposes as at 30 June 2017 compared to the increase as at 30 June 2016 due to stronger market conditions, whilst the capitalisation rates remained relatively stable. See "Appendix I — Accountants' Report — Note 11" for more details.

Other net charge

Other net charge increased from HK$86 million in 1H2016 to HK$259 million in 1H2017. The increase was mainly due to net foreign exchange loss as a result of fluctuations in the RMB, SGD, JPY and AUD against the HKD during the periods.

Finance costs

Finance costs decreased by HK$96 million or 15.4% from HK$622 million in 1H2016 to HK$526 million in 1H2017, mainly due to (i) a decrease in interest charged on loans from fellow subsidiaries and bank loans of HK$51 million and HK$32 million, respectively, as a result of a decrease in the average balance of loans from fellow subsidiaries and bank loans; and (ii) a decrease in other finance costs as a result of the one-off recognition that occurred in 1H2016 of loan arrangement and commitment fees due to the early repayment of certain bank loans. See "Description of Certain Items of Combined Statements of Financial Position — Trade and other receivables" below for details.

Share of profit or loss after tax of an associate and joint ventures

We recorded share of loss from an associate of HK$9 million in 1H2016 and share of profits from that associate of HK$4 million in 1H2017, for the Shanghai South Station project.

We recorded share of profits from joint ventures of HK$141 million in 1H2016 and share of loss from joint ventures of HK$40 million in 1H2017, mainly as a result of our share of loss from the sales recognition of certain units of The U World, Chongqing which had lower margins in 1H2017.

Income tax expense and effective tax rate

Income tax expense increased by HK$513 million or by 49.3% from HK$1,040 million in 1H2016 to HK$1,553 million in 1H2017 which was mainly due to an increase in land appreciation tax of HK$402 million attributable to Suzhou Times City resulting from higher profit margin achieved for the portion completed in the later stages of the development. Accordingly, our effective tax rate increased from 18.4% in 1H2016 to 23.2% in 1H2017.

Profit for the year attributable to shareholders of our Company

As a result of the foregoing, profit for the period attributable to shareholders of our Company increased by HK$460 million or 10.4% to HK$4,900 million in 1H2017 from HK$4,440 million in 1H2016. Our net profit margin in respect of profit attributable to shareholders of our Company increased from 50.4% in 1H2016 to 51.3% in 1H2017, which was mainly due to an increase in operating profit margin and in the fair value gain on our investment properties. Excluding the attributable increase in fair value of investment properties, our profit for the year attributable to shareholders of our Company slightly increased by HK$89 million or 2.1% from HK$4,339 million in 1H2016 to HK$4,428 million in

1H2017. Our net profit margin in respect of profit attributable to shareholders of our Company excluding the attributable increase in fair value of our investment properties decreased from 49.3% in 1H2016 to 46.4% in 1H2017 mainly due to the increase in income tax expense mentioned above.

FY2016 compared to FY2015

Revenue

Our revenue decreased by HK$725 million or 4.1% from HK$17,576 million in FY2015 to HK$16,851 million in FY2016, mainly as a result of (i) an increase in revenue from investment properties by 6.1% to HK$12,775 million in FY2016 from HK$12,038 million in FY2015 and (ii) a decrease in revenue from sales of development properties. Our revenue from investment properties as a whole, and as regards both our retail and office premises, increased in FY2016 compared to FY2015 owing to the continued strong appeal of our properties to tenants despite challenging market conditions overall. However, a decrease of HK$1,448 million in revenue in FY2016 as compared to FY2015 from sales of development properties caused a small drop in overall revenue for FY2016.

Investment properties

Our revenue from investment properties increased by HK$737 million or 6.1% from HK$12,038 million in FY2015 to HK$12,775 million in FY2016 mainly due to (i) an increase of HK$431 million or 5.0% in revenue from our retail premises, and (ii) an increase of HK$291 million or 9.5% in revenue from our office premises primarily as a result of positive average rental reversions.

Retail

Our revenue from our retail premises increased by HK$431 million or 5.0% from HK$8,677 million in FY2015 to HK$9,108 million in FY2016 mainly due to positive average rental reversions, in particular with respect to our base rent which was set with reference to prevailing market conditions upon renewal of tenancies. Such increase was demonstrated by the increase in average monthly effective rate for retail premises across our principal investment properties. In particular, for Harbour City and Times Square, the average monthly effective rate for retail premises increased from HK$390 per sq.ft. in FY2015 to HK$407 per sq.ft. in FY2016 and from HK$285 per sq.ft. in FY2015 to HK$297 per sq.ft. in FY2016, representing an increase of 4.4% and 4.2%, respectively. Our average occupancy rate decreased slightly from 99% in FY2015 to 97% in FY2016 for Harbour City mainly due to the exit of Page One, which operated a multi-storey flagship shop, while the average occupancy rate of Times Square changed slightly from 99% in FY2015 to 98% in FY2016. We acquired our premises at Wheelock House in April 2016 and its retail premises contributed HK$28 million to our revenue in FY2016.

Office

Our revenue from our office premises increased by HK$291 million or 9.5% from HK$3,060 million in FY2015 to HK$3,351 million in FY2016, mainly due to an increase of HK$120 million in the revenue from Harbour City due to a positive average rental reversion of 5.1% and HK$138 million revenue contribution from our office premises at Wheelock House following our acquisition of such premises in April 2016. Our average effective monthly rent for our office premises increased slightly for Harbour City, Times Square and Crawford House mainly due to positive average rental reversions as a result of strong demand for commercial and office premises in prime locations with consistently high average occupancy rates ranging from 96% to 97% in FY2016. Given the strong demand and its prime location in Central, the average monthly effective rent of our premises at Wheelock House was relatively higher than our other office premises at HK$69 per sq.ft. in FY2016 with an average occupancy rate of 100%.

Serviced apartments

Our revenue from our serviced apartments increased by HK$15 million or 5.0% from HK$301 million in FY2015 to HK$316 million in FY2016, mainly due to an increase in average occupancy rate from 71% to 73%.

Development properties

Our revenue from sales of development properties decreased by HK$1,448 million or 36.8% from HK$3,930 million in FY2015 to HK$2,482 million in FY2016. The total saleable area of properties recognised was approximately 280,300 sq.m. and 196,300 sq.m. in FY2015 and FY2016, respectively, and the average selling price ranged from approximately HK$10,000 per sq.m. to HK$51,000 per sq.m. for FY2015 and HK$9,500 per sq.m.to HK$15,600 per sq.m. for FY2016. The decrease in revenue was mainly due to a decrease in revenue recognised from the sales of Suzhou Times City as a result of a decrease in the total area for which sales were recognised compared to FY2015.

While the revenue from sales of Suzhou Times City decreased in FY2016, the revenue recognised from the sales of Changzhou Times Palace increased in FY2016 as a result of an increase in the total area for which sales were recognised following its completion in FY2016, despite a decrease in average selling price per sq.m. of Changzhou Times Palace as a result of a difference in the mix of units sold.

Hotels

Our revenue from hotels decreased slightly by HK$17 million or 1.3% from HK$1,359 million in FY2015 to HK$1,342 million in FY2016. The decrease was mainly due to a decrease in tourist traffic into Hong Kong. Consequently, we recorded a decrease in the range of average occupancy rates of our Hong Kong hotels operation from 81% to 87% in FY2015 to 81% to 85% in FY2016 as well as a decrease in our average room rates ranging from HK$1,687 to HK$2,001 in FY2015 to HK$1,686 to HK$1,896 in FY2016. For our PRC hotel operation, we recorded an increase in revenue as a result of an increase in average occupancy rate from 31% in FY2015 to 44% in FY2016 for the Marco Polo Changzhou hotel following adjustment of our marketing strategy to lower average room rates, which fell from RMB468 in FY2015 to RMB427 in FY2016, to attract more customers and expand our client base.

Direct costs and operating expenses

Direct costs and operating expenses decreased by HK$718 million or 14.5% from HK$4,965 million in FY2015 to HK$4,247 million in FY2016 mainly due to a decrease in the cost of development properties for which sales were recognised from HK$2,768 million in FY2015 to HK$1,968 million in FY2016 mainly as a result of a decrease in the total saleable area of properties for which sales were recognised from approximately 280,300 sq.m. in FY2015 to 196,300 sq.m. in FY2016. The decrease was partially offset by (i) an increase in direct operating expenses for investment properties from HK$1,479 million in FY2015 to HK$1,494 million in FY2016 as a result of expenses incurred for our premises at Wheelock House which we acquired in FY2016; and (ii) an increase in other operating expenses from HK$718 million in FY2015 to HK$785 million in FY2016 which was mainly due to an increase in staff costs related to the operation of hotels and club and others.

Selling and marketing expenses

Selling and marketing expenses decreased by HK$60 million or 16.2% from HK$371 million in FY2015 to HK$311 million in FY2016. The relatively higher selling and marketing expenses in FY2015 were mainly due to an increase in letting commission incurred for new leases and lease renewals on certain large tenants in Times Square in FY2015.

Administrative and corporate expenses

Administrative and corporate expenses remained relatively stable at HK$292 million and HK$293 million in FY2015 and FY2016, respectively.

Depreciation and amortisation

Depreciation and amortisation decreased by HK$13 million or 6.9% from HK$189 million in FY2015 to HK$176 million in FY2016, mainly due to a decrease in depreciation arising from plant and equipment as a result of certain fixed assets at our hotels being fully depreciated in FY2015.

Operating profit and operating profit margin

As a result of the foregoing, our operating profit remained relatively stable at HK$11,759 million in FY2015 and HK$11,824 million in FY2016. Our operating profit margin increased from 66.9% in FY2015 to 70.2% in FY2016, which was mainly due to a higher revenue contribution from investment properties which generally have a higher operating profit margin than other segments.

Investment properties

Our operating profit from investment properties increased by HK$727 million or 7.0% from HK$10,444 million in FY2015 to HK$11,171 million in FY2016, which was mainly due to an increase in revenue from both our retail and office premises, primarily as a result of positive average rental reversions. As a result, our operating profit margin increased from 86.8% in FY2015 to 87.4% in FY2016.

Development properties

Our operating profit from sales of development properties decreased by HK$616 million or 59.2% from HK$1,041 million in FY2015 to HK$425 million in FY2016, which was mainly due to a decrease in both the total saleable area and the average selling price for which sales of properties were recognised. Our operating profit margin decreased from 26.5% in FY2015 to 17.1% in FY2016, mainly due to a lower portion of revenue recognised for Suzhou Times City which had a higher operating profit margin.

Hotels

Our operating profit from hotels decreased by HK$19 million or 6.6% from HK$288 million in FY2015 to HK$269 million in FY2016, mainly due to a decrease in operating profit from hotels in Hong Kong as a result of a decrease in the revenue generated from hotels as discussed above. Our loss from the Marco Polo Changzhou hotel narrowed in FY2016 as a result of our marketing strategy to lower average room rates to attract more customers and expand our client base. Consequently, our operating profit margin for hotels decreased from 21.2% in FY2015 to 20.0% in FY2016 which was in line with the decrease in revenue from our hotels.

Increase in fair value of investment properties

The increase in fair value of investment properties was HK$4,138 million or 77.7% lower in FY2016 at HK$1,191 million compared to the HK$5,329 million increase in FY2015. The reduction in the size of the increase was mainly due to our investment properties at Harbour City and Times Square and resulted from a smaller increase in the assumed market rents for valuation purposes as at 31 December 2016 than the increase as at 31 December 2015 due to softer market conditions whilst the capitalisation rates remained relatively stable. See "Appendix I — Accountants' Report — Note 11" for details.

Other net income

Other net income decreased from HK$257 million in FY2015 to HK$216 million in FY2016. The decrease was mainly due to less net foreign exchange gains as a result of fluctuations in the RMB, SGD, JPY and AUD against the HKD during the relevant years.

Finance costs

Finance costs increased by HK$49 million or 3.8% from HK$1,302 million in FY2015 to HK$1,351 million in FY2016, mainly due to (i) an increase in interest charged on loans from fellow subsidiaries of HK$76 million as a result of an increase in the average balance of loans from fellow subsidiaries; and (ii) an increase in other finance costs in relation to the one-off recognition of loan arrangement and commitment fees due to the early repayment of certain bank loans. See "— Description of Certain Items of Combined Statements of Financial Position — Trade and other receivables" below for details. Such increase was partially offset by a decrease in interest charged on bank loans as a result of a decrease in average bank loan balance.

Share of profit or loss after tax of an associate and joint ventures

Our share of profit from an associate decreased by HK$110 million or 82.7% from HK$133 million in FY2015 to HK$23 million in FY2016 mainly as a result of less sales recognised for the Shanghai South Station project due to no portion being completed in FY2016.

Our share of profit from joint ventures increased by HK$81 million or 85.3% from HK$95 million in FY2015 to HK$176 million in FY2016 mainly as a result of more sales recognised for The U World, Chongqing in FY2016.

Income tax expense and effective tax rate

Income tax expense remained relatively stable at HK$1,968 million in FY2015 and HK$1,895 million in FY2016. Our effective tax rate increased from 12.1% in FY2015 to 15.7% in FY2016 mainly as a result of a decrease in the fair value gain on our investment properties mentioned above, which reduced the ratio of our profit before taxation to our income tax expenses.

Profit for the year attributable to shareholders of our Company

As a result of the foregoing, profit attributable to shareholders of our Company decreased by HK$3,870 million or 28.1% to HK$9,917 million in FY2016 from HK$13,787 million in FY2015. Our net profit margin in respect of profit attributable to shareholders of our Company decreased from 78.4% in FY2015 to 58.9% in FY2016, which was mainly due to the decrease in the fair value gain on our investment properties. Excluding the attributable increase in fair value of our investment properties, our profit for the year attributable to shareholders of our Company slightly increased by HK$237 million or 2.8% from HK$8,469 million in FY2015 to HK$8,706 million in FY2016. Our net profit margin in respect of profit attributable to shareholders of our Company excluding the attributable increase in fair value of our investment properties increased from 48.2% in FY2015 to 51.7% in FY2016, mainly due to the increase in our operating profit margin mentioned above.

FY2015 compared to FY2014

Revenue

Our revenue remained relatively stable at HK$17,437 million and HK$17,576 million in FY2014 and FY2015, respectively, mainly as a result of the combined effect of (i) an increase in revenue from investment properties and (ii) a decrease in revenue from sales of development properties.

Investment properties

Our revenue from investment properties increased by HK$778 million or 6.9% from HK$11,260 million in FY2014 to HK$12,038 million in FY2015 mainly due to (i) an increase of HK$524 million or 6.4% in revenue from our retail premises; and (ii) an increase of HK$254 million or 9.1% in revenue from our office premises primarily as a result of positive average rental reversions.

Retail

Our revenue from our retail premises increased by HK$524 million or 6.4% from HK$8,153 million in FY2014 to HK$8,677 million in FY2015, mainly due to positive average rental reversions in particular with respect to our base rent which was set with reference to prevailing market conditions upon renewal of tenancies. Such increase was demonstrated by an increase in average effective monthly rent across all our principal properties offering retail premises. In particular, for Harbour City and Times Square, the average effective monthly rent increased from HK$378 per sq.ft. in FY2014 to HK$390 per sq.ft. in FY2015 and from HK$266 per sq.ft. in FY2014 to HK$285 per sq.ft. in FY2015, respectively, representing an increase of 3.2% and 7.1%, respectively. The relatively higher rental reversion of Times Square was mainly attributable to lease renewal at increased average effective monthly rent by certain large tenants in FY2015. The average occupancy rate increased slightly from 98% in FY2014 to 99% in FY2015 for Harbour City while the average occupancy rate for Times Square decreased slightly from 100% in FY2014 to 99% in FY2015. In addition, Crawford House, which was acquired in August 2014, recorded an increase in revenue of HK$105 million from its retail premises due to revenue contribution for a full year in FY2015.

Office

Our revenue from our office premises increased by HK$254 million or 9.1% from HK$2,806 million in FY2014 to HK$3,060 million in FY2015 mainly attributable to an increase of HK$196 million in the revenue from our office premises at Harbour City due to positive average rental reversions of 5.4% and an increase in average occupancy rate from 96% in FY2014 to 98% in FY2015 and an increase of HK$49 million in the revenue contribution from our office premises at Crawford House which was acquired in August 2014. In addition, our average effective monthly rent for our office premises at Times Square and Crawford House increased slightly mainly due to positive average rental reversions as a result of strong demand for commercial and office premises in prime locations with average occupancy rates ranging from 95% to 97% in FY2015.

Serviced apartments

Our revenue from our serviced apartments remained stable at HK$301 million in both FY2014 and FY2015 mainly due to the combined effect of an increase in average effective monthly rent and a decrease in average occupancy rate from 74% in FY2014 to 71% in FY2015.

Development properties

Our revenue from sales of development properties decreased by HK$431 million or 9.9% from HK$4,361 million in FY2014 to HK$3,930 million in FY2015. The total saleable area of properties for which sales were recognised was approximately 405,100 sq.m. and 280,300 sq.m. in FY2014 and FY2015, respectively, and the average selling price ranged from approximately HK$9,300 per sq.m. to HK$63,000 per sq.m. and approximately HK$10,000 per sq.m. to HK$51,000 per sq.m., respectively. The decrease in revenue was mainly due to a decrease in revenue recognised from the sales of Changzhou Times Palace as a result of decreased total area for which sales were recognised compared to FY2014, despite an increase in the average selling price per sq.m. as a result of a difference in the mix of units sold.

While the revenue from sales of Changzhou Times Palace declined in FY2015, the revenue recognised from the sales of Suzhou Times City increased in FY2015 as a result of an increase in total area for which sales were recognised and an increase in the average selling price per sq.m. arising from the difference in mix of units sold.

Hotels

Our revenue from hotels decreased by HK$103 million or 7.0% from HK$1,462 million in FY2014 to HK$1,359 million in FY2015. The decrease was mainly due to a decrease in tourist traffic in Hong Kong. Consequently, we recorded a decrease in the range of average occupancy rates of our Hong Kong hotel operations from 87% to 91% in FY2014 to 81% to 87% in FY2015 as well as a decrease in our average room rates ranging from HK$1,899 to HK$2,176 in FY2014 to HK$1,687 to HK$2,001 in FY2015. For our PRC hotel operation, we recorded an increase in revenue of the Marco Polo Changzhou hotel as a result of an increase in average occupancy rate from 16% in FY2014 to 31% in FY2015 following adjustment of our marketing strategy to lower average room rates, which fell from RMB512 in FY2014 to RMB468 in FY2015, to attract more customers and expand our client base.

Direct costs and operating expenses

Direct costs and operating expenses decreased by HK$1,069 million or 17.7% from HK$6,034 million in FY2014 to HK$4,965 million in FY2015, mainly due to (i) a decrease in the cost of development properties for which sales were recognised from HK$3,859 million in FY2014 to HK$2,768 million in FY2015 mainly as a result of a decrease in the total saleable area of properties recognised from approximately 405,100 sq.m. in FY2014 to 280,300 sq.m. in FY2015; and (ii) a decrease in other direct operating expenses from HK$819 million in FY2014 to HK$718 million in FY2015. The decrease was partially offset by an increase in direct operating expenses for investment properties from HK$1,356 million in FY2014 to HK$1,479 million in FY2015.

Selling and marketing expenses

Selling and marketing expenses increased from HK$318 million in FY2014 to HK$371 million in FY2015, mainly due to an increase in letting commission incurred for new leases and lease renewals on certain sizable tenants in Times Square in FY2015.

Administrative and corporate expenses

Administrative and corporate expenses decreased by HK$195 million or 40.0% from HK$487 million in FY2014 to HK$292 million in FY2015, mainly due to a decrease in the expenses charged back from the Remaining Wharf Group in relation to the remuneration of management personnel shared with the Remaining Wharf Group. Our administrative and corporate expenses were exceptionally high in FY2014 compared to other years during the Track Record Period primarily due to the recognition of the management expenses charged back from the Remaining Wharf Group in relation to the remuneration of management personnel shared with the Remaining Wharf Group in FY2014.

Depreciation and amortisation

Depreciation and amortisation remained relatively stable at HK$182 million and HK$189 million in FY2014 and FY2015, respectively.

Operating profit and operating profit margin

As a result of the foregoing, our operating profit rose by HK$1,343 million or 12.9% from HK$10,416 million in FY2014 to HK$11,759 million in FY2015. Our operating profit margin increased from 59.7% in FY2014 to 66.9% in FY2015, which was mainly due to (i) an increase in total operating profit from investment properties which generally have higher operating profit margins; and (ii) an increase in operating profit margin from the recognition of sales of development properties arising from Suzhou Times City due to a difference in the mix of units sold.

Investment properties

Our operating profit from investment properties increased by HK$626 million or 6.4% from HK$9,818 million in FY2014 to HK$10,444 million in FY2015, which was mainly due to an increase in revenue from both our retail and office premises primarily as a result of positive average rental reversions. Our operating profit margin decreased from 87.2% in FY2014 to 86.8% in FY2015 mainly due to a decrease in operating profit margin from units at Star House which were under renovation in FY2015 before being leased to a single new tenant.

Development properties

Our operating profit from sales of development properties increased by HK$661 million or 173.9% from HK$380 million in FY2014 to HK$1,041 million in FY2015 mainly due to an increase in revenue recognised from Suzhou Times City and higher profit margin achieved compared to FY2014 as a result of a higher average selling price per sq.m. for sales recognised in FY2015. Our operating profit margin increased from 8.7% in FY2014 to 26.5% in FY2015 for the same reasons.

Hotels

Our operating profit from hotels decreased by HK$57 million or 16.5% from HK$345 million in FY2014 to HK$288 million in FY2015, mainly due to a decrease in operating profit from hotels in Hong Kong as a result of a decrease in revenue in Hong Kong as discussed above. Our operating loss from the Marco Polo Changzhou hotel decreased in FY2015 as a result of an increase in its average occupancy rates but offset by lower average room rates. Consequently, our operating profit margin for hotels decreased from 23.6% in FY2014 to 21.2% in FY2015 which was in line with the decrease in revenue from hotels.

Increase in fair value of investment properties

The increase in fair value of investment properties was HK$22,400 million or 80.8% lower in FY2015 at HK$5,329 million compared to the HK$27,729 million increase in FY2014. The reduction in the size of the increase was mainly due to a smaller increase in the fair value of our investment properties at Harbour City and Times Square as a result of a smaller increase in the assumed market rents for valuation purposes as at 31 December 2015 compared to the increase as at 31 December 2014 due to softer market conditions whilst the capitalisation rates remained relatively stable. See "Appendix I — Accountants' Report — Note 11" for more details.

Other net income

Other net income increased by HK$82 million or 46.9% from HK$175 million in FY2014 to HK$257 million in FY2015. The increase in other net income was mainly due to an increase in net foreign exchange gains arising from fluctuations in the SGD and AUD against the HKD during the year.

Finance costs

Finance costs increased by HK$38 million or 3.0% from HK$1,264 million in FY2014 to HK$1,302 million in FY2015. Despite a decrease in total interest charged on both bank loans and loans from fellow subsidiaries due to a decrease in average balances of both bank loans and loans from fellow subsidiary, our finance costs increased mainly as a result of a decrease in interest capitalised of HK$90 million, most of which was attributable to The Murray in FY2014.

Share of results after tax of an associate and joint ventures

Our results from an associate increased by HK$137 million from a share of loss of HK$4 million in FY2014 to a share of profit of HK$133 million in FY2015 mainly as a result of sales recognised from completion of a portion of the Shanghai South Station project in FY2015.

Our results from joint ventures remained relatively stable at HK$97 million and HK$95 million in FY2014 and FY2015, respectively.

Income tax expense and effective tax rate

Income tax expense increased by HK$284 million or 16.9% from HK$1,684 million in FY2014 to HK$1,968 million in FY2015. Our effective tax rate increased from 4.5% in FY2014 to 12.1% in FY2015 mainly as a result of a decrease in the fair value gain on our investment properties mentioned above, which reduced the ratio of our profit before taxation to our income tax expenses.

Profit for the year attributable to shareholders of our Company

As a result of the foregoing, profit for the year attributable to shareholders of our Company decreased by HK$21,340 million or 60.8% from HK$35,127 million in FY2014 to HK$13,787 million in FY2015. Our net profit margin in respect of profit attributable to shareholders of our Company decreased from 201.5% in FY2014 to 78.4% in FY2015 which was mainly due to the decrease in the fair value gain on our investment properties. Excluding the attributable increase in fair value of our investment properties, our profit for the year attributable to shareholders of our Company increased by HK$1,005 million or 13.5% from HK$7,464 million in FY2014 to HK$8,469 million in FY2015. Our net profit margin in respect of profit attributable to shareholders of our Company excluding the attributable increase in fair value of our investment properties increased from 42.8% in FY2014 to 48.2% in FY2015 mainly due to the increase in our operating profit margin mentioned above.

DESCRIPTION OF CERTAIN ITEMS OF COMBINED STATEMENTS OF FINANCIAL POSITION

Investment properties

Investment properties represent properties held by us for long-term investment purposes and for recurring rental income and/or capital appreciation. Our investment properties amounted to HK$229,023 million, HK$235,597 million, HK$244,375 million and HK$245,424 million as at 31 December 2014, 2015, 2016 and 30 June 2017, respectively. See "Segmental Revenue and Respective Accounting Treatments" above for details. The following table shows the carrying amount of our individual investment properties as at the dates indicated:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$ million	HK$ million	HK$ million	HK$ million
Investment properties under development				
- Suzhou IFS	1,876	2,462	2,933	3,254
Investment properties completed				
- Harbour City	159,700	163,300	164,540	164,980
- Times Square	52,100	54,070	54,510	54,540
- Plaza Hollywood	8,970	9,340	9,540	9,550
- Crawford House	5,800	5,832	5,830	5,910
- Our premises at Wheelock House	—	—	6,372	6,543
- Others	577	593	650	647
Investment properties completed	227,147	233,135	241,442	242,170
Total investment properties	229,023	235,597	244,375	245,424

The value of our investment properties increased to HK$235,597 million as at 31 December 2015 from HK$229,023 million as at 31 December 2014. The increase was mainly due to an increase in fair value of HK$5,329 million mainly attributable to Harbour City and Times Square. The value of our investment properties then increased by HK$8,778 million to HK$244,375 million as at 31 December 2016 mainly due to (i) the addition of our premises at Wheelock House which we acquired in April 2016; and (ii) an increase in their fair value of HK$1,191 million. The value of our investment properties then remained relatively stable at HK$245,424 million as at 30 June 2017. Our investment properties under development increased from HK$1,876 million as at 31 December 2014 to HK$3,254 million as at 30 June 2017 mainly due to the accumulated cost capitalised from the development of Suzhou IFS.

Interests in an associate and joint ventures

Our interest in an associate amounted to HK$2,059 million, HK$1,608 million and HK$1,417 million as at 31 December 2014, 2015 and 2016, respectively, mainly due to a decrease in the amount due from an associate as a result of repayment of amounts due from that associate. The amount then increased slightly to HK$1,463 million as at 30 June 2017 mainly due to an increase in share of net assets as well as amounts due from our associate. Our interests in joint ventures amounted to HK$2,127 million, HK$2,039 million, HK$1,808 million and HK$1,780 million as at 31 December 2014, 2015, 2016 and 30 June 2017, respectively mainly due to dividend payments received from our joint ventures.

For details of interests in associate and joint ventures, see "Description of Selected Items in the Combined Statements of Profit or Loss" above and "Appendix I — Accountants' Report — Notes 13 and 14".

Properties for sale

Our properties for sale amounted to HK$4,979 million, HK$2,699 million, HK$1,957 million and HK$930 million as at 31 December 2014, 2015, 2016 and 30 June 2017, respectively. See "Segmental Revenue and Respective Accounting Treatments" above for details. The following table shows the list of properties for sale as at the dates indicated:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$ million	HK$ million	HK$ million	HK$ million
Properties under development for sale	4,528	2,510	1,753	801
Completed properties for sale	451	189	204	129
	4,979	2,699	1,957	930

Our properties for sale decreased by HK$2,280 million or 45.8% from HK$4,979 million as at 31 December 2014 to HK$2,699 million as at 31 December 2015 and decreased by HK$742 million or 27.5% to HK$1,957 million as at 31 December 2016 and further decreased to HK$930 million as at 30 June 2017 primarily due to the recognition of revenue from sales of Suzhou Times City and Changzhou Times Palace.

As at the Latest Practicable Date, HK$20 million or 2.2% of our properties for sale as at 30 June 2017 were sold and recognised.

Trade and other receivables

Our trade receivables primarily consist of receivables from our hotel operations. Our trade receivables amounted to HK$456 million, HK$390 million, HK$288 million and HK$275 million as at 31 December 2014, 2015 and 2016 and 30 June 2017, respectively. Our trade receivables decreased as at each reporting date mainly due to the decrease in revenue from hotel operations.

Other receivables mainly consist of prepayments and loan arrangement and commitment fees. In accordance with our treasury policy, loan arrangement and commitment fees paid upfront for long term loans are amortised over the loan term and accounted for in other receivables. The loan arrangement and commitment fees will be fully charged to the combined statements of profit or loss upon any early repayment of the loans to which they relate. Our other receivables decreased from HK$775 million as at 31 December 2014, to HK$658 million as at 31 December 2015 and further decreased to HK$530 million as at 31 December 2016 mainly due to a decrease in loan arrangement and commitment fees which were directly expensed off upon early repayment of certain loans during the Track Record Period. Our other receivables then increased to HK$692 million as at 30 June 2017, mainly due to advances to our co-investor in the Suzhou Times City project for the development of Suzhou Times City.

Our management closely reviews the trade receivables balances on an ongoing basis, and assessments are made by our management of the collectability of balances. After fully considering the nature of trade receivables and their collectability on a case-by-case basis, we have made provisions for the impairment of certain long overdue trade receivables or irrecoverable trade receivables in order to ensure the quality of our assets. For FY2014, FY2015, FY2016 and 1H2017, impairment loss recognised in respect of trade receivables were nil, HK$3 million, nil and nil, respectively. No collectively impaired trade receivables were recorded during the Track Record Period.

As at 31 December 2014, 2015, 2016 and 30 June 2017, 100%, 99%, 99% and 99%, respectively, of our trade receivables were not impaired. We determined the impairment allowance in respect of such trade receivables with reference to any significant change in the credit quality of our customers and the recoverability of the balances. We do not hold any collateral over these balances. The following table shows the ageing analysis of our trade receivables as at the dates indicated:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$ million	HK$ million	HK$ million	HK$ million
0-30 days	445	367	244	216
31-60 days	8	14	24	22
61-90 days	3	5	4	13
Over 90 days	—	4	16	24
	456	390	288	275

The table below shows the turnover days of trade receivables for the Track Record Period:

	FY2014	FY2015	FY2016	1H2017
Turnover days of trade receivables [1]	10	8	6	5

Note:

(1) Turnover days of trade receivables for FY2014, FY2015, FY2016 and 1H2017 is derived by dividing the closing balances of trade receivables at the end of the relevant period by revenue during the period and multiplying by the number of days in the period (as applicable).

As at the Latest Practicable Date, HK$212 million or 77% of our trade receivables outstanding as at 30 June 2017 were settled.

Derivative financial instruments

As at 31 December 2014 and 2015 we had derivative financial instruments, substantially all of which were forward foreign exchange contracts. As at 31 December 2016 and 30 June 2017, we did not hold any derivative financial instruments. The following table shows the breakdown of derivative financial instruments as at the dates indicated:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$ million	HK$ million	HK$ million	HK$ million
Non-current				
Derivative financial assets	4	—	—	—
Derivative financial liabilities	(3)	—	—	—
Current				
Derivative financial assets	80	1	—	—
Derivative financial liabilities	(45)	(2)	—	—

The following shows the notional principal amounts of derivative financial instruments outstanding as at the dates indicated:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$ million	HK$ million	HK$ million	HK$ million
Forward foreign exchange contracts	2,879	2,652	—	—

We monitor the use of derivative financial instruments closely. Substantially all of the derivative financial instruments we entered into were used for managing and hedging our currency exposures. During the Track Record Period, we entered into forward foreign exchange contracts and other derivative instruments which were either classified as derivative financial assets or derivative financial liabilities. Derivative financial assets represent the amounts we would receive whilst derivative financial liabilities represent the amounts we would pay if the positions were closed at the end of the reporting period.

Our Directors confirmed that the foreign exchange derivative financial instruments entered into by us during the Track Record Period were intended for hedging purposes and not for speculation. We have ceased to enter into any new derivative financial instruments since December 2015 and we currently do not intend to enter into any further transactions involving derivative financial instruments.

See "Business — Hedging Activities" for further details on our internal policy in relation to investment in such derivative financial instruments.

Trade and other payables

Our trade and other payables as at 31 December 2014, 2015 and 2016 and 30 June 2017 were HK$7,639 million, HK$7,285 million, HK$7,932 million and HK$7,179 million, respectively, of which a breakdown is shown below:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$ million	HK$ million	HK$ million	HK$ million
Trade payables	115	144	155	80
Rental and customer deposits	2,824	3,169	3,306	3,347
Construction costs payables	2,060	1,175	1,189	768
Amounts due to an associate	17	32	14	—
Amounts due to joint ventures	1,036	1,208	1,422	1,449
Other payables	1,587	1,557	1,846	1,535
	7,639	7,285	7,932	7,179

Our trade and other payables mainly consist of (i) trade payables derived primarily from payables to our suppliers for food and beverages and other supplies to our hotels and club; (ii) rental and customer deposits arising from renting out of our investment properties; and (iii) construction costs payable for our development properties. Our rental and customers deposits increased from HK$2,824 million as at 31 December 2014 to HK$3,169 million as at 31 December 2015, HK$3,306 million as at 31 December 2016 and further increased to HK$3,347 million at 30 June 2017, which was mainly due to positive rental reversions of our investment properties during the Track Record Period. Our construction costs payables decreased from HK$2,060 million as at 31 December 2014 to HK$1,175 million as at 31 December 2015, HK$1,189 million as at 31 December 2016 and further decreased to HK$768 million as at 30 June 2017, which was due to the gradual completion of development properties over the Track Record Period.

The table below shows, as at the dates indicated, the aging analysis of our trade payables:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$ million	HK$ million	HK$ million	HK$ million
0 - 30 days	99	116	111	64
31 - 60 days	12	21	31	9
61 - 90 days	1	2	7	3
Over 90 days	3	5	6	4
	115	144	155	80

The amount of trade and other payables that is expected to be settled after more than one year as at 31 December 2014, 2015 and 2016 and 30 June 2017 was HK$2,006 million, HK$2,554 million, HK$2,394 million and HK$2,384 million, respectively, which mainly related to rental and customer deposits. 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.

The table below shows the turnover days of trade payables for the Track Record Period:

	FY2014	FY2015	FY2016	1H2017
Turnover days of trade payables *(Note)*	7	11	13	7

Note: Turnover days of trade payables for FY2014, FY2015, FY2016 and 1H2017 is derived by dividing the closing balances of trade payables at the end of the relevant period by direct costs and operating expenses during the period and multiplying by the number of days in the period (as applicable).

As at the Latest Practicable Date, HK$76 million or 95% of trade payables outstanding as at 30 June 2017 had been fully settled. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, there was no material default in payment of trade payables.

Deposits from sale of properties

Our deposits from the sale of properties represent a certain portion of the sales proceeds of the properties agreed to be sold, and amounted to HK$4,373 million, HK$4,691 million, HK$5,030 million and HK$3,664 million as at 31 December 2014, 2015 and 2016 and 30 June 2017, respectively, mainly due to our sales schedule.

Amounts due from/to our immediate holding company and fellow subsidiaries

The amounts due from our immediate holding company and fellow subsidiaries mainly arose from our financing arrangements with the Remaining Wharf Group prior to the Listing. The amounts due to our immediate holding company and fellow subsidiaries, represented amounts due to the Remaining Wharf Group which mainly arose from amounts we borrowed to fund our operations such as the acquisition of our premises at Wheelock House in FY2016. The following table shows the breakdown of amounts due from/to our immediate holding company and fellow subsidiaries as at the dates indicated:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$ million	HK$ million	HK$ million	HK$ million
Amount due from our immediate holding company	7,511	4,608	358	674
Amounts due from fellow subsidiaries	452	—	—	—
Amount due to our immediate holding company	—	—	(10,354)	(12,350)
Amounts due to fellow subsidiaries	(86)	(59)	(52)	(38)

All our amounts due from/to our immediate holding company and fellow subsidiaries were unsecured, interest-free and had no fixed terms of repayment. See "Appendix I — Accountants' Report — Note 24" for further details of related party transactions and balances. The aggregate balance of the amounts due from/to our immediate holding company and fellow subsidiaries, being part of the Inter-Group Balances, is expected to be settled by the issuance of the Promissory Note. See "— Indebtedness", "Relationship with our Controlling Shareholders" and "Appendix VII — General Information — Further Information About Our Group — 6. Reorganisation" for further information.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

For FY2014, FY2015, FY2016 and 1H2017, the principal sources of funding for our investments and operations were a combination of cash generated from our operations, loans from fellow subsidiaries, bank borrowings and advances from our immediate holding company and fellow subsidiaries.

The following table summarises, for the periods indicated, our statements of cash flows:

	FY2014	FY2015	FY2016	1H2016	1H2017
	HK$ million	HK$ million	HK$ million	HK$ million (unaudited)	HK$ million
Net cash generated from operating activities	10,276	11,419	11,370	5,487	4,582
Net cash (used in)/generated from investing activities	(7,793)	1,111	6,248	(3,718)	178
Net cash used in financing activities	(3,119)	(11,016)	(18,502)	(3,192)	(7,955)
Net (decrease)/increase in cash and cash equivalents	(636)	1,514	(884)	(1,423)	(3,195)
Cash and cash equivalents at beginning of year/period	5,928	5,273	6,501	6,501	5,212
Effect of exchange rate change	(19)	(286)	(405)	(126)	154
Cash and cash equivalents at end of year/period	5,273	6,501	5,212	4,952	2,171

Operating activities

During the Track Record Period, our cash inflow from operating activities was principally from cash generated from operations including the receipt of proceeds for our rental income, sale of properties and dividends received from an associate and joint ventures. Our cash outflow used in operating activities was principally for direct expenses in relation to our investment properties, construction costs of development properties sold and taxes paid.

For 1H2017, we had net cash generated from operating activities of HK$4,582 million, which was primarily the result of (i) cash generated from operations of HK$5,476 million, and (ii) dividends received from equity investments of HK$44 million, partially offset by (i) taxes paid of HK$437 million and (ii) net interest paid of HK$501 million.

For FY2016, we had net cash generated from operating activities of HK$11,370 million, which was primarily the result of (i) cash generated from operations of HK$14,058 million, and (ii) dividends received from a joint venture of HK$366 million, partially offset by cash used, comprising (i) taxes paid of HK$1,833 million and (ii) net interest paid of HK$1,297 million.

For FY2015, we had net cash generated from operating activities of HK$11,419 million, which was primarily the result of (i) cash generated from operations of HK$14,413 million, and (ii) dividends received from a joint venture of HK$71 million, partially offset by cash used, comprising (i) taxes paid of HK$1,869 million and (ii) net interest paid of HK$1,252 million.

For FY2014, we had net cash generated from operating activities of HK$10,276 million, which was primarily the result of (i) cash generated from operations of HK$13,023 million, and (ii) dividends received from a joint venture of HK$133 million, partially offset by cash used, comprising (i) taxes paid of HK$1,634 million and (ii) net interest paid of HK$1,288 million.

Investing activities

During the Track Record Period, our cash inflow from investing activities was principally attributable to cash advances from our immediate holding company and fellow subsidiaries, net decrease in interest in associate or joint ventures and proceeds from disposal of equity investments. Our cash outflow used in investing activities was principally for additions of investment properties, hotel and club properties, plant and equipment, purchase of equity investments and repayments to our immediate holding company and fellow subsidiaries.

For 1H2017, we had net cash generated from investing activities of HK$178 million primarily attributable to cash advances from our immediate holding company of HK$1,996 million. The cash inflow was partially offset by cash outflow for additions of investment properties of HK$493 million in relation to the construction cost for Suzhou IFS and renovation work carried out in existing investment properties and additions to hotel and club properties, plant and equipment of HK$693 million.

For FY2016, we had net cash generated from investing activities of HK$6,248 million primarily attributable to cash advances from our immediate holding company of HK$10,354 million and a repayment from our immediate holding company of HK$4,250 million. The cash inflow was partially offset by cash outflow for additions of investment properties of HK$7,704 million for the acquisition of our premises at Wheelock House, construction cost for Suzhou IFS and renovation work carried out in existing investment properties and additions to hotel and club properties, plant and equipment of HK$1,017 million.

For FY2015, we had net cash generated from investing activities of HK$1,111 million primarily attributable to repayment from our immediate holding company of HK$2,903 million. The cash inflow was partially offset by cash outflow for additions of investment properties of HK$1,391 million mainly for construction cost for Suzhou IFS and renovation work carried out in existing investment properties and purchase of equity investments of HK$1,175 million.

For FY2014, we had net cash used in investing activities of HK$7,793 million primarily attributable to additions of investment properties of HK$3,870 million for the acquisition of Crawford House, additions to hotel and club properties, plant and equipment of HK$682 million and cash advances to our immediate holding company of HK$3,615 million.

Financing activities

During the Track Record Period, our cash inflow from financing activities was principally from the drawdown of loans from banks and fellow subsidiaries. Our cash outflow used in financing activities was principally for the repayment of loans from banks and fellow subsidiaries and dividends paid.

For 1H2017, we had net cash used in financing activities of HK$7,955 million primarily attributable to a decrease in loans from fellow subsidiaries of HK$5,978 million and net repayment of bank loans of HK$1,497 million.

For FY2016, we had net cash used in financing activities of HK$18,502 million primarily attributable to total dividends paid of HK$16,106 million and net repayment of bank loans of HK$4,561 million. The cash outflow was partially offset by cash inflow from an increase in loans from fellow subsidiaries of HK$2,397 million.

For FY2015, we had net cash used in financing activities of HK$11,016 million primarily attributable to total dividends paid of HK$8,423 million and net repayment of bank loans of HK$6,013 million. The cash outflow was partially offset by cash inflow from an increase in loans from fellow subsidiaries of HK$3,420 million.

For FY2014, we had net cash used in financing activities of HK$3,119 million primarily attributable to total dividends paid of HK$4,975 million. The cash outflow was partially offset by cash inflow from net drawdown of bank loans of HK$437 million and an increase in loans from fellow subsidiaries of HK$1,419 million.

Net Current Assets and Liabilities

We recorded net current assets of HK$6,689 million and HK$870 million as at 31 December 2014 and 2015 and net current liabilities of HK$16,613 million, HK$20,583 million and HK$28,433 million as at 31 December 2016, 30 June 2017 and 30 September 2017, respectively. The table below shows selected information for our current assets and current liabilities as at the dates indicated, respectively:

	As at 31 December			As at 30 June	As at 30 September
	2014	2015	2016	2017	2017
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million (unaudited)
Current assets					
Properties for sale	4,979	2,699	1,957	930	969
Inventories	14	11	11	11	11
Trade and other receivables	1,231	1,048	818	967	918
Derivative financial assets	80	1	—	—	—
Prepaid tax	119	129	164	18	41
Bank deposits and cash	5,273	6,501	5,212	2,171	2,098
Amount due from our immediate holding company	7,511	4,608	358	674	154
Amounts due from fellow subsidiaries	452	—	—	—	—
	19,659	14,997	8,520	4,771	4,191
Current liabilities					
Trade and other payables	7,639	7,285	7,932	7,179	7,370
Deposits from sale of properties	4,373	4,691	5,030	3,664	3,783
Derivative financial instrument	45	2	—	—	—
Taxation payable	577	561	533	1,438	1,752
Bank loans	250	1,529	1,232	685	200
Amount due to our immediate holding company	—	—	10,354	12,350	19,489
Amounts due to fellow subsidiaries	86	59	52	38	30
	12,970	14,127	25,133	25,354	32,624
Net current assets/(liabilities)	6,689	870	(16,613)	(20,583)	(28,433)

Our net current assets decreased from HK$6,689 million as at 31 December 2014 to HK$870 million as at 31 December 2015. The decrease was primarily due to (i) a decrease in properties for sale of HK$2,280 million as a result of the recognition of sale of development properties and a decrease in cost capitalised in accordance with the timing of completion; (ii) an increase in the current portion of bank loans of HK$1,279 million; and (iii) a decrease in amount due from our immediate holding company of HK$2,903 million.

We recorded net current liabilities of HK$16,613 million as at 31 December 2016 which were primarily due to (i) change of net position from an amount due from our immediate holding company to an amount due to our immediate holding company of HK$10,354 million, which mostly arose from amounts we borrowed from our immediate holding company to fund our operations and the acquisition of our premises at Wheelock House in FY2016; and (ii) a decrease in the amount due from our immediate holding company of HK$4,250 million in accordance with the treasury arrangements within the Wharf Group, of which we were a part during the Track Record Period.

Our net current liabilities increased to HK$20,583 million as at 30 June 2017. The increase was primarily due to (i) an increase in the amount due to our immediate holding company of HK$1,996 million which was used for funding part of the repayment of our loan from our fellow subsidiaries; and (ii) a decrease in bank deposits and cash, mainly resulting from payment of the construction expenses for The Murray and Suzhou IFS.

Our net current liabilities then increased to HK$28,433 million as at 30 September 2017. The increase was mainly due to the further increase in amount due to our immediate holding company of HK$7,139 million primarily as a result of a dividend of HK$10,205 million declared by WEL on 30 July 2017 which is payable to Wharf.

Working Capital

In view of the business nature of investing in investment properties and property development (i.e. capital intensive and long development cycle), we are prone to fluctuations in net cash flow as well as the net position of our current assets and currents liabilities. Our operations during the Track Record Period were financed by a combination of proceeds from operations, loans from fellow subsidiaries, bank loans and aggregate amounts due to our immediate holding company and fellow subsidiaries. As at 31 December 2016 and 30 June 2017, we recorded net current liabilities of HK$16,613 million and HK$20,583 million, respectively, due to amounts due to our immediate holding company and fellow subsidiaries.

Going forward, we expect to use a combination of cash generated from our operating activities, bank loans, bonds and other types of debt and equity instruments to fund our future business operations. Such arrangement will give us flexibility to deal with daily cash flow fluctuations whilst minimising the working capital held. We will settle the amounts due under the Promissory Note as described below in "— Indebtedness — Settlement of Inter-Group

Balances". In addition, as part of the Reorganisation, Wharf will subscribe Shares for an aggregate subscription price of HK$1,000 million on the Distribution Record Date, which will be paid by Wharf to our Company in cash. The subscription proceeds will be used by our Company for its general working capital purposes.

After taking into consideration the financial resources available and expected to be available to us, including banking facilities and other internal resources, our Directors confirm, and the Joint Sponsors concur, that we have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this listing document.

Save as disclosed in this listing document, our Directors are not aware of any other factors that would have a material impact on our liquidity.

CAPITAL EXPENDITURES

During the Track Record Period, our capital expenditures have principally consisted of expenditures on acquisitions and improvements of investment properties, hotel and club properties, plant and equipment. We incurred capital expenditures of HK$7,790 million, HK$1,780 million, HK$8,759 million and HK$1,173 million, in FY2014, FY2015, FY2016 and 1H2017, respectively, the majority of which were used to acquire investment properties including the acquisitions of Crawford House in FY2014 and our premises at Wheelock House in FY2016, the extension of Ocean Terminal and the development of Suzhou IFS and The Murray. Between 30 June 2017 and the Latest Practicable Date, we did not incur any material capital expenditures.

For the period from 1 July 2017 to 31 December 2018, we expect that our capital expenditures will amount to approximately HK$3,600 million. This comprises conversion costs of Hampton Court into office premises, retail expansion in Harbour City and construction costs of Suzhou IFS and The Murray.

Our projected capital expenditures are subject to revision based upon any future changes in our business plan, market conditions, and the prevailing economic and regulatory environment.

We expect to fund our contractual commitments and capital expenditures principally using a combination of cash generated from our operating activities, bank loans, bonds and other types of debt and equity instruments. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months.

CONTRACTUAL AND CAPITAL COMMITMENTS

Commitments

As at 30 June 2017, we had the following committed and uncommitted expenditures:

	Committed	Uncommitted	Total
	HK$ million	HK$ million	HK$ million
Properties			
- Investment properties	1,407	2,569	3,976
- Development properties	425	2,125	2,550
	1,832	4,694	6,526
Hotels	899	124	1,023
Total	2,731	4,818	7,549

Commitments for investment and development properties amounted to HK$6,526 million as at 30 June 2017 which were mainly for the conversion costs of Hampton Court into office premises and development of Suzhou IFS and the Shanghai South Station project. Commitments for hotels amounted to HK$1,023 million as at 30 June 2017 which was primarily for the development of The Murray. The expenditure for development properties includes amounts attributable to developments undertaken by our joint ventures and associate in the PRC of HK$2,255 million as at 30 June 2017.

INDEBTEDNESS

Our indebtedness consists of bank loans and loans from fellow subsidiaries. The following table shows our total indebtedness as at the dates indicated:

	As at 31 December			As at 30 June	As at 30 September
	2014	2015	2016	2017	2017
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million (unaudited)
Bank loans	14,956	8,943	4,382	2,885	2,250
Loans from fellow subsidiaries	25,163	28,583	30,980	25,002	25,318
Total indebtedness	40,119	37,526	35,362	27,887	27,568

As at 31 December 2014, 2015, 2016 and 30 June 2017, bank loans accounted for 37.3%, 23.8%, 12.4% and 10.3% of our total indebtedness, respectively, whilst loans from fellow subsidiaries accounted for 62.7%, 76.2%, 87.6% and 89.7% of our total indebtedness, respectively.

Bank loans

The following table shows our total bank loans and their respective maturity profile as at the dates indicated:

	As at 31 December			As at 30 June	As at 30 September
	2014	2015	2016	2017	2017
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
					(unaudited)
Bank loans (secured)					
Due after 1 year but not exceeding 2 years	6	—	—	—	—
Bank loans (unsecured)					
Due within 1 year	250	1,529	1,232	685	200
Due after 1 year but not exceeding 2 years	7,274	2,500	300	700	700
Due after 2 years but not exceeding 5 years	7,426	4,914	2,850	1,500	1,350
	14,950	8,943	4,382	2,885	2,250
Total bank loans	14,956	8,943	4,382	2,885	2,250

The following table shows the range of interest rates on our borrowings as at the dates indicated below:

	As at 31 December			As at 30 June	As at 30 September
	2014	2015	2016	2017	2017
Effective interest rate per annum	0.9% - 6.2%*(Note)*	0.9%-2.1%	0.9%-1.6%	1.2%-1.6%	1.2%-1.6%

Note: The relatively higher effective interest rate per annum in FY2014 compared to other periods during the Track Record Period was mainly due to the interest rates on loans denominated in RMB.

Our total bank loans as at 31 December 2014, 2015 and 2016 and 30 June 2017 amounted to HK$14,956 million, HK$8,943 million, HK$4,382 million and HK$2,885 million, of which HK$4,418 million, HK$4,800 million, HK$3,250 million and HK$1,750 million, respectively, were borrowed by the HCDL Group. Certain of the loans borrowed by the subsidiaries of HCDL were guaranteed by HCDL but non-recourse to us or to other subsidiaries of our Group outside the HCDL Group. Other than the loans borrowed by the HCDL Group, any loan facilities of our other subsidiaries guaranteed by Wharf has been or will be replaced or terminated prior to the Listing. During the Track Record Period, substantially all the bank loans were unsecured.

The facility agreements in respect of certain of the above borrowings contain financial covenants which require that, at any time, the consolidated tangible net worth of the HCDL Group or the Wharf Group, as the case may be, is not less than, and the ratio of borrowings to consolidated tangible net worth of the HCDL Group or the Wharf Group, as the case may be, is not more than, certain required levels of the HCDL Group or the Wharf Group, as the case may be.

The above loan facilities contain certain provisions which restrict the ability of the borrower and, where relevant, the guarantors to, among other things: (i) enter into any merger, consolidation, divestiture, change of its majority ownership or management which have or could have a material adverse effect; (ii) reduce the beneficial ownership of certain members of our Group; or (iii) enter into any corporate reconstruction which will have a material adverse effect on the business, assets or financial condition. We have notified the relevant banks and have obtained relevant waivers or consents, where applicable, in relation to our Reorganisation before Listing. During the Track Record Period and up to the Latest Practicable Date, we had not breached any of the material covenants of the loan facilities.

As at 30 September 2017, being the latest practicable date for the purpose of this indebtedness statement, we had aggregate loan facilities of HK$4,850 million, of which HK$2,600 million was unutilised. We have not committed to draw down the unutilised amount.

Our Directors confirm that, during the Track Record Period, we did not experience any delay or default in repayment of bank borrowings nor experience any difficulty in obtaining banking facilities with terms that were commercially acceptable to us. As at the date of this listing document, other than the loans for repayment of the Promissory Note, we do not have any specific plan for material external debt financing.

Loans from fellow subsidiaries

Loans from fellow subsidiaries amounted to HK$25,163 million, HK$28,583 million, HK$30,980 million, HK$25,002 million and HK$25,318 million, respectively as at 31 December 2014, 2015, 2016 and 30 June 2017 and 30 September 2017 and were unsecured, interest bearing at market rates and repayable on demand. The loans from fellow subsidiaries were classified as non-current liabilities as they confirmed that they would not call upon our Group to repay any part of the loans for the next twelve months at the end of each reporting period. The effective interest rate per annum on loans from fellow subsidiaries ranged from 1.3% to 6.1%, 1.6% to 6.1%, 1.4% to 6.1%, 1.4% to 6.1% and 1.4% to 6.1% for FY2014, FY2015, FY2016 and 1H2017 and for the nine months ended 30 September 2017, respectively. Certain of our loans denominated in foreign currencies are of higher interest rates than those of loans denominated in HKD with reference to the prevailing market rate. All the loans from fellow subsidiaries are expected to be settled on the Listing Date by issuance of the Promissory Note.

Settlement of Inter-Group Balances

Our Company will issue the Promissory Note immediately prior to completion of the Spin-off to settle the Inter-Group Balances. The Promissory Note is expected to be settled by (i) the payment of cash and (ii) the assumption by our Company or its subsidiaries of the liabilities of Wharf or its subsidiaries under certain novated banking facilities, within five business days after completion of the Spin-off. The Promissory Note will be non-interest bearing (except in regards to any amount which remains unpaid after the fifth business day following the Listing Date, after which interest will be payable at the rate per annum being the aggregate of 1% per annum and the effective average interest rate per annum on the Inter-Group Balances until the date of payment of all outstanding amounts).

The settlement of the Promissory Note will be funded by (i) a loan facility dated 13 October 2017 in the total amount of approximately HK$20.0 billion provided to Wharf REIC Finance Limited (the "**Borrower**"), a wholly-owned subsidiary of our Company, which is guaranteed by our Company (the "**Guarantor**"), by HSBC ("**Loan Facility A**"), (ii) new loan facilities signed in October 2017 in the total amount of approximately HK$17.8 billion provided to the Borrower, and guaranteed by the Guarantor, by a number of lenders ("**New Loan Facilities**"), and (iii) the assumption by our Company or its subsidiaries of the liabilities of Wharf or its subsidiaries in the total amount of approximately HK$10.5 billion under certain novated banking facilities (together with Loan Facility A and the New Loan Facilities, the "**Loan Facilities**" and each a "**Loan Facility**"). The aggregate amount of the Loan Facilities is approximately HK$48 billion. The Loan Facilities are not guaranteed by Wheelock and/or its associates other than our Company. The Directors consider that we are in a strong financial position and have substantial assets which are free from encumbrances, which will enable us to raise additional borrowings independently when needed.

The Loan Facilities contain financial covenants requiring that (i) the consolidated tangible net worth of our Group will not be less than a specified amount; and (ii) the ratio of its consolidated net borrowings of our Group (including contingent liabilities or guarantee obligations for borrowed money) to its consolidated tangible net worth shall not exceed a specified threshold.

Each of the Loan Facilities also contains certain customary events of default. The following sets out a summary of such events of default:

- failure by the Borrower or the Guarantor to comply with the terms and conditions of the relevant Loan Facility; or failure by the Guarantor to comply with its financial obligations under the relevant Loan Facility or the guarantee of the relevant Loan Facility;

- cross default in relation to the indebtedness of the Borrower or the Guarantor or their wholly-owned subsidiaries;

- liquidation, winding up or dissolution of, or cessation of business by, the Borrower or the Guarantor;

- change in the financial condition of the Borrower or the Guarantor which could materially and adversely affect their ability to perform their obligations under the relevant Loan Facility or the guarantee of the relevant Loan Facility;

- the suspension of trading or the cessation of listing of the Guarantor's shares on the Stock Exchange (save for suspension of less than a specified period); and

- the occurrence of an event (including but not limited to merger, consolidation, divestiture, change of majority ownership or management) which has or could have a material adverse effect on the Guarantor.

At any time after the occurrence of an event of default which is continuing, subject to the applicable grace periods, the relevant lender may terminate the relevant Loan Facility and demand immediate repayment of all principal, interest and other sums under the Loan Facility (or any part thereof).

During the Track Record Period and up to the Latest Practicable Date, we did not breach any of the material covenants of our loan facilities.

Contingent liabilities

As at the Latest Practicable Date, we did not have any material contingent liabilities or guarantees, except for the guarantees of the Loan Facilities set out above and certain loans borrowed by subsidiaries of HCDL (see "Financial Information — Bank Loans" above regarding loans guaranteed by HCDL but non-recourse to us or to other subsidiaries of our Group outside the HCDL Group).

As at the Latest Practicable Date, save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, we did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENTS

As at the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

TRANSACTIONS WITH RELATED PARTIES

With respect to the related party transactions set forth in the Accountants' Report in Appendix I to this listing document, our Directors confirm that these transactions were conducted on normal commercial terms and are no less favourable to us than those available to independent third parties and were fair and reasonable and in the interest of our Shareholders as a whole.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the periods or as at each of the dates indicated:

	FY2014	FY2015	FY2016	1H2017
Profitability ratios				
Operating profit margin (%) (1)	59.7	66.9	70.2	73.9
Net profit margin (%) (2)	203.4	81.4	60.4	54.0
Return on shareholders' equity (%) (3)	17.5	6.7	5.0	2.4
Return on total assets (%) (4)	13.6	5.4	3.8	2.0

	As at 31 December			As at 30 June
	2014	2015	2016	2017
Liquidity ratios				
Current ratio (5)	1.5	1.1	0.3	0.2
Gearing ratio (%) (6)	19.5	17.8	17.3	13.3
Net debt to equity ratio (%) (7)	16.9	14.7	14.8	12.3

Notes:

(1) Operating profit margin for FY2014, FY2015, FY2016 and 1H2017 was calculated as operating profit divided by revenue for the respective period. See "— Review of Historical Results of Operation" above for more details on our operating profit margins.

(2) Net profit margin for FY2014, FY2015, FY2016 and 1H2017 was calculated as profit for the year/period divided by revenue for the respective year/period. See "— Review of Historical Results of Operation" above for more details on our net profit margins.

(3) Return on shareholders' equity for FY2014, FY2015, FY2016 and 1H2017 was calculated as profit attributable to shareholders of our Company for the respective year/period divided by the shareholders' equity as at the end of the respective year/period and multiplied by 100%. The calculation of the return on shareholders' equity for 1H2017 has not been annualised.

(4) Return on total assets for FY2014, FY2015, FY2016 and 1H2017 was calculated as profit for the respective year/period divided by the total assets as at the end of the respective year/period and multiplied by 100%. The calculation of the return on total assets for 1H2017 has not been annualised.

(5) Current ratios as at 31 December 2014, 2015, 2016 and 30 June 2017 were calculated based on the total current assets as at the respective dates divided by the total current liabilities as at the respective dates.

(6) Gearing ratios as at 31 December 2014, 2015, 2016 and 30 June 2017 were calculated based on the sum of (i) total interest-bearing bank loans and (ii) loans from fellow subsidiaries as at the respective dates divided by total equity as at the respective dates and multiplied by 100%.

(7) Net debt to equity ratios as at 31 December 2014, 2015, 2016 and 30 June 2017 were calculated based on net debt (being the sum of (i) total interest-bearing bank loans and (ii) loans from follow subsidiaries net of bank deposits and cash) as at the respective dates divided by total equity as at the respective dates.

Return on shareholders' equity

Our return on shareholders' equity was 17.5%, 6.7%, 5.0% and 2.4% for FY2014, FY2015, FY2016 and 1H2017, respectively. The continuous decrease during the Track Record Period was primarily due to the decrease in net profit mainly as a result of a reduction in the increase in fair value of investment properties. By excluding the attributable increase in fair value of our investment properties, our adjusted return on shareholders' equity during the Track Record Period was 3.7%, 4.1%, 4.4% and 2.2%, respectively.

Return on total assets

Our return on total assets was 13.6%, 5.4%, 3.8% and 2.0% for FY2014, FY2015, FY2016 and 1H2017, respectively. The continuous decrease during the Track Record Period was primarily due to the decrease in net profit mainly as a result of the reduction in the increase in fair value of investment properties. By excluding the increase in fair value of investment properties, our adjusted return on total assets during the Track Record Period was 3.0%, 3.4%, 3.4% and 1.8%, respectively.

Current ratio

Our current ratio was 1.5, 1.1, 0.3 and 0.2 as at 31 December 2014, 2015, 2016 and 30 June 2017, respectively. The decrease from 31 December 2014 to 31 December 2015 was mainly due to (i) the decrease in properties for sale and (ii) the reduction in amounts due from our immediate holding company. The further decrease from 31 December 2015 to 31 December 2016 was mainly due to (i) further decrease in properties for sale; (ii) the further reduction in amounts due from our immediate holding company; and (iii) the additional amounts due to our immediate holding company. The current ratio slightly decreased from 31 December 2016 to 30 June 2017, primarily due to the decrease in bank deposits and cash as well as in properties for sale.

Gearing ratio

Our gearing ratio was 19.5%, 17.8%, 17.3% and 13.3% as at 31 December 2014, 2015, 2016 and 30 June 2017, respectively. The decrease from 31 December 2014 to 31 December 2015 was mainly due to (i) the decrease in the balance of interest bearing bank loans and (ii) the increase in total equity, partially offset by the increase in loans from fellow subsidiaries. The decrease from 31 December 2015 to 31 December 2016 was mainly due to the decrease in the balance of interest bearing bank loans partially offset by the decrease in total equity. The subsequent decrease from 31 December 2016 to 30 June 2017 was mainly due to (i) the decrease in loans from fellow subsidiaries and (ii) the increase in total equity. If the net amount due to our immediate holding company and net amount due to fellow subsidiaries are also included, our adjusted gearing ratio was 15.7%, 15.6%, 22.2% and 18.9% as at 31 December 2014, 2015, 2016 and 30 June 2017, respectively.

Net debt to equity

Our net debt to equity ratio was 16.9%, 14.7%, 14.8% and 12.3% as at 31 December 2014, 2015, 2016 and 30 June 2017, respectively. The decrease from 31 December 2014 to 31 December 2015 was mainly due to (i) the decrease in balance of interest bearing bank loans and (ii) the increase in total equity, partially offset by the increase in loans from fellow subsidiaries. The slight increase from 31 December 2015 to 31 December 2016 was mainly due to (i) the decrease in total equity and (ii) decrease in bank deposits and cash offset by the decrease in balance of interest bearing bank loans. The subsequent decrease from 31 December 2016 to 30 June 2017 was mainly due to (i) the decrease in loans from fellow subsidiaries and (ii) the increase in total equity, partially offset by the decrease in bank deposits and cash. If the net amount due to our immediate holding company and net amount due to fellow subsidiaries are also included, our adjusted net debt to equity ratio was 13.1%, 12.6%, 19.7% and 17.9% as at 31 December 2014, 2015, 2016 and 30 June 2017, respectively.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to a variety of types of financial risk, such as market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

Details of the risks to which we are exposed are set out in note 3 to the Accountants' Report, the text of which is set out in Appendix I to this listing document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances that would give rise to a need to make a disclosure pursuant to the requirements under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.

LISTING EXPENSES

In relation to the Listing, we expect to incur listing expenses of approximately HK$66 million. During the Track Record Period, we did not incur any listing expenses. All the listing expenses are expected to be recognised as administrative and corporate expenses in our combined statements of profit or loss for the year ending 31 December 2017.

DIVIDENDS AND DIVIDEND POLICY

The Board currently intends to pay dividends corresponding to approximately 65% of our realised recurrent profit attributable to Shareholders derived from our investment properties and hotels in Hong Kong ("**Hong Kong IP**") from year to year ("**Distribution Profit**"). Realised recurrent profit from our Hong Kong IP excludes profit from our Hong Kong IP from unrealised revaluation gains, the recognition of deferred tax assets and any other material non-cash gains, and profit which the Board considers to be non-recurring in nature including among others disposal gains or gains on the issuance of securities.

The table below shows the Distribution Profits for the periods indicated:

	FY2014	FY2015	FY2016	1H 2017
	HK$ billion	HK$ billion	HK$ billion	HK$ billion
Profit attributable to shareholders of our Company excluding attributable increase in fair value of investment properties . . .	7.5	8.5	8.7	4.4
Less:				
Profit from the PRC attributable to shareholders of our Company	(0.2)	(0.5)	(0.2)	(0.2)
Distribution Profit	7.3	8.0	8.5	4.2

No dividend has been paid or declared by our Company since its date of incorporation. The dividends declared and paid by WEL to its then shareholder, Wharf, during the Track Record Period were HK$4,803 million, HK$8,297 million, HK$15,753 million and nil for FY2014, FY2015, FY2016 and 1H2017, respectively. For the same periods, the dividends declared and paid by HCDL to non-controlling interests were HK$172 million, HK$126 million, HK$353 million and HK$141 million, respectively. On 30 July 2017 WEL declared a dividend in the sum of HK$10,205 million, which is payable to Wharf and which will be part of the Inter-Group Balances. The Inter-Group Balances will be settled by way of the Promissory Note. The Promissory Note is expected to be settled by (i) the payment of cash and (ii) the assumption by our Company or its subsidiaries of the liabilities of Wharf or its subsidiaries under certain novated banking facilities, within five business days after completion of the Spin-off. See "Financial Information — Indebtedness" for further information.

The declaration of dividends is subject to the discretion of our Board and the approval of our Shareholders (except for interim dividends) as may be necessary. The Board will consider our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the Cayman Islands Companies Law, including the approval of our Shareholders (except for interim dividends). Also see "Risk Factors — Other Risks Relating to our Group — Our future dividend payments will be subject to the discretion of the Board."

Any dividends declared will be in Hong Kong dollars with respect to our Shares on a per share basis, and our Company will pay such dividends in Hong Kong dollars.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 13 April 2017 and is an investment holding company. There were no reserves available for distribution to the Shareholders as at the Latest Practicable Date. On the Distribution Record Date, as part of the Reorganisation, Wharf will subscribe Shares for an aggregate subscription price of HK$1,000 million, of which approximately HK$697 million will be credited to our share premium account and become a distributable reserve.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

See "Appendix II — Unaudited Pro Forma Financial Information" for our unaudited pro forma adjusted combined net tangible assets.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

See "Dividends and Dividend Policy" above for details of dividends declared and payable by WEL to Wharf during the period from the end of the Track Record Period and up to the Latest Practicable Date.

Our Directors have confirmed that (i) there were no material adverse changes in the business, or the financial or operating position, of our Group from 30 June 2017 up to 31 August 2017, and (ii) since 30 June 2017 and up to the date of this listing document, there has been no material adverse change in the market conditions or the industry or the environment in which we operate that materially and adversely affect our financial or operating position or the prospects of our Group.

In relation to the issuance of the Promissory Note which is expected to be settled by (i) the payment of cash funded by bank borrowings and (ii) the assumption by our Company or its subsidiaries of the liabilities of Wharf or its subsidiaries under certain novated banking facilities within five business days after completion of the Spin-off, we expect that as a result of such bank borrowings (including novated liabilities), our gearing ratio and net debt to equity ratio will increase and also expect to incur additional finance costs. If such bank borrowings had existed on 30 June 2017, based on Note 7 to the unaudited pro forma combined statement of financial position of our Group set out on page II-5 in "Appendix II — Unaudited Pro Forma Financial Information", our gearing ratio and net debt to equity ratio as at 30 June 2017 would have been 24.9% and 23.3%, respectively. See "Financial Information — Indebtedness — Settlement of Inter-Group Balances" for further information in relation to the bank borrowings for settling the Promissory Note.

OVERVIEW

Our Directors

Our Board currently consists of eight Directors, comprising four Executive Directors and four Independent Non-executive Directors. The following table sets out certain information of our Directors:

Name	Age	Position	Date of appointment as Director	Date of first joining the Wharf Group	Roles and Responsibilities in our Group
Mr. Ng Tin Hoi Stephen (吳天海先生)	65	Chairman, Executive Director and Managing Director	13 April 2017	1 April 1981	Overall strategic planning and major decision making for our Group
Ms. Lee Yuk Fong Doreen (李玉芳女士)	61	Executive Director and Vice Chairman	8 August 2017	9 January 1984	Overseeing our portfolio of investment properties in Hong Kong and the PRC
Ms. Leng Yen Thean (凌緣庭女士)	46	Executive Director	8 August 2017	11 November 2004	Managing our core investment properties in Hong Kong, namely Harbour City, Times Square and Plaza Hollywood
Mr. Leung Kai Hang (梁啟亨先生)	73	Executive Director	8 August 2017	1 April 1983	Overseeing our finance and treasury functions
Mr. Au Siu Kee Alexander (歐肇基先生)	71	Independent Non-executive Director	23 October 2017	22 October 2012	Overseeing the management of our Group independently
Mr. Andrew James Seaton (奚安竹先生)	63	Independent Non-executive Director	23 October 2017	23 October 2017	Overseeing the management of our Group independently
Mr. Richard Gareth Williams (韋理信先生)	69	Independent Non-executive Director	23 October 2017	23 October 2017	Overseeing the management of our Group independently
Professor Yeoh Eng Kiong (楊永強教授), *GBS, JP*	71	Independent Non-executive Director	23 October 2017	1 July 2014	Overseeing the management of our Group independently

DIRECTORS

Executive Directors

Mr. Ng Tin Hoi Stephen (吳天海先生), aged 65, was appointed as our Director on 13 April 2017, designated as an Executive Director and appointed as the Chairman on 8 August 2017 and appointed as the Managing Director of our Company on 24 October 2017. He also serves as the chairman of our Nomination Committee and a member of our Remuneration Committee. Mr. Ng performs a leadership role in monitoring and evaluating our business, and is primarily responsible for the overall strategic planning and major decision making for our Group.

Mr. Ng has been a director of Wheelock since August 1988 and became its deputy chairman in January 1995. He has also been the managing director of Wharf since May 1989 and became its chairman in May 2015. He has been chairman and executive director of HCDL since April 2009. Furthermore, he has been a non-executive director of Joyce Boutique Holdings Limited (stock code: 647) (which is principally engaged in fashion retail, brand management and distribution) since August 2000 and was elected as its non-executive chairman since November 2007, chairman of Wheelock Singapore (stock code: M35) (which is principally engaged in property investment and development, with a focus on luxury residences) since April 2013, director and chief executive officer of i-CABLE Communications Limited (stock code: 1097) (which is principally engaged in the provision of television, internet and multimedia services) from September 1999 to September 2017 and its chairman from August 2001 to September 2017, as well as a non-executive director of Hotel Properties Limited (stock code: H15) (an associate of Wheelock which is principally engaged in hotel management and operation, property development and investment holding) since July 2014, all being publicly listed companies in Hong Kong or Singapore. He formerly served as a non-executive director of publicly listed Greentown China Holdings Limited (stock code: 3900) (one of the leading property developers in China) from June 2012 to March 2015. He is the chairman of Project *WeCan* Committee, chairman of the Hong Kong General Chamber of Commerce, and a council member of the Employers' Federation of Hong Kong and the Hong Kong Trade Development Council respectively.

Mr. Ng attended Ripon College in Ripon, Wisconsin, the United States of America and received his bachelor of arts degree majoring in Mathematics in May 1975.

Mr. Ng serves as the Chairman and has assumed the responsibilities of a chief executive of our Company. Such deviation from Code Provision A.2.1 of the Corporate Governance Code in Appendix 14 to the Listing Rules is deemed appropriate as it is considered to be more efficient to have one single person to be the Chairman of our Company as well as to discharge the executive functions of a chief executive thereby enabling more effective planning and better execution of long-term strategies. Our Board believes that the balance of power and authority is adequately ensured by the operations and governance of our Board which comprises experienced and high calibre individuals, with half of them being Independent Non-executive Directors.

Ms. Lee Yuk Fong Doreen (李玉芳女士), aged 61, was appointed as an Executive Director on 8 August 2017 and appointed as the Vice Chairman of our Company on 24 October 2017. She is primarily responsible for overseeing our Group's portfolio of investment properties in Hong Kong and the PRC.

Ms. Lee has been a director of Wharf since March 2003 and has been its vice-chairman since May 2015. She is the chairman and senior managing director of WEL and Wharf China Estates Limited with the responsibility to oversee our portfolio of investment properties in Hong Kong and the PRC. She was formerly a non-executive director of HCDL from July 2010 to July 2012. She has also been a non-executive director of Joyce Boutique Holdings Limited since November 2003 (stock code: 647) (which is principally engaged in fashion retail, brand management and distribution), which is a publicly listed company in Hong Kong.

Ms. Lee obtained a bachelor's degree in Arts (Hon) from The University of Hong Kong in November 1978.

Ms. Leng Yen Thean (凌緣庭女士), *MRICS, MHKIS, RPS,* aged 46, was appointed as an Executive Director on 8 August 2017. She is primarily responsible for managing our core investment properties in Hong Kong, namely Harbour City, Times Square and Plaza Hollywood.

Ms. Leng has been an executive director of Wharf from April 2013 and has tendered her resignation as an executive director of Wharf which will take effect upon Listing. She has extensive experience in the real estate industry, in particular, leasing and management of large scale commercial and retail properties, and the planning, design and development of property projects in Hong Kong. She has been a director of WEL since February 2010 and was re-designated as an executive director of WEL in April 2013. She was formerly a non-executive director of HCDL from July 2012 to April 2013.

Ms. Leng obtained a bachelor's degree in Land Management from the University of Portsmouth, the United Kingdom with first class honours in September 1994. She has been a chartered surveyor of Royal Institution of Chartered Surveyors since January 1998 and the Hong Kong Institute of Surveyor since June 1998. She has also been a registered professional surveyor since October 1999.

Mr. Leung Kai Hang (梁啟亨先生), aged 73, was appointed as an Executive Director on 8 August 2017. He has been the group treasurer of the Wheelock Group and the Wharf Group since November 2007.

Mr. Leung joined the Wharf Group in 1983, where he was primarily responsible for finance and treasury. He served on the board of Wheelock as finance director from April 1992 to December 2002, and was formerly a director of Wharf from June 1998 to December 2002. He rejoined the Wharf Group in November 2007.

Mr. Leung obtained a bachelor's degree and postgraduate diploma in social work from The University of Hong Kong in November 1967 and August 1968, respectively.

Independent Non-Executive Directors

Mr. Au Siu Kee Alexander (歐肇基先生), *FCA, FCCA, FCPA, AAIA, FCIB, FHKIB*, aged 71, was appointed as an Independent Non-executive Director on 23 October 2017. He also serves as the chairman of our Audit Committee and our Remuneration Committee as well as a member of our Nomination Committee.

A banker by profession, Mr. Au was the chief executive officer of Hang Seng Bank Limited from October 1993 to March 1998 and of Oversea-Chinese Banking Corporation Limited in Singapore from September 1998 to April 2002. Currently, Mr. Au is the chairman and non-executive director of Henderson Sunlight Asset Management Limited, manager of the publicly-listed Sunlight Real Estate Investment Trust (stock code: 435). He is an independent non-executive director of Wharf from October 2012 and has tendered his resignation as an independent non-executive director of Wharf which will take effect upon Listing. He is also an independent non-executive director of Henderson Investment Limited (stock code: 97), and a non-executive director of two other companies, namely Hong Kong Ferry (Holdings) Company Limited (stock code: 50) and Miramar Hotel and Investment Company, Limited (stock code: 71), all publicly listed in Hong Kong. Mr. Au was formerly an independent non-executive director of Wheelock from September 2002 to October 2012 and of Henderson Land Development Company Limited (stock code: 12) from December 2012 to June 2015, both publicly listed in Hong Kong. Mr. Au is a member of the Finance Committee of The Independent Schools Foundation Limited.

An accountant by training, Mr. Au is a Chartered Accountant as well as a fellow of The Institute of Chartered Accountants in England and Wales, The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Mr. Andrew James Seaton (奚安竹先生), aged 63, was appointed as an Independent Non-executive Director on 23 October 2017. He also serves as a member of our Remuneration Committee.

Mr. Seaton has been the executive director of the British Chamber of Commerce in Hong Kong, one of Hong Kong's largest international business bodies, since April 2015. He leads the work of the Chamber, with responsibility for its overall strategy and management, its financial status and staffing.

Mr. Seaton was formerly a member of the United Kingdom Diplomatic Service, from 1977 to 2013, during which his responsibilities focused mainly on the United Kingdom's relations with China and Hong Kong. He was a member of the British Embassy in Beijing and of the British Trade Commission from 1982 to 1986; and served as Deputy Consul General in Hong Kong from 1997 to 2000. He subsequently acted as the Head of China Department of the United Kingdom Foreign and Commonwealth Office from 2000 to 2003, providing policy advice on the United Kingdom's relations with and strategy towards China and Hong Kong. Mr. Seaton served as Her Majesty's Consul General to Hong Kong and Macau from 2008 to 2012. He also served in the British Embassy Dakar from 1979 to 1981 and as Her Majesty's Consul General in Chicago from 2003 to 2007.

Mr. Seaton was educated at the University of Leeds, the United Kingdom, where he obtained a Bachelor's Degree (first class honours) in Chinese Studies in July 1977. He attended the Beijing Foreign Language Institute (now known as Beijing Language and Culture University) as an exchange student from September 1975 to February 1976 and Peking University as an exchange scholar from March 1976 to July 1976.

Mr. Richard Gareth Williams (韋理信先生), aged 69, was appointed as an Independent Non-executive Director on 23 October 2017. He also serves as a member of our Audit Committee.

Mr. Williams has over 40 years of experience in the areas of property valuation and estate agency. He is the principal of Gareth Williams & Associates, which was established in January 2006 and is principally engaged in property valuation and estate agency, where he is primarily responsible for specialist property valuation and acquisitions and disposal of investment properties. He is also currently an independent non-executive director of IBI Group Holdings Limited, a publicly listed company in Hong Kong (stock code: 1547) which is principally engaged in the provision of renovation services as a main contractor for property projects in the private sector in Hong Kong and Macau.

Mr. Williams was a property investment director of Wheelock Properties (Hong Kong) Limited, a subsidiary of Wheelock, which is principally engaged in providing property services in Hong Kong, from October 2004 to July 2006 where he was responsible for overseeing the property services business, and he had been its independent non-executive director until November 2017. From June 2002 to September 2004, he worked as the chief executive of the Hong Kong office of Knight Frank Asia Pacific Pte. Ltd., which is principally engaged in providing property related services, where he was responsible for its overall management. From May 1979 to June 2002, Mr. Williams worked for Vigers Hong Kong Limited, which is principally engaged in valuation, property consultancy and estate agency, with his last position as the chairman and chief executive officer, where he was primarily responsible for provision of property valuation and estate agency services. From May 1976 to April 1979, Mr. Williams served as rating and valuation surveyor at the Rating and Valuation Department of the Hong Kong government.

Mr. Williams has been certified as a fellow of the Royal Institution of Chartered Surveyors in the United Kingdom and as a fellow of the Hong Kong Institute of Surveyors since June 1984 and December 1984 respectively. He was admitted as a member of the Chartered Institute of Arbitrators and a practising member of The Academy of Experts, both based in the United Kingdom, in December 1999 and April 2009 respectively. Mr. Williams has also been registered as a Registered Professional Surveyor (General Practice) with the Surveyors Registration Board in Hong Kong since 1 January 1993.

Professor Yeoh Eng Kiong (楊永強教授), *GBS, JP, FHKAM, FHKCCM, FHKCP, FRACMA, FRACP*, aged 71, was appointed as an Independent Non-executive Director on 23 October 2017. He also serves as a member of each of our Audit Committee and Nomination Committee. Professor Yeoh has been an independent non-executive director of Wharf from July 2014 and has tendered his resignation as an independent non-executive director of Wharf which will take effect upon Listing. His research is in health systems, services and policy with an interest in applying systems thinking in studying how the complex components of health systems interact and interrelate to improve health.

Professor Yeoh obtained bachelor's degrees in medicine and surgery from The University of Hong Kong in October 1971. He is a Professor of Public Health, a director at the Jockey Club School of Public Health and Primary Care of The Chinese University of Hong Kong and also Head of Division of Health System, Policy and Management at the Jockey Club School of Public Health and Primary Care.

Professor Yeoh served as Secretary for Health, Welfare and Food of the Hong Kong government between 1999 and 2004. He was the director of operations from 1990 to 1993 and chief executive from 1994 to 1999 of the Hong Kong Hospital Authority with responsibility for the management and transformation of the public hospital system.

Professor Yeoh is a member of the Research Council of the Food and Health Bureau and a co-chairperson of Grant Review Board Executive of the Health and Medical Research Fund, Food and Health Bureau of the Hong Kong government. Professor Yeoh was appointed a Justice of the Peace (non-official) in 1995. In 2005, he was awarded the Gold Bauhinia Star Medal by the Hong Kong government in recognition of his public service.

Save as disclosed in "— Our Directors" above and "Appendix VII — General Information", each Director had not held any other directorships in listed companies during the three years immediately prior to the Latest Practicable Date and each Director has no relationship with any other Directors, members of our senior management, our substantial shareholders and our controlling shareholders. To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there is no other matter that needs to be brought to the attention of our Shareholders, and there is no other information relating to our Directors to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Our Senior Management

Our senior management is responsible for the day-to-day management of our business. The table below sets out certain information of our senior management:

Name	Age	Position	Date of appointment	Date of joining the Wharf Group	Roles and Responsibilities in our Group
Ms. Lee Lai Yi (李麗儀女士)	54	Assistant Director and General Manager (Retail Leasing and Business Development) of HCEL	1 January 2013	1 May 1991	Overseeing the retail leasing of Harbour City
Ms. Leung Shuk Man Grace (梁淑敏女士)	48	General Manager of Times Square Ltd and Plaza Hollywood Ltd	1 January 2013	11 January 1999	Managing Times Square, and Plaza Hollywood
Ms. Luk Ah Man Irene (陸雅文女士)	45	Assistant General Manager (Personnel and Administration) of WEL	1 January 2014	15 January 2009	Overseeing the human resources management and service excellence development as well as the provision of central purchasing of our Group
Ms. Tam Kar Ying Karen (譚嘉瑩女士)	53	Assistant General Manager (Promotions and Marketing) of HCEL	1 January 2012	8 February 1993	Overseeing strategic branding, marketing and promotion of Harbour City and developing overseas market for Hong Kong shopping malls under our Group
Mr. Lau Yiu Leung Michael (劉耀良先生)	54	Assistant General Manager (Centre Management) of HCEL	1 January 2011	10 February 2000	Overseeing the operation of the Harbour City complex
Mr. Fung Chi Ho (馮子豪先生)	46	Assistant General Manager (Estates Project Management) of HCEL	1 January 2016	6 October 2014	Overall planning, implementation and design of new development and premises improvement projects of the properties of our Group

Ms. Lee Lai Yi (李麗儀女士), aged 54, has been the Assistant Director and General Manager (Retail Leasing and Business Development) of HCEL since January 2013. She is primarily responsible for retail leasing and business development (retail) of Harbour City. She joined the Wharf Group in 1991 and has extensive experience in property leasing. Ms. Lee graduated from Western Washington University, the United States of America with a Bachelor's Degree in Arts *(cum laude (first honour))* in June 1986.

Ms. Leung Shuk Man Grace (梁淑敏女士), *MRICS, MHKIS, RPS(GP)*, aged 48, has been the General Manager of Times Square Limited and Plaza Hollywood Limited, both subsidiaries of our Group, since January 2013. She is primarily responsible for supervising various teams including the leasing, operations, promotions and advertising, tenant services, technical services and retail business development departments. She joined the Wharf Group in 1999 and has extensive experience in the real estate industry. Ms. Leung graduated from the University of East London, the United Kingdom in July 1995 with a Bachelor's Degree in Land Management, and obtained a Master's Degree in Business Administration from Hong Kong Polytechnic University in December 2005.

Ms. Luk Ah Man Irene (陸雅文女士), aged 45, has been the Assistant General Manager (Personnel and Administration) of WEL since January 2014. She is primarily responsible for spearheading human resources and work environment management, corporate sustainability and the service excellence development as well as central purchasing of the investment properties under our Group. She joined the Wharf Group in 2009 and has extensive experience in human capital management. Prior to joining our Group, Ms. Luk held various human resources roles at Airport Authority Hong Kong from 1997 to 2009. Ms. Luk obtained a Master's Degree in Business Administration from University of Strathclyde, United Kingdom in November 2000.

Ms. Tam Kar Ying Karen (譚嘉瑩女士), aged 53, has been the Assistant General Manager (Promotions and Marketing) of HCEL since January 2012. She is primarily responsible for the strategic branding, marketing and promotion of Harbour City as well as developing overseas market for Hong Kong shopping malls under the Wharf Group. She joined our Group in 1993 and has extensive experience in marketing and promotion. Ms. Tam graduated from the Hong Kong Baptist College, now known as the Hong Kong Baptist University, in December 1986 with an Honours Diploma in Communication. She is the vice chairman of the Hong Kong Advertisers Association and the vice chairman of the Hong Kong Management Association Digital Marketing Community.

Mr. Lau Yiu Leung Michael (劉耀良先生), aged 54, has been the Assistant General Manager (Centre Management) of HCEL since January 2011. He is primarily responsible for the operations of Harbour City, supervising cleaning, security, car park management, landscape, repair and maintenance of common facilities including electrical and mechanical engineering equipment, tenant services as well as cruise terminal operation. Mr. Lau joined the Wharf Group in 2001 and has extensive experience in the property management industry. He has been a Chartered Member of the Chartered Institute of Housing Asian Pacific Branch since 2010, a member of Yau Tsim Mong District Fight Crime Committee since 2015, and a member of the Yau Tsim Mong South Area Committee between 2008 and 2014.

Mr. Fung Chi Ho (馮子豪先生), *RA, HKIA, AP,* aged 46, has been the Assistant General Manager (Estates Project Management) of HCEL since January 2016. He is primarily responsible for the overall planning, implementation and design of new development and premises improvement projects of our properties. He joined the Wharf Group in 2014 and has extensive experience in various property development projects in Hong Kong. Mr. Fung graduated from the Chinese University of Hong Kong in December 1994 with a Bachelor's

Degree in Social Science, and obtained a Master's Degree in Architecture from The Chinese University of Hong Kong in December 1997. He has been a member of the Hong Kong Institute of Architects and Registered Architect since 2000 and he has been registered in the Authorised Persons (List of Architects) with the Buildings Department of Hong Kong since 2001.

COMPANY SECRETARY

Mr. Hui Chung Ying Kevin (許仲瑛先生), *FCCA, CPA*, aged 60, was appointed as our company secretary of our Company on 8 August 2017.

Mr. Hui joined the Wheelock Group and the Wharf Group in November 1986 and has worked for the Wheelock Group and subsequently for the Wharf Group, gaining extensive experience in financial management and reporting control, auditing, taxation and corporate governance. He is currently the group financial controller of the Wharf Group and a director of Wharf Limited and Modern Terminals Limited, which are both subsidiaries of Wharf. Mr. Hui has been a non-executive director of HCDL since August 2015 and is also the company secretary of Wharf, HCDL, and Joyce Boutique Holdings Limited.

Mr. Hui has been an accountant by profession since 1986. He has been a fellow of the Association of Chartered Certified Accountants since November 1991, an associate of the Hong Kong Institute of Certified Public Accountants since October 1986 and a council member of The Taxation Institute of Hong Kong since December 2012.

BOARD COMMITTEES

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Audit Committee comprises three members, namely Mr. Au Siu Kee Alexander, Professor Yeoh Eng Kiong*, GBS, JP*, and Mr. Richard Gareth Williams, all of whom are our Independent Non-executive Directors. Mr. Au Siu Kee Alexander is the chairman of the Audit Committee and is the Independent Non-executive Director who possesses the appropriate professional qualifications. The primary duties of the Audit Committee include, among other things, considering issues relating to the appointment, re-appointment and removal of the external auditor, reviewing our financial information, overseeing our financial reporting system, risk management and internal control systems.

Remuneration Committee

We have established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Remuneration Committee comprises three members, namely Mr. Ng Tin Hoi Stephen, Mr. Au Siu Kee Alexander and Mr. Andrew James Seaton. Mr. Au Siu Kee Alexander was appointed as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee include, among other things, making recommendations to the Board on our policy and structure for all Directors' and senior management's remuneration, the establishment of a formal and transparent procedure for developing remuneration policy and the remuneration packages of our Directors and senior management.

Nomination Committee

We have established the Nomination Committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Nomination Committee comprises three members, namely, Mr. Ng Tin Hoi Stephen, Mr. Au Siu Kee Alexander and Professor Yeoh Eng Kiong*, GBS, JP*. Mr. Ng Tin Hoi Stephen has been appointed as the chairman of the Nomination Committee. The primary duties of the Nomination Committee include, among other things, making recommendations on any proposed changes to the Board to complement our corporate strategy.

REMUNERATION OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Our Directors and senior management receive remuneration from our Group in the form of salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind.

The aggregate amounts of remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) paid to our Directors for FY2014, FY2015, FY2016 and 1H2017 were HK$21.9 million, HK$21.0 million, HK$19.6 million and HK$11.0 million, respectively. None of our Directors had waived any remuneration during the same periods.

During the Track Record Period, two of the five highest paid individuals were our Directors. The aggregate amounts of remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) paid to our remaining three highest paid individuals, for FY2014, FY2015, FY2016 and 1H2017 were HK$7.5 million, HK$8.8 million, HK$9.1 million and HK$5.2 million, respectively.

No payment was made by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the Track Record Period.

Save as disclosed above, no other payments have been made or are payable in respect of the Track Record Period by any of member of our Group to any of our Directors.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors for FY2017 to be approximately HK$11.0 million.

See "Appendix VII — General Information — Further Information About Our Directors — 10. Directors' Service Contracts and Letters of Appointment" for further information.

COMPLIANCE ADVISER

We have appointed Somerley Capital Limited as our compliance adviser in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, we will consult with, and if necessary, seek advice from, our compliance adviser on a timely basis in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(c) where our business activities, developments or results deviate from any forecast, estimate, or other information in this listing document; and

(d) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares, the possible development of a false market in our Shares or any other matters.

The term of the appointment shall commence on the Listing Date and end on the date on which our Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date.

SHARE CAPITAL OF OUR COMPANY

The authorised and issued share capital of our Company is as follows:

		Aggregate nominal value
		HK$
Authorised share capital:		
5,000,000,000	Shares as at the date of this listing document	500,000,000
Shares issued or to be issued, fully paid or credited as fully paid:		
2	Shares in issue as at the date of this listing document	0.2
3,036,227,327	Shares to be issued pursuant to the Distribution	303,622,732.7
Shares to be surrendered for cancellation		
2	Shares to be surrendered for cancellation	0.2

Assumptions

The above table assumes that (a) the Listing becomes unconditional and (b) the total number of Wharf Shares in issue remains unchanged from the Latest Practicable Date to the Distribution Record Date, and takes no account of any Shares which may be allotted and issued or repurchased by our Company pursuant to the Issue Mandate and the Repurchase Mandate.

RANKING

Our Shares are ordinary shares in the share capital of our Company and will rank equally in all respects with each other, and will qualify for all dividends, income and other distributions declared, made or paid and any other rights and benefits attaching or accruing to our Shares following completion of the Spin-off.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Listing becoming unconditional, our Directors have been granted a general mandate to allot and issue Shares, details of which are set out in "Appendix VII — General Information — Further Information About Our Group — 3. Written Resolutions of our Sole Shareholder passed on 24 October 2017".

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Listing becoming unconditional, our Directors have been granted a general mandate to repurchase Shares, details of which are set out in "Appendix VII — General Information — Further Information About Our Group — 3. Written Resolutions of our Sole Shareholder passed on 24 October 2017" and "Appendix VII — General Information — Further Information About Our Group — 5. Repurchase of Shares".

So far as is known to any Director or chief executive of our Company as at the Latest Practicable Date, and assuming that the total number of Wharf Shares in issue remains unchanged from the Latest Practicable Date to the Distribution Record Date, immediately following completion of the Spin-off, the following persons will have an interest or a short position in our Shares and the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company, once our Shares are listed on the Stock Exchange:

Name	Capacity/nature of interest	Number of Shares held or interested(1)	Approximate shareholding percentage
(i) WF Investment	Beneficial interest	1,365,314,536(L)	44.97%
(ii) Lynchpin	Beneficial interest	253,779,072(L)	8.36%
(iii) High Fame	Beneficial interest	250,863,000(L)	8.26%
(iv) Wheelock Investments	Interest of a controlled corporation(3)	1,869,956,608(L)	61.59%
(v) Wheelock	Interest of a controlled corporation(3)	1,869,956,608(L)	61.59%
(vi) HSBC Trustee (C.I.) Limited	Interest of a controlled corporation(3)	1,869,956,608(L)	61.59%

Notes:

(1) The letter "L" denotes a long position in our Shares.

(2) The shareholdings stated against parties (iv), (v) and (vi) represent the same block of Shares.

(3) Immediately following completion of the Spin-off and assuming that their respective shareholding in Wharf remains unchanged on the Distribution Record Date, WF Investment, Lynchpin and High Fame will hold 1,365,314,536 Shares, 253,779,072 Shares and 250,863,000 Shares, respectively. Each of WF Investment, Lynchpin and High Fame is wholly-owned by Wheelock Investments, which in turn is wholly-owned by Wheelock. Wheelock in turn is owned as to 48.75% by HSBC Trustee (C.I.) Limited. By virtue of the SFO, each of Wheelock Investments, Wheelock and HSBC Trustee (C.I.) Limited is deemed to be interested in our Shares held by WF Investment, Lynchpin and High Fame.

OVERVIEW

As at the Latest Practicable Date, (a) Wheelock, was interested (through its wholly-owned subsidiaries, Wheelock Investments, High Fame, WF Investment and Lynchpin) in approximately 61.59% of the Wharf Shares in issue and (b) our Company was a direct wholly-owned subsidiary of Wharf and an indirect subsidiary of Wheelock.

Immediately following completion of the Spin-off, (a) our Company will cease to be a subsidiary of Wharf but will remain as a subsidiary of Wheelock, which will have an interest (through its wholly-owned subsidiaries, Wheelock Investments, High Fame, WF Investment and Lynchpin) in approximately 61.59% of the issued Shares in our Company and (b) Wheelock, Wheelock Investments, High Fame, WF Investment and Lynchpin will be our Controlling Shareholders of our Company. See "History and Corporate Structure" for the simplified corporate structure of our Group.

BACKGROUND OF OUR CONTROLLING SHAREHOLDERS

The Wheelock Group

Wheelock is incorporated in Hong Kong with limited liability, and its shares are listed on the Main Board of the Stock Exchange. The Wheelock Group includes certain Hong Kong listed subsidiaries, including Wharf and HCDL. The market capitalisation and the consolidated net assets attributable to shareholders of Wheelock as at 31 December 2016 were HK$88,815 million and HK$215,365 million, respectively. The consolidated revenue and net profits attributable to shareholders of Wheelock for FY2016 were HK$60,579 million and HK$16,294 million, respectively.

Wheelock also holds approximately 76% of the issued shares of Wheelock Properties (Singapore) Limited, a company incorporated in Singapore, whose shares are listed on the Singapore Exchange Securities Trading Limited and whose principal business is property investment and development in Singapore.

Immediately following completion of the Spin-off and assuming that their respective shareholding in Wharf remains unchanged on the Distribution Record Date, WF Investment, Lynchpin and High Fame will hold 44.97%, 8.36% and 8.26%, respectively, of our Company. Each of WF Investment, Lynchpin and High Fame is wholly-owned by Wheelock Investments, which is wholly-owned by Wheelock.

The Wharf Group

Wharf is incorporated in Hong Kong with limited liability, and its shares are listed on the Main Board of the Stock Exchange. The Wharf Group includes HCDL, whose shares are listed on the Main Board of the Stock Exchange. The market capitalisation and consolidated net assets attributable to shareholders of Wharf as at 31 December 2016 were HK$156,306 million and HK$316,794 million, respectively.

The consolidated revenue and net profits attributable to equity shareholders of Wharf for FY2016 were HK$46,627 million and HK$21,440 million, respectively. As at the Latest Practicable Date, approximately 61.59% of Wharf was held by Wheelock through its wholly-owned subsidiaries.

INDEPENDENCE OF OUR GROUP FROM THE REMAINING WHARF GROUP AND THE EX-WHARF WHEELOCK GROUP

Our Directors are of the view that we are capable of carrying on our business independently of the Remaining Wharf Group and the Ex-Wharf Wheelock Group following completion of the Spin-off on the basis set out below:

(a) Clear Delineation of Business

There is a clear and distinct business focus of each of our Group, the Remaining Wharf Group and the Ex-Wharf Wheelock Group as set out below.

Our Group

Upon completion of the Spin-off, our Group (including the HCDL Group) will be principally engaged in property investment in Hong Kong, holding strategic and substantial commercial investment properties in Hong Kong.

We have an insignificant interest in certain non-core PRC property interests, which are held by the HCDL Group. As at 30 June 2017, such interests represented approximately 3% of our total assets (excluding cash, certain financial investments, deferred tax assets and other derivative financial assets). As explained in "Business — Our Property Portfolio", (i) in respect of the investment properties in the PRC, we have been informed by the HCDL Group that it currently intends to divest its interests in such properties if appropriate offers with acceptable commercial terms from third parties are received and (ii) in respect of properties held for sale in the PRC, the HCDL Group intends to sell all such properties when they are completed. We do not intend to further engage in property development in the PRC and also do not have any current intention to engage in property development in Hong Kong as our principal business.

The Remaining Wharf Group

Upon completion of the Spin-off, the Remaining Wharf Group will be principally engaged in property investment and development in the PRC as well as its logistics business in Hong Kong and the PRC.

The Remaining Wharf Group holds certain investment properties in Hong Kong primarily comprising residential properties and commercial properties which are under development or held for development and which are not located in the vicinity of our investment properties. The Remaining Wharf Group holds residential investment properties in Hong Kong which mainly comprise a portfolio of properties at the Peak, Hong Kong (the "**Peak Portfolio**"), namely 1

Plantation Road, 77 Peak Road, Mountain Court, Chelsea Court and Strawberry Hill. The Remaining Wharf Group also holds other investment properties in Hong Kong which mainly comprise (i) one commercial building, namely, 8 Bay East at Kwun Tong (under development)[(Note)]; and (ii) Kowloon Godown in Kowloon Bay, for which the redevelopment plan into a residential and commercial development has been approved. Such investment properties had an asset value of HK$19,357 million, representing approximately 9% and 7% of the total assets of the Remaining Wharf Group and our Group, respectively, as at 31 December 2016. The Peak Portfolio comprises residential premises, and other investment properties held by the Remaining Wharf Group are located outside of Central, Tsim Sha Tsui and Causeway Bay where our properties in Hong Kong are located. Accordingly, the Remaining Wharf Group does not hold, nor does it currently intend to hold, any strategic or substantial commercial investment properties in Hong Kong that would compete with our properties.

Notwithstanding that the Remaining Wharf Group will continue to hold certain investment properties in Hong Kong, our Directors are of the view that there will be a clear delineation of our business and the business of the Remaining Wharf Group because of the different use and locations of the Remaining Wharf Group's investment properties in Hong Kong and that most of the Remaining Wharf Group's investment properties are under development or held for development.

The Ex-Wharf Wheelock Group

Upon completion of the Spin-off, the Ex-Wharf Wheelock Group will principally be engaged in property development in Hong Kong and, through Wheelock Singapore, property investment and development in Singapore. The Ex-Wharf Wheelock Group does not have any current intention to invest in investment properties in Hong Kong and the properties which it develops in Hong Kong are principally for sale.

As part of the Ex-Wharf Wheelock Group's Hong Kong property development business, while substantially all of the properties developed are intended for sale, the Ex-Wharf Wheelock Group may, however, initially retain some commercial premises (generally comprising shops or retail malls of much smaller scale targeting a different market to that of our Group, that are ancillary to the development project, which typically are residential buildings) pending sale at an appropriate price. Notwithstanding the foregoing, our Directors are of the view that there will be a clear delineation of our business and the business of the Ex-Wharf Wheelock Group because the commercial premises which may be retained by the Ex-Wharf Wheelock Group for a transitory period pending sale are of a different nature, purpose and size to those of our Group.

Note: The Remaining Wharf Group has entered into a sale and purchase agreement to dispose of 8 Bay East, and the completion is expected to take place on or before 29 December 2017.

Save as disclosed above, neither our Controlling Shareholders nor our Directors are interested in any business apart from our business which competes or is likely to compete, directly or indirectly, with our business.

(b) **Independence of Directors and Management**

Upon completion of the Spin-off, certain of our Directors will continue to hold directorships and roles in the Remaining Wharf Group and the Ex-Wharf Wheelock Group as set out below:

	Our Company	**Our Group (excluding our Company)**	**The Remaining Wharf Group**	**The Ex-Wharf Wheelock Group**
Mr. Ng Tin Hoi Stephen	Chairman, Executive Director and Managing Director	Director and chairman of HCDL	• Chairman and managing director of Wharf • Chairman of Modern Terminals Limited	• Deputy chairman of Wheelock • Chairman of Wheelock Singapore
Ms. Lee Yuk Fong Doreen	Executive Director and Vice Chairman	None	• Executive director of Wharf • Chairman and senior managing director of Wharf China Estates Limited	None
Ms. Leng Yen Thean . .	Executive Director	None	None[1]	None
Mr. Leung Kai Hang . .	Executive Director	None	Group treasurer	Group treasurer
Mr. Au Siu Kee Alexander	Independent Non-executive Director	None	None[2]	None
Professor Yeoh Eng Kiong, *GBS, JP*	Independent Non-executive Director	None	None[2]	None

Notes:

(1) Ms. Leng Yen Thean has tendered her resignation as an executive director of Wharf which will take effect upon Listing.

(2) Mr. Au Siu Kee Alexander and Professor Yeoh Eng Kiong, *GBS, JP*, have tendered their resignations as independent non-executive directors of Wharf which will take effect upon Listing.

	Our Company	Our Group (excluding our Company)	The Remaining Wharf Group	The Ex-Wharf Wheelock Group
Mr. Richard Gareth Williams	Independent Non-executive Director	None	None	None[(3)]
Mr. Andrew James Seaton	Independent Non-executive Director	None	None	None
Mr. Hui Chung Ying Kevin	Company secretary	Non-executive director and company secretary of HCDL	• Group financial controller of the Wharf Group • Director of Wharf Limited and Modern Terminals Limited • Company secretary of Wharf	None
Dr. Chow Ming Kuen Joseph, *OBE, JP* . . .	None	Independent Non-executive director of HCDL	None	None
Hon Leung Kwan Yuen Andrew, *GBS, JP* . . .	None	Independent Non-executive director of HCDL	None	None
Mr. Sze Tsai Ping Michael	None	Independent Non-executive director of HCDL	None	None
Mr. Tang See King Brian	None	Independent Non-executive director of HCDL	None	None
Hon Yick Chi Ming Frankie, *JP*	None	• Non-executive director of HCDL • Director of The "Star" Ferry Company, Limited	• Director of Wharf Limited and Modern Terminals Limited	None

Note:

(3) Mr. Richard Gareth Williams had tendered his resignation as an independent non-executive director of Wheelock Properties (Hong Kong) Limited which has taken effect on the date of this Listing document.

Our Directors are of the view that our Group will be able to operate independently of the Remaining Wharf Group and the Ex-Wharf Wheelock Group following completion of the Spin-off for the following reasons:

(i) our Board will comprise eight Directors, five of whom (including one Executive Director) will have no ongoing roles with, and are therefore independent from, the Remaining Wharf Group and the Ex-Wharf Wheelock Group;

(ii) all four Independent Non-executive Directors do not, and will not, have any ongoing role with the Remaining Wharf Group and the Ex-Wharf Wheelock Group and accordingly, the Independent Non-executive Directors can exercise independent judgment free from any conflict of interest;

(iii) with four Independent Non-executive Directors out of a total of eight Directors on our Board, there is a strong element on our Board which can provide independent oversight over the Board's decision-making in any situations involving a conflict of interest and thereby protect the interests of our independent Shareholders;

(iv) save for Ms. Luk Ah Man Irene, our assistant general manager (personnel and administration) who also oversees personnel and administration matters relating to the Remaining Wharf Group's estate business in the PRC as well as the provision of central purchasing services to the Remaining Wharf Group, all members of our senior management are our full-time employees and have, during the entire or substantially the entire Track Record Period, assumed senior management supervisory responsibilities in our business. The responsibilities of our senior management team include managing and supervising our operational and financial matters, making general capital expenditure decisions and managing the implementation of our business strategies. Their management and supervisory functions will ensure that our management and daily operations are independent of the Remaining Wharf Group and the Ex-Wharf Wheelock Group;

(v) each of our Directors is aware of his/her fiduciary duties as a Director, which require, among other things, that he/she acts for the benefit and in the best interest of our Shareholders as a whole and does not allow any conflict between his/her duties as a Director and his/her personal interests to affect the performance of his/her duties as a Director;

(vi) continuing connected transactions between our Group (on the one hand) and the Remaining Wharf Group or the Ex-Wharf Wheelock Group (on the other hand) have been identified and the parties will comply with the applicable requirements of the Listing Rules governing continuing connected transactions. For details of these continuing connected transactions, see "Connected Transactions"; and

(vii) we have adopted a number of corporate governance measures in order to manage any potential conflict of interests which may arise between our Group (on the one hand) and the Remaining Wharf Group or the Ex-Wharf Wheelock Group (on the other hand) as a result of overlapping directors as well as to safeguard the interests of our independent Shareholders, the details of which are set out in "Corporate Governance Measures" below.

(c) **Independence of Administrative Capability**

Upon completion of the Spin-off, certain administrative services including corporate secretarial services, corporate communications, investor and public relations, personnel and administration, information technology, accounting (apart from essential accounting functions such as tenancy billing and account receivables management will be performed by our Group independently), finance and treasury and internal audit will be shared between our Group and the Remaining Wharf Group on a cost basis pursuant to an administrative services agreement. Our Directors are of the view that as both our Group and the Remaining Wharf Group will be part of the Wheelock Group, the sharing of administrative support services between our Group and the Remaining Wharf Group would serve to align the implementation of the corporate policy of our Group with that of the Wheelock Group in a cost efficient manner. For details, see "Connected Transactions". Our Directors do not consider these arrangements to affect the independence of the management of the business of our Group given that such arrangements involve the provision of support functions only.

Accordingly, our Directors are of the view that we will be administratively independent of the Remaining Wharf Group and the Ex-Wharf Wheelock Group upon completion of the Spin-off.

(d) **Financial Independence**

In connection with the Reorganisation, the Inter-Group Balances owed by our Group to the Remaining Wharf Group will be settled on completion of the Spin-off by way of the issue of the Promissory Note to Wharf. The Promissory Note will be settled by (i) the payment of cash funded by bank borrowings and (ii) the assumption by our Company or its subsidiaries of the liabilities of Wharf or its subsidiaries under certain novated banking facilities within five business days after completion of the Spin-off. See "Financial Information — Indebtedness — Settlement of Inter-Group Balances" for further details.

Save for the above and balances arising from the connected transactions between our Group and the Remaining Wharf Group or the Ex-Wharf Wheelock Group (as the case may be) referred to in "Connected Transactions", there will be no material loans or guarantees provided by the Remaining Wharf Group or the Ex-Wharf Wheelock Group to or for our benefit following Listing.

Accordingly, our Directors are of the view that we will be financially independent of the Remaining Wharf Group and the Ex-Wharf Wheelock Group upon completion of the Spin-off.

CORPORATE GOVERNANCE MEASURES

In order to manage any potential conflict of interests arising between our Group (on the one hand) and the Remaining Wharf Group or the Ex-Wharf Wheelock Group (on the other hand) as a result of overlapping directors as well as to safeguard the interests of our independent Shareholders, we have adopted the following measures:

(i) any Director with an interest in the relevant matter involving a conflict or potential conflict of interest relating to the Remaining Wharf Group or the Ex-Wharf Wheelock Group (as the case may be) will abstain from voting in respect of that matter and will not be counted in the quorum of the relevant Board meeting to consider that matter;

(ii) under the Articles, a Director who to his/her knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company shall, if his/her interest in the contract or proposed contract or arrangement is material, declare the nature of his/her interest at the meeting of our Board at which the question of entering into the contract or arrangement is first taken into consideration if he/she knows his/her interest then exists, or in any other case, at the first meeting of our Board after he/she knows that he/she is or has become so interested. Although the Articles do not require a Director who is so interested not to attend any meeting of our Board, such Director is prohibited from voting (and will not be counted in the quorum) in respect of any Board resolution approving any contract or arrangement or proposed contract or arrangement in which he/she or any of his/her associates is materially interested, except in certain prescribed circumstances, details of which are set out in "Appendix V — Summary of the Constitution of our Company and Cayman Companies Law". The provisions in the Articles ensure that matters involving a conflict of interest which may arise from time to time will be managed in line with accepted corporate governance practice with a view to ensuring that decisions are taken having regard to the best interests of our Company and our Shareholders (including our independent Shareholders) taken as a whole;

(iii) each Director is aware of his/her fiduciary duties as a Director, which require, among other things, that he/she act for the benefit of our Company and the Shareholders as a whole and not to allow any conflict of interests between his/her duties as a Director and his/her personal interests; and

(iv) we have appointed Somerley Capital Limited as our compliance adviser upon Listing, who will provide advice and guidance to us with respect to compliance with the applicable laws and regulations, in particular the Listing Rules.

A. OVERVIEW

Prior to the Listing Date, we have entered into certain transactions with parties who will, upon the Listing, become connected persons of our Company. Following completion of the Listing, there will also be continuing connected transactions of our Company under the Listing Rules. Details of these transactions as well as the waiver granted by the Stock Exchange from strict compliance with the relevant requirements in Chapter 14A of the Listing Rules are set out below.

As Wheelock is a Controlling Shareholder of our Company and Wharf is a company controlled by Wheelock, Wheelock, Wharf and their respective subsidiaries and associates (other than our Group) are connected persons of our Company. Accordingly, the transactions we have entered into or will enter into with the Ex-Wharf-REIC Wheelock Group, the Ex-Wharf Wheelock Group and the Remaining Wharf Group (as the case may be) will constitute connected transactions for our Group.

B. CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING AND ANNOUNCEMENT REQUIREMENTS OF THE LISTING RULES

1. Provision of Property Services by the Ex-Wharf-REIC Wheelock Group

(a) *Description of the transactions*

Property services (the "**Property Services**") in respect of the investment properties of our Group in Hong Kong and in the PRC, including, *inter alia*, Crawford House, our premises at Wheelock House and Suzhou IFS, are provided to our Group by the Ex-Wharf-REIC Wheelock Group from time to time. The Property Services include the following services:

(1) **Property project management services** — property project management services in respect of property development, including feasibility study, design work, construction and completion, for the relevant property(ies);

(2) **Property sales and marketing services** — services relating to sales and marketing of the relevant property(ies);

(3) **Property management services** — services relating to property management of the relevant property(ies) including technical services and lease administration; and

(4) **Any other property-related services** — any other property-related services in respect of the properties and/or property project in Hong Kong and/or the PRC.

On 8 November 2017, our Company entered into a framework property services agreement (the "**Master Property Services Agreement**") with Wheelock to set out the framework terms governing the provision of Property Services in respect of our investment properties by the Ex-Wharf-REIC Wheelock Group to our Group (including HCDL Group) from time to time.

The term of the Master Property Services Agreement is from the Listing Date to 31 December 2019 unless terminated earlier. The Master Property Services Agreement (i) may be terminated by either party giving not less than two months' prior written notice to the other party; (ii) will be automatically terminated upon Wheelock ceasing to be a connected person of our Company; (iii) may be terminated if either party fails to rectify any breach of provisions of the Master Property Services Agreement which can be rectified within 28 days; (iv) may be terminated by either party if the other party commits a material breach of non-rectifiable provisions of the Master Property Services Agreement or (v) may be terminated by either party immediately without notice in case the other party has become subject to any liquidation or insolvency.

The terms and conditions of the Master Property Services Agreement will also apply to the existing property services agreements which have been entered into between members of our Group and members of the Ex-Wharf-REIC Wheelock Group, including without limitation to the master property services agreement between HCDL and Wharf dated 11 November 2016. At any time during the term of the Master Property Services Agreement, our Group member(s) may from time to time enter into individual services agreement(s) with Ex-Wharf-REIC Wheelock Group member(s) on agreed terms provided that the following conditions are met:

(1) each individual services agreement is entered into in the ordinary and usual course of business of our Company;

(2) the term of each individual services agreement must be fixed and not exceed three years;

(3) the remuneration payable under each individual services agreement will on each occasion be negotiated and determined on an arm's length basis to ensure that the relevant pricing term is fair and reasonable in accordance with prevailing market conditions and on normal commercial terms;

(4) the terms and conditions under each individual services agreement must be no less favourable to our relevant Group member(s) when compared with similar services available from independent third parties; and

(5) the aggregate annual amounts of the remuneration for any one year during the term of the Master Property Services Agreement payable under any and all individual services agreements (if any) subsisting at any time must not exceed the relevant annual cap amount.

(b) ***Pricing policy***

In accordance with our procurement policy and procedures, the terms and conditions of each individual services agreement under the Master Property Services Agreement including, *inter alia*, remuneration and payment terms and termination provisions will be determined through a tendering/quotation procedure or commercial negotiations (where applicable) on an arm's length basis by reference to terms available to or from other third parties for similar services in the market and the fee scales and payment terms for the existing Property Services under the Master Property Services Agreement which are set out below:

(1) **Project management services** — a project management fee comprising (i) a fee of 2% to 3% on total construction costs for relevant property development, payable by stage payments in cash in arrears once every three months; and (ii) a fee of 10% on project costs for relevant renovation works, payable in full upon completion;

(2) **Property sales and marketing services** — a sales and marketing fee of 0.5% on actual sale value of any unit of the relevant property, payable by stage payments in cash in arrears once every three months;

(3) **Property management services** — a property management fee of 3% of gross rents, payable on a monthly basis;

(4) **Building administration and management services** — a building administration fee which comprises of a fixed administration fee of a fixed percentage of monthly operating expense actually incurred and/or additional manager fee of one-twelfth of 10% of the budgeted annual operating expenses relating to the particular investment property; and

(5) **Work supervision services** — a work supervision fee of a fixed percentage or on the basis of a sliding scale from 0% to 7% (as the case maybe) of the relevant contract sum of the work.

(c) ***Historical transaction amounts***

The aggregate fees paid by us to the Ex-Wharf-REIC Wheelock Group for the Property Services for FY2014, FY2015, FY2016, 1H2017 and the three months ended 30 September 2017 were as follows:

	FY2014	FY2015	FY2016	1H2017	1 July 2017 to 30 September 2017
					(unaudited)
			(HK$ million)		
Amounts paid by our Group	116.1	68.0	58.2	24.8	5.1

(d) ***Annual caps for future transactions***

In accordance with Rule 14A.53 of the Listing Rules, we have set annual caps for the maximum aggregate amounts payable under the Master Property Services Agreement, for FY2017, FY2018 and FY2019 as follows:

	FY2017(Note)	FY2018	FY2019
		(HK$ million)	
Amounts payable by our Group	20	162	53

Note: The annual cap for the two months ending 31 December 2017.

Such annual cap amounts have been determined on the basis of and by reference to, *inter alia*, (a) the expected aggregate construction costs, sale values and gross rents etc. of the relevant properties and/or property projects to be incurred/received by our Group (including by the HCDL Group); (b) the possible change of property market conditions during the term of the Master Property Services Agreement; (c) the possible entering into of further individual services agreement(s) during the term of the Master Property Services Agreement; and (d) taking into account a suitable and adequate buffer on the estimated aggregate expenses payable by us as prudent contingency in case of events such as adjustments to business plans, cost overruns and inflation. In addition, HCDL Group has no current intention to further develop any development properties in the PRC.

The annual cap for FY2017 (i.e. the expected two-month cap for the two months ending 31 December 2017) is calculated based on the above mentioned factors and (i) the fees paid by our Group for the Property Services provided for 1H2017; and (ii) the expected fees payable for the second half of 2017 and the two months ending 31 December 2017.

The significant increase in the annual cap for FY2018 is due to the expected project management fees to be paid by us to the Ex-Wharf-REIC Wheelock Group upon the completion of Suzhou IFS which is expected to be in 2018.

In the event that for any particular year during the term of the Master Property Services Agreement the aggregate amounts of remuneration payable by us under all individual services agreements would exceed the relevant annual cap amount, Wheelock and our Company will take appropriate action to comply with the relevant requirements under the Listing Rules regarding the payment of any and all amounts in excess of the relevant annual cap amount by our Group to the Ex-Wharf-REIC Wheelock Group.

(e) ***Reasons for, and benefits of the Master Property Services Agreement***

The engagement of member(s) of the Ex-Wharf-REIC Wheelock Group to provide Property Services from time to time would enable our Group to benefit from the brand, experience and resources of the Ex-Wharf-REIC Wheelock Group in property businesses in the relevant markets. Further individual agreements for the provision of the Property Services by the member(s) of the Ex-Wharf-REIC Wheelock Group in respect of certain investment properties of our Group may be negotiated or contemplated. In order to regulate, *inter alia*, the relevant transactions contemplated under various individual services agreements, and for the purpose of administrative convenience, the Master Property Services Agreement, under which the annual cap amounts are agreed, offers flexibility for the entering into of further individual services agreement(s), if any, and/or renewal of various individual services agreements, which is considered beneficial to our Group.

(f) ***Listing Rules implications***

Since one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the abovementioned transactions is/are greater than 0.1% while all such ratios are below 5%, the transactions are subject to the announcement, annual reporting and annual review requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. **Provision of Hotel Management Services by the Remaining Wharf Group**

(a) ***Description of the transactions***

Marco Polo Hongkong Hotel and Marco Polo Changzhou Hotel are currently held and operated and The Murray and Niccolo Suzhou in Suzhou IFS will be held and operated by HCDL Group and the Prince Hotel and the Gateway Hotel are held and operated by the other subsidiaries of our Company (collectively, the "**Hotels**").

On 8 November 2017, our Company entered into a master hotel management services agreement (the "**Master Hotel Services Agreement**") with Wharf to set out the framework terms governing the provision of hotel management services (comprising services related to the management, marketing and technical services and/or any other services relating to the development and/or operation of the Hotels and/or serviced apartment property(ies)) (the "**Hotel Management Services**") in respect of our Hotels by the Remaining Wharf Group to our Group (including the HCDL Group) from time to time.

The term of the Master Hotel Services Agreement is from the Listing Date to 31 December 2019 unless terminated earlier. The Master Hotel Services Agreement (i) may be terminated by either party giving not less than two months' prior written notice to the other party; (ii) will be automatically terminated upon Wharf ceasing to be a connected person of our Company and our Company ceasing to be a connected person of Wharf; (iii) may be terminated if either party fails to rectify any breach of provisions of the Master Hotel Services Agreement which can be rectified within 28 days; (iv) may be terminated by either party if the other party commits a material breach of non-rectifiable provisions of the Master Hotel Services Agreement or (v) may be terminated by either party immediately without notice in case the other party has become subject to any liquidation or insolvency.

The terms and conditions of the Master Hotel Services Agreement will also apply to the existing hotel services agreements which have been entered into between members of our Group and members of the Remaining Wharf Group, including without limitation to the master hotel services agreement between HCDL and Wharf dated 10 November 2014.

At any time during the term of the Master Hotel Services Agreement, our Group member(s) may from time to time enter into individual services agreement(s) with Remaining Wharf Group member(s) on agreed terms provided that the following conditions are met:

(1) each individual services agreement is entered into in the ordinary and usual course of business of our Company;

(2) the term of each individual services agreement must be fixed and not exceed three years;

(3) the remuneration payable under each individual services agreement will on each occasion be negotiated and determined on an arm's length basis to ensure that the relevant pricing term is fair and reasonable in accordance with prevailing market conditions and on normal commercial terms;

(4) the terms and conditions under each individual services agreement must be from our perspective, no less favourable to our relevant Group member(s) when compared with similar services available from independent third parties, and from Wharf's perspective, no less favourable to the relevant Remaining Wharf Group Member(s) when compared with similar services provided to independent third parties; and

(5) the aggregate annual amounts of the remuneration for any one year during the term of the Master Hotel Services Agreement payable under any and all individual services agreements (if any) subsisting at any time must not exceed the relevant annual cap amount.

(b) ***Pricing policy***

In accordance with the procurement policy and procedures of our Group, the terms and conditions of each individual services agreement under the Master Hotel Services Agreement including, *inter alia*, remuneration and payment terms and termination provisions will be determined on the basis of commercial negotiations and (where applicable or appropriate) through a tendering/quotation procedure on an arm's length basis by reference to terms available to or from other third parties for similar services in the market as well as the fee scales and payment terms for the provision of the existing Hotel Management Services under the Master Hotel Services Agreement which are set out below:

(1) **Hotel management services** — a hotel management fee which comprises a basic fee of 2% of the relevant hotel's gross revenue and an incentive fee calculated on the basis of a sliding scale from 0% to 9.5% or 10% (as the case may be) of the relevant hotel's gross operating profit, subject to the annual profit margin reaching certain agreed levels of intervals between 0% to 45% or above, payable once every month in arrear;

(2) **Marketing services** — a marketing fee of 1.5% of the relevant hotel's gross revenue or gross rooms revenue (as the case may be) payable once every month in arrear;

(3) **Technical services** — a fixed fee set with reference to the number of hotel rooms; and

(4) **Other services relating to the development and/or operations of the hotel** — a fixed percentage of the costs and expenses actually incurred.

(c) ***Historical transaction amounts***

The aggregate fees paid by our Group to the Remaining Wharf Group for the Hotel Management Services for FY2014, FY2015, FY2016, 1H2017 and the three months ended 30 September 2017 were as follows:

	FY2014	FY2015	FY2016	1H2017	1 July 2017 to 30 September 2017
					(unaudited)
			(HK$ million)		
Amounts paid by our Group	100.4	84.8	79.3	33.8	17.1

(d) ***Annual caps for future transactions***

In accordance with Rule 14A.53 of the Listing Rules, we have set annual caps for the maximum aggregate amounts payable under the Master Hotel Services Agreement, for FY2017, FY2018 and FY2019 as follows:

	FY2017 (Note)	FY2018	FY2019
		(HK$ million)	
Amounts payable by our Group	30	135	160

Note: The annual cap for the two months ending 31 December 2017.

Such annual cap amounts have been determined on the basis of and by reference to, *inter alia*, (a) the historic trading records of and the anticipated performance of our Hotels, projected on the basis of operating under normal business operations and of the current economic conditions, taking into account the possible economic growth in Hong Kong and the PRC; (b)the possible change of hotel market conditions during the term of the Master Hotel Services Agreement; (c) the expected entry into of further individual agreements in respect of each hotel held by our Group during the term of the Master Hotel Services Agreement, including The Murray, which is expected to open by the end of 2017 and the boutique hotel in Suzhou IFS, the construction of which is expected to complete by the end of 2018; and (d) taking into account a suitable and adequate buffer on the estimated aggregate expenses payable by us as prudent contingency in case of events such as adjustments to business plans, cost overruns and inflation.

The annual cap for FY2017 (i.e. the expected two-month cap for the two months ending 31 December 2017) is calculated based on the above mentioned factors and (i) the fees paid by our Group for the Hotel Management Services provided for 1H2017; and (ii) the expected fees payable for the second half of 2017 and the two months ending 31 December 2017.

In the event that for any particular year during the term of the Master Hotel Services Agreement the aggregate amounts of remuneration payable by us under all individual services agreements would exceed the relevant annual cap amount, Wharf and our Company will take appropriate action to comply with the relevant requirements under the Listing Rules regarding the payment of any and all amounts in excess of the relevant annual cap amount by our Group to the Remaining Wharf Group.

(e) ***Reasons for, and benefits of, the Master Hotel Services Agreement***

The engagement of member(s) of the Remaining Wharf Group to provide the Hotel Management Services in respect of existing hotel properties and/or projects of our Group (including the HCDL Group) from time to time will enable us to benefit from the brand, experience and resources of the Remaining Wharf Group in hotel businesses in the relevant markets. Further individual agreements for the provision of the Hotel Management Services by the member(s) of the Remaining Wharf Group in respect of certain other hotel properties or projects of our Group (including the HCDL Group) may be negotiated or contemplated. In order to regulate, *inter alia*, the relevant transactions relating to various individual agreements, and for the purpose of administrative convenience, the Master Hotel Services Agreement, under which the annual cap amounts are agreed, offers flexibility for the entering into of further individual agreement(s), if any, and/or renewal of various individual agreements, which is considered beneficial to us.

(f) ***Listing Rules implications***

Since one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the abovementioned transactions is/are greater than 0.1% while all such ratios are below 5%, the transactions are subject to the announcement, annual reporting and annual review requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

3. **Provision of leased or licensed premises by our Group to the Ex-Wharf Wheelock Group and the Remaining Wharf Group**

(a) ***Description of the transactions***

In our ordinary course of business, we are either already a party to, or may from time to time enter into, leases, tenancies or licences in respect of premises we own (including office premises, car parking spaces and building areas but excluding hotel premises) with members of the Ex-Wharf Wheelock Group (the "**Wheelock Leasing Transactions**") or members of the Remaining Wharf Group (the "**Wharf Leasing Transactions**"). As the Wheelock Leasing Transactions and Wharf Leasing Transactions will constitute continuing connected transactions of our Company following the Listing, our Company entered into an agreement with (i) Wheelock to set out the framework terms governing the Wheelock Leasing Transactions (the "**Wheelock Leasing Framework Agreement**") on 8 November 2017 and (ii) Wharf to set out the framework terms governing the Wharf Leasing Transactions (the "**Wharf Leasing Framework Agreement**") on 8 November 2017, the principal terms of which are set out below.

(The Wheelock Leasing Framework Agreement together with the Wharf Leasing Framework Agreement are referred to as the "**Master Leasing Framework Agreements**")

Our Company has agreed to lease or license or to procure its subsidiaries to lease or license various premises (including office premises, car parking spaces and building areas but excluding hotel premises) we own to members of the Ex-Wharf Wheelock Group or the Remaining Wharf Group as and when reasonably requested by members of the Ex-Wharf Wheelock Group or the Remaining Wharf Group (as the case may be) from time to time during the term of the Wheelock Leasing Framework Agreement or the Wharf Leasing Framework Agreement (as the case may be).

The relevant member of our Group and the relevant member of the Ex-Wharf Wheelock Group or Remaining Wharf Group (as the case may be) will enter into a separate lease, tenancy or licence agreement with respect to each of the Wheelock Leasing Transactions or Wharf Leasing Transactions (as the case may be) entered into between them.

The respective terms of the Wheelock Leasing Framework Agreement and the Wharf Leasing Framework Agreement are from the Listing Date to 31 December 2019, unless terminated by our Company or Wheelock or Wharf (as the case may be).

The Master Leasing Framework Agreements (i) may be terminated by either party giving not less than two months' prior written notice to the other party; (ii) will be automatically terminated upon Wheelock or Wharf ceasing to be a connected person of our Company (as the case maybe) and our Company ceasing to be a connected person of Wharf (only in respect of the Wharf Leasing Framework Agreement); (iii) may be terminated by either party if the other party fails to rectify any breach of any of the provisions of the Master Leasing Framework Agreements, which can be rectified within 28 days; (iv) may be terminated by either party if the other party commits a material breach of any of the provisions of the Master Leasing Framework Agreements which is not capable of rectification; or (v) may be terminated by either party immediately without notice in case the other party has become subject to any liquidation or insolvency.

(b) ***Pricing policy***

The terms of (including the termination provisions), and the consideration payable under, such agreements will be negotiated on a case-by-case and an arm's length basis, entered into in the ordinary and usual course of business of our Group and shall be on normal commercial terms which, from our perspective, shall be no more favourable to the relevant members of the Ex-Wharf Wheelock Group or the Remaining Wharf Group (as the case may be) than those made available from our Group to our independent third party corporate lessees, tenants or licensees, and from Wharf's perspective, shall be no more favourable to the relevant Wharf REIC Group Member(s) than those made available to the Remaining Wharf Group from its independent third party corporate lessors, landlords or licensors. In particular, the rental or licence fee chargeable shall be at market rates and based on the then prevailing rental rates or licence fee rates for properties of similar size and with similar attributes within the same building charged by our Group to other independent third parties or, if not available, the then prevailing rental rates or licence fee rates for properties of similar size and with similar attributes in the vicinity of the subject premises to be leased, let or licensed by our Group to other independent third parties. The management/service fees chargeable by our Group to the relevant members of the Ex-Wharf Wheelock Group or the Remaining Wharf Group (as the case may be) will not be less favourable than those chargeable by our Group to other tenants or licensees (who are independent third parties) of the same building or property.

(c) ***Historical transaction amounts***

The aggregate annual rental and licence fees of the Wheelock Leasing Transactions and Wharf Leasing Transactions for FY2014, FY2015, FY2016, 1H2017 and the three months ended 30 September 2017 are as follows:

	FY2014	FY2015	FY2016	1H2017	1 July 2017 to 30 September 2017
					(unaudited)
	(HK$ million)				
Amounts payable to our Group from the Ex-Wharf Wheelock Group	12.0	30.6	71.7	40.8	20.5
Amounts payable to our Group from the Remaining Wharf Group	27.2	30.0	32.6	16.6	8.5

(d) ***Annual caps for future transactions***

In accordance with Rule 14A.53 of the Listing Rules, we have set annual caps for the maximum aggregate amounts payable under the Wheelock Leasing Framework Agreement and Wharf Leasing Framework Agreement, respectively, for FY2017, FY2018 and FY2019 as follows:

	FY2017 (Note)	FY2018	FY2019
	(HK$ million)		
Amounts payable to our Group from the Ex-Wharf Wheelock Group	17	105	105
Amounts payable to our Group from the Remaining Wharf Group	8	44	44
Total	25	149	149

Note: The annual cap for the two months ending 31 December 2017.

Such aggregate annual cap amounts have been determined on the basis of and by reference to, *inter alia*, (a) the historical rental records in respect of the relevant premises under the existing tenancies or licence agreement; (b) the anticipated increase in the rental and/or licence fees under the current economic condition; and (c) taking into account a suitable and adequate buffer on the estimated aggregate annual amounts payable by the Ex-Wharf Wheelock Group and the Remaining Wharf Group as prudent contingency in case of events such as adjustments to business plans, cost overruns and inflation.

The annual cap for FY2017 (i.e. the expected two-month cap for the two months ending 31 December 2017) is calculated based on the above mentioned factors and (i) the fees paid by the Ex-wharf Wheelock Group or the Remaining Wharf Group (as the case may be) for the Leasing Transactions for 1H2017; (ii) the expected fees payable for the second half of 2017 and the two months ending 31 December 2017.

In the event that for any particular year during the term of the Master Leasing Framework Agreement the aggregate amounts receivable by us under all individual lease, tenancy or licence agreements would exceed the relevant annual cap amount, Wheelock and/or Wharf (as the case may be) and our Company will take appropriate action to comply with the relevant requirements under the Listing Rules regarding the payment of any and all amounts in excess of the relevant annual cap amount by the Ex-Wharf Wheelock Group and/or the Remaining Wharf Group (as the case may be) to us.

(e) ***Reasons for, and benefits of, the Master Leasing Framework Agreements***

As the ownership of properties for letting is one of the principal business activities of our Group, rental income is an important income source for us. Our Directors believe that the entering into of the Master Leasing Framework Agreements is necessary for the continuous growth and operations of, and will generate recurrent rental income for, our Group. In addition, for the purposes of administrative convenience, the Master Leasing Framework Agreements are, among others, to pre-agree the aggregate annual cap amount which the total amount of rentals and licence fees payable for the relevant premises will be subject to.

(f) ***Listing Rules implications***

Since one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the abovementioned transactions is/are greater than 0.1% while all such ratios are below 5%, the transactions are subject to the announcement, annual reporting and annual review requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

C. WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

In respect of the Master Property Services Agreement, the Master Hotel Services Agreement and the Master Leasing Framework Agreements, our Company expects these non-exempt continuing connected transactions to be carried out on a continuing basis and to extend over a period of time. Our Directors therefore consider that strict compliance with the announcement requirement under the Listing Rules would impose unnecessary administrative costs upon us.

Accordingly, we have applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the announcement requirement under the Listing Rules relating to the above non-exempt continuing connected transactions in respect of the Master Property Services Agreement, the Master Hotel Services Agreement and the Master Leasing Framework Agreements.

Apart from the requirement with which strict compliance has been waived by the Stock Exchange as described above, we will comply with the relevant requirements under Chapter 14A of the Listing Rules that are applicable to the continuing connected transactions under the Master Property Services Agreement, the Master Hotel Services Agreement and the Master Leasing Framework Agreements.

The Independent Non-executive Directors will review the continuing connected transactions under the Master Property Services Agreement, the Master Hotel Services Agreement and the Master Leasing Framework Agreements and confirm in the annual report of our Company that such transactions for the financial year under review have been entered into in the manner as set out in Rule 14A.55 of the Listing Rules.

D. CONFIRMATION FROM OUR DIRECTORS

Our Directors (including the Independent Non-executive Directors) are of the view that the non-exempt continuing connected transactions under the Master Property Services Agreement, the Master Hotel Services Agreement and the Master Leasing Framework Agreements have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms, are fair and reasonable, and are in the interests of our Group and the Shareholders as a whole.

Our Directors (including the Independent Non-executive Directors) are also of the view that the proposed annual caps for such transactions are fair and reasonable, and in the interests of our Group and the Shareholders as a whole.

E. CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors have reviewed the relevant information and historical figures prepared and provided by our Group relating to the non-exempt continuing connected transactions which have been and will be entered into pursuant to the Master Property Services Agreement, the Master Hotel Services Agreement and the Master Leasing Framework Agreements and have also conducted due diligence by discussing these transactions with our Group, Knight Frank Petty Limited, the independent property valuer, and our advisers, and have obtained various representations and confirmations from our Company and other members of our Group. Based on the Joint Sponsors' due diligence, the Joint Sponsors are of the view that these non-exempt continuing connected transactions have been and will be entered into in our ordinary and usual course of business, are on normal commercial terms, are fair and reasonable, and are in the interests of our Group and the Shareholders as a whole. The Joint Sponsors are also of the view that the proposed annual caps for these non-exempt continuing connected transactions are fair and reasonable and in the interests of our Group and the Shareholders as a whole.

F. FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Following the Listing, the following transactions will be regarded as continuing connected transactions fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Rules 14A.98 and 14A.76 of the Listing Rules.

1. Advanced Payment of the Remuneration of certain Executive Directors by Wharf

(a) *Description of the transaction*

Two Executive Directors of our Company, namely Mr. Ng Tin Hoi Stephen and Ms. Lee Yuk Fong Doreen (the "**Common Director(s)**"), are also executive directors and employees of Wharf, a connected person of our Company.

Pursuant to a framework agreement entered into between us and Wharf on 8 November 2017, we have agreed to reimburse Wharf a fixed percentage (the "**Pre-determined Percentage**") of the basic remuneration (the "**Basic Remuneration**") which each Common Director is entitled to receive under his/her employment contract with Wharf. Such Pre-determined Percentage has been determined with reference to the estimated time to be spent by each Common Director in his/her role as an Executive Director of our Company.

During the term of the framework agreement, Wharf will, on a monthly basis, pay the Pre-determined Percentage of the Basic Remuneration to each Common Director (the "**Advanced Payment**") and such amount will become an amount due and payable by us to Wharf. We will, on a monthly basis, reimburse Wharf an amount equal to the Advanced Payment without interest.

(b) *Listing Rules implications*

As the highest of the relevant percentage ratios in respect of the Pre-determined Percentage of the annual basic remuneration agreed to be paid by us to the Common Directors will, on an annual basis, be less than 0.1%, such payment will, pursuant to Rule 14A.76 of the Listing Rules, constitute a de minimis continuing connected transaction exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Sharing of Administrative Services between our Group and the Remaining Wharf Group

(a) *Description of the transaction*

During the ordinary course of business, our Group and Remaining Wharf Group share certain administrative services including corporate secretarial services, corporate communications, investor and public relations, personnel and administration, information technology, accounting (apart from essential accounting functions such as tenancy billing and account receivables management which will be performed by our Group independently), finance and treasury and internal audit (the "**Administrative Services**"). These Administrative Services are provided to our Group by the Remaining Wharf Group.

The annual fee for the sharing of the Administrative Services was determined on a cost basis with reference to the approximate time and manpower spent and such costs are allocated to our Group and the Remaining Wharf Group on a fair and equitable basis.

(b) ***Listing Rules implications***

As the Administrative Services shared between our Group and the Remaining Wharf Group are on a cost basis, and are identifiable and are allocated to our Group and the Remaining Wharf Group on a fair and equitable basis, these continuing connected transactions are considered as fully exempt continuing connected transactions under Rule 14A.98 of the Listing Rules.

3. **Provision of Leasing Agency Services by our Group to the Ex-Wharf Wheelock Group and the Remaining Wharf Group**

(a) ***Description of the transactions***

Harriman Leasing Limited, an indirect wholly-owned subsidiary of our Company, in its ordinary course of business, from time to time provides leasing agency services to members of the Ex-Wharf Wheelock Group and the Remaining Wharf Group. Such provision of leasing agency services will constitute continuing connected transactions of our Company following the Listing.

The annual service fee for the provision of such leasing agency services shall be determined at a fixed rate with reference to the monthly revenue receivable by the Ex-Wharf Wheelock Group or the Remaining Wharf Group (as the case may be). Such fee is in line with the average rate of service fee we charge for providing similar services to third party property owners.

(b) ***Listing Rules implications***

As the highest of the relevant aggregated percentage ratios in respect of the provision of leasing agency services by our Group to the Ex-Wharf Wheelock Group and the Remaining Wharf Group will, on an annual aggregated basis, be less than 0.1%, they will, pursuant to Rule 14A.76 of the Listing Rules, constitute de minimis continuing connected transactions exempt from the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules.

4. **Trademark Agreements**

Pursuant to the trademark agreements between the respective members of our Group and the relevant members of the Ex-Wharf-REIC Wheelock Group (the "**Trademark Agreements**"), relevant members of the Ex-Wharf-REIC Wheelock Group grant the respective members of our Group a revocable and non-exclusive right to use the certain trademarks as set out in "Appendix VII — General Information — Further Information About Our Business — 8. Material Intellectual Property Rights" for a nominal consideration (amounting to HK$1 per agreement). The Trademark Agreements may be terminated by either party, and the licences granted thereto may be revoked by the relevant licensor, giving not less than six-months' prior written notice (in the case of the Hong Kong trade marks registrations) or two months' prior written notice (in the case of the PRC trade mark registration) to the other party or otherwise as agreed in the Trademark Agreements. These will also be de minimis continuing connected transactions exempt from the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules.

G. ARRANGEMENT IN CONNECTION WITH THE REORGANISATION

As disclosed in "Appendix VII — General Information — Further Information About Our Group — 6. Reorganisation", the Inter-Group Balances will be settled on completion of the Spin-off by way of the issue of the Promissory Note. The issue of the Promissory Note and its subsequent settlement are regarded as a one-off transaction agreed upon prior to the Listing. It is not regarded as constituting a connected transaction of our Company under Chapter 14A of the Listing Rules following the Listing, and no reporting, announcement, annual review, circular or independent shareholders' approval requirements under Chapter 14A of the Listing Rules will need to be complied with by our Company in relation to the Promissory Note following the Listing.

Waiver in relation to Non-exempt Continuing Connected Transactions

Certain members of our Group have entered into certain transactions which will constitute continuing connected transactions of our Group under the Listing Rules following the Listing. Our Company has applied for the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules with respect to the non-exempt continuing connected transactions described in "Connected Transactions". For further details of such continuing connected transactions and the waiver, see "Connected Transactions".

The following is the text of a report set out on pages I-1 to I-104, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this listing document.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF WHARF REAL ESTATE INVESTMENT COMPANY LIMITED, HSBC CORPORATE FINANCE (HONG KONG) LIMITED AND SOMERLEY CAPITAL LIMITED

Introduction

We report on the historical financial information of Wharf Real Estate Investment Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-104, which comprises the combined statements of financial position of the Group as at 31 December 2014, 2015 and 2016 and 30 June 2017 and the statement of financial position of the Company as at 30 June 2017 and the combined statements of profit or loss, the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows, for each of the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-104 forms an integral part of this report, which has been prepared for inclusion in the listing document of the Company dated 9 November 2017 (the "Listing Document") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 of Section B to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 of Section B to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the financial position of the Group as at 31 December 2014, 2015 and 2016 and 30 June 2017 and the Company as at 30 June 2017 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 of Section B to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the combined statement of profit or loss, the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the six months ended 30 June 2016 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 of Section B to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 of Section B to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

No dividend has been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

No financial statements have been prepared for the Company since its incorporation.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
9 November 2017

A HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The combined financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

1 Combined statements of profit or loss

		Year ended 31 December			Six months ended 30 June	
	Note	2014	2015	2016	2016	2017
		HK$ Million	HK$ Million	HK$ Million	HK$ Million (unaudited)	HK$ Million
Revenue	4	17,437	17,576	16,851	8,804	9,546
Direct costs and operating expenses		(6,034)	(4,965)	(4,247)	(2,304)	(2,049)
Selling and marketing expenses		(318)	(371)	(311)	(123)	(132)
Administrative and corporate expenses		(487)	(292)	(293)	(131)	(242)
Operating profit before depreciation, amortisation, interest and tax		10,598	11,948	12,000	6,246	7,123
Depreciation and amortisation	5	(182)	(189)	(176)	(88)	(73)
Operating profit	5	10,416	11,759	11,824	6,158	7,050
Increase in fair value of investment properties		27,729	5,329	1,191	81	478
Other net income/(charge)	6	175	257	216	(86)	(259)
		38,320	17,345	13,231	6,153	7,269
Finance costs	7	(1,264)	(1,302)	(1,351)	(622)	(526)
Share of results after tax of:						
An associate	13(d)	(4)	133	23	(9)	4
Joint ventures	14(b)	97	95	176	141	(40)
Profit before taxation		37,149	16,271	12,079	5,663	6,707
Income tax	8	(1,684)	(1,968)	(1,895)	(1,040)	(1,553)
Profit for the year/period		35,465	14,303	10,184	4,623	5,154

		Year ended 31 December			Six months ended 30 June	
	Note	2014	2015	2016	2016	2017
		HK$ Million	HK$ Million	HK$ Million	HK$ Million (unaudited)	HK$ Million
Profit attributable to:						
Shareholders of the Company		35,127	13,787	9,917	4,440	4,900
Non-controlling interests		338	516	267	183	254
		35,465	14,303	10,184	4,623	5,154
Earnings per share:						
Basic and diluted	10	N/A	N/A	N/A	N/A	N/A

The accompanying notes form part of the Historical Financial Information.

2 Combined statements of comprehensive income

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	HK$ Million	HK$ Million	HK$ Million	HK$ Million (unaudited)	HK$ Million
Profit for the year/period	35,465	14,303	10,184	4,623	5,154
Other comprehensive income					
Items that will not be reclassified to profit or loss (net of nil tax):					
Fair value changes on equity investments	210	(221)	(151)	(225)	414
Items that may be reclassified subsequently to profit or loss (net of nil tax):					
Exchange difference on translation of the operations of:					
- subsidiaries	(36)	(474)	(373)	(135)	116
- an associate and a joint venture	(8)	(153)	(87)	(27)	32
Others	2	6	11	—	—
Other comprehensive income for the year/period	168	(842)	(600)	(387)	562
Total comprehensive income for the year/period	35,633	13,461	9,584	4,236	5,716
Total comprehensive income attributable to:					
Shareholders of the Company	35,251	13,237	9,529	4,181	5,290
Non-controlling interests	382	224	55	55	426
	35,633	13,461	9,584	4,236	5,716

The accompanying notes form part of the Historical Financial Information.

3 **Combined statements of financial position**

	Note	As at 31 December			As at 30 June
		2014	2015	2016	2017
		HK$ Million	HK$ Million	HK$ Million	HK$ Million
Non-current assets					
Investment properties	11	229,023	235,597	244,375	245,424
Hotel and club properties, plant and equipment	12	6,005	6,200	7,000	7,637
Interest in an associate	13	2,059	1,608	1,417	1,463
Interest in joint ventures	14	2,127	2,039	1,808	1,780
Equity investments	15	1,550	2,450	2,301	2,943
Deferred tax assets	25	19	46	—	—
Derivative financial assets	18	4	—	—	—
Other non-current assets		27	33	41	39
		240,814	247,973	256,942	259,286
Current assets					
Properties for sale	16	4,979	2,699	1,957	930
Inventories		14	11	11	11
Trade and other receivables	17	1,231	1,048	818	967
Derivative financial assets	18	80	1	—	—
Prepaid tax	8(d)	119	129	164	18
Bank deposits and cash	19	5,273	6,501	5,212	2,171
Amount due from the immediate holding company	24	7,511	4,608	358	674
Amounts due from fellow subsidiaries	24	452	—	—	—
		19,659	14,997	8,520	4,771
Total assets		260,473	262,970	265,462	264,057

		As at 31 December			As at 30 June
	Note	2014	2015	2016	2017
		HK$ Million	HK$ Million	HK$ Million	HK$ Million
Non-current liabilities					
Derivative financial liabilities	18	(3)	—	—	—
Deferred tax liabilities	25	(1,499)	(1,656)	(1,762)	(1,822)
Other deferred liabilities		(265)	(285)	(300)	(306)
Bank loans	22	(14,706)	(7,414)	(3,150)	(2,200)
Loans from fellow subsidiaries	23	(25,163)	(28,583)	(30,980)	(25,002)
		(41,636)	(37,938)	(36,192)	(29,330)
Current liabilities					
Trade and other payables	20	(7,639)	(7,285)	(7,932)	(7,179)
Deposits from sale of properties	21	(4,373)	(4,691)	(5,030)	(3,664)
Derivative financial liabilities	18	(45)	(2)	—	—
Taxation payable	8(d)	(577)	(561)	(533)	(1,438)
Bank loans	22	(250)	(1,529)	(1,232)	(685)
Amount due to the immediate holding company	24	—	—	(10,354)	(12,350)
Amounts due to fellow subsidiaries	24	(86)	(59)	(52)	(38)
		(12,970)	(14,127)	(25,133)	(25,354)
Total liabilities		(54,606)	(52,065)	(61,325)	(54,684)
NET ASSETS		205,867	210,905	204,137	209,373
Capital and reserves	27				
Share capital		—*	—*	—*	—*
Reserves		200,194	205,134	198,910	204,200
Equity attributable to shareholders of the Company		200,194	205,134	198,910	204,200
Non-controlling interests		5,673	5,771	5,227	5,173
TOTAL EQUITY		205,867	210,905	204,137	209,373

The accompanying notes form part of the Historical Financial Information.

** The balances represent amount less than HK$1 million.*

4 **Statement of financial position of the Company**

	Note	As at 30 June 2017 HK$
Non-current asset		
Investment in a subsidiary	30	3,900
Current liability		
Amount due to a subsidiary		3,900
NET ASSETS		—
TOTAL EQUITY		
Share capital	27(a)	—

The accompanying notes form part of the Historical Financial Information.

5 Combined statements of changes in equity

		Equity attributable to the shareholders of the Company						
		Share capital	Investment revaluation reserves	Exchange reserves	Revenue reserves	Total	Non-controlling interests	Total equity
	Note	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million
At 1 January 2014		—*	473	915	168,358	169,746	5,463	175,209
Changes in equity for the year ended 31 December 2014:								
Profit for the year		—	—	—	35,127	35,127	338	35,465
Other comprehensive income		—	150	(29)	3	124	44	168
Total comprehensive income		—	150	(29)	35,130	35,251	382	35,633
Dividend paid	9	—	—	—	(4,803)	(4,803)	—	(4,803)
Dividends paid to non-controlling interests		—	—	—	—	—	(172)	(172)
At 31 December 2014		—*	623	886	198,685	200,194	5,673	205,867
At 1 January 2015		—*	623	886	198,685	200,194	5,673	205,867
Changes in equity for the year ended 31 December 2015:								
Profit for the year		—	—	—	13,787	13,787	516	14,303
Other comprehensive income		—	(158)	(398)	6	(550)	(292)	(842)
Total comprehensive income		—	(158)	(398)	13,793	13,237	224	13,461
Transfer to revenue reserves upon de-recognition of equity investments		—	(24)	—	24	—	—	—
Dividend paid	9	—	—	—	(8,297)	(8,297)	—	(8,297)
Dividends paid to non-controlling interests		—	—	—	—	—	(126)	(126)
At 31 December 2015		—*	441	488	204,205	205,134	5,771	210,905

	Note	Share capital	Investment revaluation reserves	Exchange reserves	Revenue reserves	Total	Non-controlling interests	Total equity
		Equity attributable to the shareholders of the Company						
		HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million
At 1 January 2016		—*	441	488	204,205	205,134	5,771	210,905
Changes in equity for the year ended 31 December 2016:								
Profit for the year		—	—	—	9,917	9,917	267	10,184
Other comprehensive income		—	(108)	(290)	10	(388)	(212)	(600)
Total comprehensive income		—	(108)	(290)	9,927	9,529	55	9,584
Transfer to revenue reserves upon de-recognition of equity investments		—	(34)	—	34	—	—	—
Dividend paid	9	—	—	—	(15,753)	(15,753)	—	(15,753)
Net capital contribution from non-controlling interests of subsidiaries		—	—	—	—	—	(232)	(232)
Acquisition of additional interest in a subsidiary		—	—	—	—	—	(14)	(14)
Dividends paid to non-controlling interests		—	—	—	—	—	(353)	(353)
At 31 December 2016		—*	299	198	198,413	198,910	5,227	204,137
At 1 January 2017		—*	299	198	198,413	198,910	5,227	204,137
Changes in equity for the six months ended 30 June 2017:								
Profit for the period		—	—	—	4,900	4,900	254	5,154
Other comprehensive income		—	296	94	—	390	172	562
Total comprehensive income		—	296	94	4,900	5,290	426	5,716
Issuance of new shares	27(a)	—*	—	—	—	—*	—	—*
Net capital contribution from non-controlling interests of subsidiaries		—	—	—	—	—	(339)	(339)
Dividends payable to non-controlling interests		—	—	—	—	—	(141)	(141)
At 30 June 2017		—*	595	292	203,313	204,200	5,173	209,373

	Note	Share capital	Investment revaluation reserves	Exchange reserves	Revenue reserves	Total	Non-controlling interests	Total equity
		Equity attributable to the shareholders of the Company						
		HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million
(Unaudited)								
At 1 January 2016		—*	441	488	204,205	205,134	5,771	210,905
Changes in equity for the six months ended 30 June 2016:								
Profit for the period		—	—	—	4,440	4,440	183	4,623
Other comprehensive income		—	(161)	(98)	—	(259)	(128)	(387)
Total comprehensive income		—	(161)	(98)	4,440	4,181	55	4,236
Transfer to revenue reserves upon de-recognition of equity investments		—	(34)	—	34	—	—	—
Dividends payable to non-controlling interests		—	—	—	—	—	(322)	(322)
At 30 June 2016		—*	246	390	208,679	209,315	5,504	214,819

* The balances represent amount less than HK$1 million.

The accompanying notes form part of the Historical Financial Information.

6 **Combined statements of cash flows**

		Year ended 31 December			Six months ended 30 June	
	Note	2014	2015	2016	2016	2017
		HK$ Million	HK$ Million	HK$ Million	HK$ Million (unaudited)	HK$ Million
Operating cash inflow	(a)	10,350	11,803	11,855	6,161	7,052
Changes in working capital	(a)	2,673	2,610	2,203	224	(1,576)
Cash generated from operations	(a)	13,023	14,413	14,058	6,385	5,476
Net interest paid		(1,288)	(1,252)	(1,297)	(593)	(501)
Interest paid		(1,389)	(1,340)	(1,366)	(632)	(528)
Interest received		101	88	69	39	27
Dividends received from a joint venture		133	71	366	185	—
Dividends received from equity investments		42	56	76	46	44
Hong Kong profits tax paid		(1,205)	(1,506)	(1,486)	(310)	(355)
Overseas tax paid		(429)	(363)	(347)	(226)	(82)
Net cash generated from operating activities		10,276	11,419	11,370	5,487	4,582
Investing activities						
Additions to investment properties		(3,870)	(1,391)	(7,704)	(7,058)	(493)
Additions to hotel and club properties, plant and equipment		(682)	(421)	(1,017)	(290)	(693)
Net decrease/(increase) in interest in an associate		—	543	168	135	(24)
Net decrease in interest in joint ventures		303	172	214	93	—
Net proceeds from disposal of hotel and club properties, plant and equipment		1	1	1	—	—
Purchase of equity investments		—	(1,175)	(109)	(109)	(228)
Acquisition of interest in subsidiaries		—	—	(9)	—	(50)
Proceeds from disposal of equity investments		—	54	107	107	—
(Increase)/decrease in amount due from the immediate holding company		(3,615)	2,903	4,250	3,409	(316)

	Note	Year ended 31 December			Six months ended 30 June	
		2014	2015	2016	2016	2017
		HK$ Million	HK$ Million	HK$ Million	HK$ Million (unaudited)	HK$ Million
Decrease in amounts due from fellow subsidiaries		103	452	—	—	—
Increase in amount due to the immediate holding company		—	—	10,354	8	1,996
Decrease in amounts due to fellow subsidiaries		(33)	(27)	(7)	(13)	(14)
Net cash (used in)/generated from investing activities		(7,793)	1,111	6,248	(3,718)	178
Financing activities						
Increase/(decrease) in loans from fellow subsidiaries		1,419	3,420	2,397	(934)	(5,978)
Drawdown of bank loans		7,172	2,766	1,178	14	153
Repayment of bank loans		(6,735)	(8,779)	(5,739)	(1,950)	(1,650)
Capital contribution to non-controlling interests of a subsidiary		—	—	(232)	—	(339)
Dividends paid		(4,803)	(8,297)	(15,753)	—	—
Dividends paid to non-controlling interests		(172)	(126)	(353)	(322)	(141)
Net cash used in financing activities		(3,119)	(11,016)	(18,502)	(3,192)	(7,955)
(Decrease)/increase in cash and cash equivalents		(636)	1,514	(884)	(1,423)	(3,195)
Cash and cash equivalents at the beginning of the year/period		5,928	5,273	6,501	6,501	5,212
Effect of exchange rate changes		(19)	(286)	(405)	(126)	154
Cash and cash equivalents at the end of the year/period		5,273	6,501	5,212	4,952	2,171

The accompanying notes form part of the Historical Financial Information.

NOTE TO THE COMBINED STATEMENTS OF CASH FLOWS

a ***Reconciliation of operating profit to cash generated from operations***

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	HK$ Million	HK$ Million	HK$ Million	HK$ Million (unaudited)	HK$ Million
Operating profit for the year/period	10,416	11,759	11,824	6,158	7,050
Adjustments for:					
Interest income	(206)	(90)	(69)	(39)	(27)
Dividends receivable from equity investments	(42)	(56)	(76)	(46)	(44)
Depreciation and amortisation	182	189	176	88	73
Loss on disposal of hotel and club properties, plant and equipment	—	1	—	—	—
Operating cash inflow	10,350	11,803	11,855	6,161	7,052
Decrease in properties for sale	2,337	1,210	949	555	485
(Increase)/decrease in inventories	(2)	3	—	—	—
Decrease/(increase) in trade and other receivables	355	183	235	(207)	(142)
Increase/(decrease) in trade and other payables	522	568	366	(403)	(407)
(Decrease)/increase in deposits from sale of properties	(608)	573	636	271	(1,520)
(Increase)/decrease in derivative financial instruments	51	37	(1)	—	—
Other non-cash items	18	36	18	8	8
Changes in working capital	2,673	2,610	2,203	224	(1,576)
Cash generated from operations	13,023	14,413	14,058	6,385	5,476

b ***Reconciliation of liabilities arising from financing activities***

	Bank loans	Loans from fellow subsidiaries	Total
	HK$ Million (Note 22)	HK$ Million (Note 23)	HK$ Million
At 1 January 2014	11,519	23,744	35,263
Changes from financing cash flows:			
Drawdown of bank loans	7,172	—	7,172
Repayment of bank loans	(6,735)	—	(6,735)
Increase in loans from fellow subsidiaries	—	1,419	1,419
Total changes from financing cash flows	437	1,419	1,856
Other changes:			
Additions to investment properties	3,000	—	3,000
Total other changes	3,000	—	3,000
At 31 December 2014	14,956	25,163	40,119
At 1 January 2015	14,956	25,163	40,119
Changes from financing cash flows:			
Drawdown of bank loans	2,766	—	2,766
Repayment of bank loans	(8,779)	—	(8,779)
Increase in loans from fellow subsidiaries	—	3,420	3,420
Total changes from financing cash flows	(6,013)	3,420	(2,593)
At 31 December 2015	8,943	28,583	37,526

	Bank loans	Loans from fellow subsidiaries	Total
	HK$ Million (Note 22)	HK$ Million (Note 23)	HK$ Million
At 1 January 2016	8,943	28,583	37,526
Changes from financing cash flows:			
Drawdown of bank loans	1,178	—	1,178
Repayment of bank loans	(5,739)	—	(5,739)
Increase in loans from fellow subsidiaries	—	2,397	2,397
Total changes from financing cash flows	(4,561)	2,397	(2,164)
At 31 December 2016	4,382	30,980	35,362
At 1 January 2017	4,382	30,980	35,362
Changes from financing cash flows:			
Drawdown of bank loans	153	—	153
Repayment of bank loans	(1,650)	—	(1,650)
Decrease in loans from fellow subsidiaries	—	(5,978)	(5,978)
Total changes from financing cash flows	(1,497)	(5,978)	(7,475)
At 30 June 2017	2,885	25,002	27,887
(Unaudited)			
At 1 January 2016	8,943	28,583	37,526
Changes from financing cash flows:			
Drawdown of bank loans	14	—	14
Repayment of bank loans	(1,950)	—	(1,950)
Decrease in loans from fellow subsidiaries	—	(934)	(934)
Total changes from financing cash flows	(1,936)	(934)	(2,870)
At 30 June 2016	7,007	27,649	34,656

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Basis of preparation and presentation of Historical Financial information

Wharf Real Estate Investment Company Limited (the "Company") was incorporated in the Cayman Islands on 13 April 2017 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands.

The immediate holding company and the ultimate holding company of the Company is The Wharf (Holdings) Limited ("Wharf") and Wheelock and Company Limited, respectively, both of them are companies incorporated in Hong Kong with their shares listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. The Company and its subsidiaries (together, "the Group") are principally engaged in investment in strategic and substantial retail, office and hotel operations in Hong Kong.

During the Relevant Periods, the principal activities of the Group were carried out by Wharf Estates Limited ("WEL") and its subsidiaries ("Wharf Estates Group"). WEL, a company incorporated in Hong Kong, is a wholly owned subsidiary of Wharf. To rationalise the corporate structure in preparation of the listing of the Company's shares on The Stock Exchange of Hong Kong Limited, the Group underwent a group reorganisation ("Reorganisation"), as more fully explained in the section headed "History and Corporate Structure" and "Appendix VII — General Information — Further Information About Our Group — 6. Reorganisation" in the Listing Document.

Pursuant to the Reorganisation, the Company became the holding company of the Group on 9 August 2017. The companies now comprising the Group were under the common control of the same controlling shareholder before and after the Reorganisation. Accordingly, the Reorganisation is considered to be a business combination of entities under common control. The Historical Financial Information has been prepared using the merger basis of accounting as if the companies now comprising the Group have been combined at the beginning of the Relevant Periods. The assets and liabilities of the combining companies are recognised and measured using the historical carrying amounts from the perspective of the controlling shareholder. The combined statements of profit or loss, the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group as set out in Section A include the combined results and cash flows of all companies now comprising the Group for the Relevant Periods (or where the companies were incorporated, established or acquired at a date later than 1 January 2014, for the period from the date of incorporation, establishment or acquisition to 30 June 2017) as if the group structure had been in existence throughout the Relevant Periods. The combined statements of financial position of the Group as at 31 December 2014, 2015 and 2016 and 30 June 2017 as set out in Section A have been prepared to present the state of affairs of the Group as at the respective dates as of the Reorganisation had been completed at the beginning of the Relevant Periods.

All material intra-group balances, transactions and cash flows are eliminated in preparing this Historical Financial Information.

As at the date of this report, no audited financial statements have been prepared for the Company and the subsidiaries incorporated in the British Virgin Islands as set out in note 1(iii) of Section B as they either have not carried on any business since the date of incorporation or are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation. The financial statements of the subsidiaries of the Group for which there are statutory requirements were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") or Accounting Standards for Business Enterprises issued by the Ministry of Finance of The People's Republic of China ("PRC").

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies except stated otherwise:

(a) *Subsidiaries incorporated in Hong Kong:*

			Percentage of equity interest			Statutory financial statements	
Company name	**Date of incorporation**	**Issued and paid up capital**	**Direct**	**Indirect**	**Principal activities**	**Statutory auditors**	**Financial year ended 31 December**
Bright Smart Limited	13 October 1992	HK$10,000 divided into 10,000 shares	—	100	Property investment	KPMG	2014, 2015 and 2016
Cheer Sky Investment Limited	10 October 2007	HK$1 divided into 1 share	—	72	Holding company	KPMG	2014, 2015 and 2016
Dragon Legacy Holdings Limited	6 August 2013	HK$1 divided into 1 share	—	72	Holding company	KPMG	2014, 2015 and 2016
Excellent Base Limited	10 September 1992	HK$10,000 divided into 10,000 shares	—	100	Property investment	KPMG	2014, 2015 and 2016
Free Boost Investments Limited	21 September 2007	HK$1 divided into 1 share	—	72	Holding company	KPMG	2014, 2015 and 2016
Harbour Centre Development Limited*	16 July 1965	HK$3,641,350,047 divided into 708,750,000 shares	—	72	Holding company	KPMG	2014, 2015 and 2016
Harbour City Estates Limited	4 June 1974	HK$330,100,000 divided into 20,000 shares	—	100	Property investment	KPMG	2014, 2015 and 2016

* A company listed on the Main Board of The Stock Exchange of Hong Kong Limited

Company name	Date of incorporation	Issued and paid up capital	Percentage of equity interest		Principal activities	Statutory financial statements	
			Direct	Indirect		Statutory auditors	Financial year ended 31 December
Harbour City Management Limited	21 December 1988	HK$20 divided into 2 shares	—	100	Property management	KPMG	2014, 2015 and 2016
Harriman Leasing Limited	29 December 1987	HK$1,000,990 divided into 100,099 shares	—	100	Leasing services	KPMG	2014, 2015 and 2016
HCDL China Finance Limited	19 May 2010	HK$1 divided into 1 share	—	72	Finance	KPMG	2014, 2015 and 2016
HCDL Finance Limited	20 March 2006	HK$5,000,000 divided into 5,000,000 shares	—	72	Finance	KPMG	2014, 2015 and 2016
HCDL Investments Limited	17 December 2015	HK$1 divided into 1 share	—	72	Holding company	KPMG	2016 (Note (i))
HCDL Investments Finance Limited	28 December 2015	HK$1 divided into 1 share	—	72	Finance	KPMG	2015 (Note (ii)) and 2016
High Sea Investments Limited	17 July 2006	HK$2 divided into 2 shares	—	72	Holding company	KPMG	2014, 2015 and 2016
Joinhill Investments Limited	30 September 2006	HK$1 divided into 1 share	—	72	Holding company	KPMG	2014, 2015 and 2016
LCX Limited	22 July 2002	HK$2 divided into 2 shares	—	100	Retail business	KPMG	2014, 2015 and 2016
Manniworth Company Limited	15 July 1993	HK$10,000 divided into 10,000 shares	—	72	Property investment	KPMG	2014, 2015 and 2016
Market Favour Investments Limited	16 November 2010	HK$1 divided into 1 share	—	72	Holding company	KPMG	2014, 2015 and 2016
Marnav Holdings Limited	30 March 1973	HK$1,000,000 dividend into 1,000,000 shares	—	100	Property investment	KPMG	2016 (Note (iii))

Company name	Date of incorporation	Issued and paid up capital	Percentage of equity interest		Principal activities	Statutory financial statements	
			Direct	Indirect		Statutory auditors	Financial year ended 31 December
Merry Strength Limited	3 October 2014	HK$1 divided into 1 share	—	72	Holding company	KPMG	2014 (Note (iv)), 2015 and 2016
Mullein Company Limited	7 April 1992	HK$10,000 divided into 10,000 shares	—	100	Property investment	KPMG	2014, 2015 and 2016
Oripuma Investments Limited	7 January 1986	HK$2 divided into 2 shares	—	100	Property investment	KPMG	2016 (Note (v))
Plaza Hollywood Limited	10 November 1992	HK$10,000,000 divided into 10,000,000 shares	—	100	Property investment	KPMG	2014, 2015 and 2016
Primal Glory Holdings Limited	11 November 2014	HK$1 divided into 1 share	—	100	Property investment	KPMG	2014 (Note (vi)), 2015 and 2016
Proteck Limited	21 December 2012	HK$10,000 divided into 10,000 shares	—	100	Property investment	KPMG	2016 (Note (vii))
Ridge Limited	28 April 1994	HK$l0,000 divided into 10,000 shares	—	100	Property investment	KPMG	2014, 2015 and 2016
Smart Icon Investments Limited	16 November 2010	HK$1 divided into 1 share	—	100	Inactive	KPMG	2014, 2015 and 2016
The Murray Limited	9 October 2013	HK$1 divided into 1 share	—	72	Hotel	KPMG	2014, 2015 and 2016
The Hongkong Hotel Limited	16 October 1981	HK$100,000 divided into 100,000 shares	—	72	Hotel and property investment	KPMG	2014, 2015 and 2016
The Marco Polo Hotel (Hong Kong) Limited	29 October 1985	HK$1,000 divided into 1,000 shares	—	100	Hotel	KPMG	2014, 2015 and 2016
The Prince Hotel Limited	24 September 1985	HK$2 divided into 2 shares	—	100	Hotel	KPMG	2014, 2015 and 2016

Company name	Date of incorporation	Issued and paid up capital	Percentage of equity interest		Principal activities	Statutory financial statements	
			Direct	Indirect		Statutory auditors	Financial year ended 31 December
The "Star" Ferry Company, Limited	23 April 1898	HK$7,200,000 divided into 1,440,000 shares	—	100	Public transport	KPMG	2014, 2015 and 2016
Times Square Limited	13 July 1990	HK$20 divided into 2 shares	—	100	Property investment	KPMG	2014, 2015 and 2016
Wavatah Company Limited	13 December 1994	HK$1,000 divided into 1,000 shares	—	100	Property investment	KPMG	2016 (Note (viii))
Wealthy Flow Company Limited	2 April 2009	HK$1 divided into 1 share	—	72	Funds management	KPMG	2014, 2015 and 2016
Wettersley Company Limited	11 August 1992	HK$10,000 divided into 10,000 shares	—	100	Property investment	KPMG	2014, 2015 and 2016
Wharf Estates Limited	8 February 2002	HK$2 dividend into 2 shares	—	100	Holding company	KPMG	2014, 2015 and 2016
Wharf Realty Limited	11 June 1992	HK$2 divided into 2 shares	—	100	Property investment	KPMG	2014, 2015 and 2016
Wharf REIC Corporate Services Limited (previously known as Wharf Properties Management Limited)	17 December 2015	HK$1 divided into 1 share	—	100	Property management	KPMG	2016 (Note (ix))
Wharf REIC Finance Limited (previously known as Central Market Limited)	28 November 2012	HK$1 divided into 1 share	—	100	Inactive	KPMG	2014, 2015 and 2016
Wharf Transport Investments Limited	2 June 1992	HK$2 divided into 2 shares	—	100	Holding company	KPMG	2014, 2015 and 2016

(b) *Subsidiaries established in The People's Republic of China:*

Company name	Date of establishment	Issued and paid up capital	Percentage of equity interest		Principal activities	Statutory financial statements	
			Direct	Indirect		Statutory auditors	Financial year ended 31 December
常州馬哥孛羅酒店有限公司	20 December 2010	US$7,000,000	—	72	Hotel	畢馬威華振會計師事務所 (特殊普通合夥)	2014, 2015 and 2016
廣州秀達企業管理有限公司	24 April 2012	HK$2,000,000	—	72	Holding company	廣州皓程會計師事務所有限公司	2014, 2015 and 2016
廣州譽港企業管理有限公司	29 May 2012	RMB5,000,000	—	72	Holding company	廣州皓程會計師事務所有限公司	2014, 2015 and 2016
廣州港捷企業管理有限公司	20 July 2012	RMB10,000,000	—	72	Holding company	廣州皓程會計師事務所有限公司	2014, 2015 and 2016
九龍倉 (常州) 置業有限公司	22 November 2007	US$169,800,000	—	72	Property	畢馬威華振會計師事務所 (特殊普通合夥)	2014, 2015 and 2016
南京聚龍房地產開發有限公司	20 December 2006	US$18,000,000	—	72	Holding company	江蘇公証天業會計師事務所 (特殊普通合夥)	2014, 2015 and 2016

Company name	Date of establishment	Issued and paid up capital	Percentage of equity interest		Principal activities	Statutory financial statements	
			Direct	Indirect		Statutory auditors	Financial year ended 31 December
上海綠源房地產開發有限公司	3 February 2008	RMB70,000,000	—	72	Property	畢馬威華振會計師事務所 (特殊普通合夥)	2014, 2015 and 2016
蘇州高龍房產發展有限公司	20 December 2007	RMB1,500,000,000	—	57	Property	畢馬威華振會計師事務所 (特殊普通合夥)	2014, 2015 and 2016

(c) *Subsidiaries incorporated in the British Virgin Islands:*

Company name	Date of incorporation	Issued and paid up capital	Percentage of equity interest		Principal activities	Statutory financial statements	
			Direct	Indirect		Statutory auditors	Financial year ended 31 December
Aggressive Enterprises Limited	2 January 1998	500 US$1 shares	—	100	Holding company	(Note (x))	(Note (x))
Algebra Assets Limited	22 October 1997	500 US$1 shares	—	72	Investment	(Note (x))	(Note (x))
Artisan Wall Limited	24 November 2015	500 US$1 shares	—	100	Holding company	(Note (x))	(Note (x))
Cheery Tree Limited	6 March 2013	500 US$1 shares	—	100	Holding company	(Note (x))	(Note (x))
City State Ventures Limited	16 June 2014	500 US$1 shares	—	100	Holding company	(Note (x))	(Note (x))

Company name	Date of incorporation	Issued and paid up capital	Percentage of equity interest		Principal activities	Statutory financial statements	
			Direct	Indirect		Statutory auditors	Financial year ended 31 December
Estcourt International Limited	18 August 2006	500 US$1 shares	—	100	Holding company	(Note (x))	(Note (x))
Giant Wealth Investments Limited	4 March 2011	500 US$1 Shares	—	100	Holding company	(Note (x))	(Note (x))
Golden Spikes Investments Limited	2 November 2015	500 US$1 shares	—	100	Holding company	(Note (x))	(Note (x))
Harbour Centre (Hong Kong) Limited	5 January 1995	500 US$1 shares	—	72	Holding company	(Note (x))	(Note (x))
HCDL China Development Limited	31 August 2007	500 US$1 shares	—	72	Holding company	(Note (x))	(Note (x))
Interstate Investments Limited	12 December 2012	500 US$1 shares	—	100	Holding company	(Note (x))	(Note (x))
Lucky Bay Investments Limited	26 September 2012	1,975 US$1 shares	—	100	Holding company	(Note (x))	(Note (x))
Lunar King Limited	27 November 2015	500 US$1 shares	—	100	Holding company	(Note (x))	(Note (x))
Mandelson Investments Limited	22 May 1997	500 US$1 shares	—	72	Investment	(Note (x))	(Note (x))
Ocean New Investments Limited	26 April 2001	500 US$1 shares	—	72	Holding company	(Note (x))	(Note (x))
Power Castle Limited	27 April 2006	500 US$1 shares	—	72	Investment	(Note (x))	(Note (x))

			Percentage of equity interest			Statutory financial statements	
Company name	Date of incorporation	Issued and paid up capital	Direct	Indirect	Principal activities	Statutory auditors	Financial year ended 31 December
Treasure House Group Limited	8 March 2006	500 US$1 shares	—	100	Holding company	(Note (x))	(Note (x))
Upfront International Limited	1 October 1997	500 US$1 shares	—	100	Holding company	(Note (x))	(Note (x))
Victor Horizon Limited	3 July 2015	500 US$1 shares	—	72	Investment	(Note (x))	(Note (x))
Viva Hours Limited	27 Nov 2015	500 US$1 shares	—	72	Holding company	(Note (x))	(Note (x))
Viva Rank Limited	27 September 2013	500 US$1 shares	—	72	Holding company	(Note (x))	(Note (x))
Wharf REIC Holdings Limited	20 March 2017	500 US$1 shares	100	—	Holding company	(Note (x))	(Note (x))

Notes:

(i) Financial statements of HCDL Investments Limited were issued for the period from 17 December 2015 (date of incorporation) to 31 December 2016.

(ii) Financial statements of HCDL Investments Finance Limited were issued for the period from 28 December 2015 (date of incorporation) to 31 December 2015.

(iii) Marnav Holdings Limited was acquired by the Group on 22 April 2016.

(iv) Financial statements of Merry Strength Limited were issued for the period from 3 October 2014 (date of incorporation) to 31 December 2014.

(v) Oripuma Investments Limited was acquired by the Group on 31 March 2016.

(vi) Financial statements of Primal Glory Holdings Limited was issued for the period from 11 November 2014 (date of incorporation) to 31 December 2014.

(vii) Proteck Limited was acquired by the Group on 12 April 2016.

(viii) Wavatah Company Limited was acquired by the Group on 31 March 2016.

(ix) Financial statements of Wharf REIC Corporate Services Limited (previously known as Wharf Properties Management Limited) was issued for the period from 17 December 2015 (date of incorporation) to 31 December 2016.

(x) No audited financial statements have been prepared for these subsidiaries as they were not subject to statutory audit requirements under the rules and regulations in the jurisdiction of incorporation.

All companies now comprising the Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable HKFRSs which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Further details of the significant accounting policies adopted are set out in Note 2.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised HKFRSs to the Relevant Periods. Except for HKFRS 9, *Financial Instruments* ("HKFRS 9"), the Group has not adopted any new standards or interpretations that are not yet effective for the accounting period beginning on 1 January 2018. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning 1 January 2018 are set out in Note 31.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

2 Significant accounting policies

(a) *Basis of measurement*

The Historical Financial Information is presented in Hong Kong dollars ("HK$"), rounded to the nearest million, except as otherwise stated herein. The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except where stated otherwise in the accounting policies set out below.

(b) *Use of estimates and judgements*

The preparation of Historical Financial Information 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 Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) ***Basis of consolidation***

(i) *Subsidiaries and non-controlling interests*

Subsidiaries are entities controlled by the Group. The results of subsidiaries are included in the Historical Financial Information from the date that control commences until the date that control ceases. Merger accounting is adopted for common control combinations (see below) in which all of the combining entities are ultimately controlled by the same controlling shareholder both before and after the business combination and that control is not transitory.

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.

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that control the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised from the controlling shareholder's perspective. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities are recorded have been recognised directly in equity as part of the other reserve.

Intra-group balances and transactions and cash flows, and any unrealised profits arising from intragroup transactions, are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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

Non-controlling interests are presented in the combined statements of financial position within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the combined statements of profit or loss and the combined statements 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 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 combined statements 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 combined 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 (g)) 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 Historical Financial Information under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see 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 combined statements of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the combined statements 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.

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

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

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)).

In the Company's statement of financial position, investments in an associate and joint ventures are stated at cost less impairment losses (see note (k)(ii)).

(d) ***Investment properties and hotel and club properties, plant and equipment***

(i) *Investment properties*

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note (j)) 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 combined statements 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 combined statements of profit or loss. 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 (j)), 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 (j).

(ii) *Hotel and club properties, plant and equipment*

Hotel and club properties, plant and equipment 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) Gains or losses arising from the retirement or disposal of an item of investment properties and hotel and club properties, 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 combined statements of profit or loss on the date of retirement or disposal.

(e) ***Depreciation of investment properties and hotel and club properties, plant and equipment***

Depreciation is calculated to write-off the cost of items of investment properties and hotel and club properties, 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, property and equipment*

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.

Depreciation is provided on a straight line basis over their estimated useful lives of property and equipment of 3 to 25 years.

Where parts of an item of hotel and club properties, 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 combined statements 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 of 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 ("FVOCI") - debt investment; FVOCI - 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.

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 OCI. This election is made on an investment-by-investment basis.

All financial assets not classified and measured at amortised cost or FVOCI 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 FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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 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.
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.
Equity investments at FVOCI	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.

The Group has designated all investments in equity instruments (listed or unlisted) that are not held for trading as at FVOCI.

(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 combined statements 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 classified as 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.

(v) *Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the combined statements 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 HKFRSs, or for gains and losses arising from a group of similar transactions such as in the Group's trading.

(g) ***Investments in debt and equity securities***

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

The 'equity investments' caption in the combined statements of financial position includes:

— 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; and

— equity investment securities designated as at FVOCI.

The Group elects to present in OCI changes in the 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 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 retained earnings on disposal of an investment.

Investments in 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.

(h) ***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 profit or loss, 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 (see note (i)).

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.

(i) ***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 combined statements of profit or loss. 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 combined statements of profit or loss.

(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 profit or loss.

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 combined statements of profit or loss in the same period or periods during which the asset acquired or liability assumed affects the combined statements of profit or loss (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 combined statements of profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

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 combined statements of profit or loss immediately.

(j) ***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 profit or loss 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 profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss 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)(ii)).

(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 included in recognised as 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 profit or loss 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 profit or loss in the accounting period in which they are incurred.

(k) ***Impairment of assets***

(i) *Impairment of financial assets*

The Group recognises loss allowances for expected credit loss ("ECL") on financial assets measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECL. Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL.

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.

Lifetime 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 FVOCI 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 combined statements 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.

(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, 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 profit or loss in the year in which the reversals are recognised.

(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 properties held 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 combined statements of profit or loss 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 combined statements of profit or loss 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.

(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.

The results of foreign operations are translated into Hong Kong dollars at the monthly weighted average exchange rates for the year. Combined statements 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 combined statements of profit or loss .

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 combined statements of profit or loss 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 combined statements of profit or loss 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 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 combined statements of financial position.

(iii) 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.

(iv) Interest income is recognised as it accrues using the effective interest method.

(v) 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 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 combined statements of profit or loss 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 Company or 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.

(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 or the Group's parent.

(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 Historical Financial Information, 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 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.

3 Accounting judgements and estimates

Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

Note 26 contain information about the assumptions and their risk relating to financial instruments. Other key sources of estimation uncertainty are as follows:

— *Valuation of investment properties*

Investment properties are included in the combined statements 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.

— *Assessment of the useful economic lives for depreciation of hotel and club properties, plant and equipment*

In assessing the estimated useful lives of hotel and club properties, 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 hotel and club properties, 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.

— *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.

— *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.

— *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 cashflows.

4 **Segment information**

The Group manages its diversified businesses according to the nature of services and products provided. Management has determined three reportable operating segments for measuring performance and allocating resources. The segments are investment properties, development properties and hotels. No operating segments have been aggregated to form the reportable segments.

Investment properties 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.

Development properties segment encompasses activities relating to the acquisition, development, design, construction, sales and marketing of the Group's trading properties in the PRC.

Hotels segment includes hotel operations in Hong Kong and the People's Republic of China.

Management evaluates performance primarily based on operating profit as well as the equity share of results of an associate 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 and current assets directly attributable to each segment with the exception of bank deposits and cash, certain financial investments, deferred tax assets, amounts due from the immediate holding company and fellow subsidiaries and other derivative financial assets.

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

(a) ***Analysis of segment revenue and results***

	Revenue	Operating profit	Increase in fair value of investment properties	Other net income/ (charge)	Finance costs	Share of results after tax of an associate	Share of results after tax of joint ventures	Profit before taxation
	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million
For the year ended 31 December 2014								
Investment properties	11,260	9,818	27,729	—	(1,228)	—	—	36,319
Development properties	4,361	380	—	2	(12)	(4)	97	463
Hotels	1,462	345	—	—	(6)	—	—	339
Segment total	17,083	10,543	27,729	2	(1,246)	(4)	97	37,121
Investment and others	354	260	—	173	(18)	—	—	415
Corporate expenses	—	(387)	—	—	—	—	—	(387)
Group total	17,437	10,416	27,729	175	(1,264)	(4)	97	37,149
For the year ended 31 December 2015								
Investment properties	12,038	10,444	5,329	—	(1,221)	—	—	14,552
Development properties	3,930	1,041	—	50	(13)	133	95	1,306
Hotels	1,359	288	—	—	(4)	—	—	284
Segment total	17,327	11,773	5,329	50	(1,238)	133	95	16,142
Investment and others	249	153	—	207	(64)	—	—	296
Corporate expenses	—	(167)	—	—	—	—	—	(167)
Group total	17,576	11,759	5,329	257	(1,302)	133	95	16,271
For the year ended 31 December 2016								
Investment properties	12,775	11,171	1,191	—	(1,306)	—	—	11,056
Development properties	2,482	425	—	23	(8)	23	176	639
Hotels	1,342	269	—	—	(4)	—	—	265
Segment total	16,599	11,865	1,191	23	(1,318)	23	176	11,960
Investment and others	252	148	—	193	(33)	—	—	308
Corporate expenses	—	(189)	—	—	—	—	—	(189)
Group total	16,851	11,824	1,191	216	(1,351)	23	176	12,079

	Revenue	Operating profit	Increase in fair value of investment properties	Other net income/ (charge)	Finance costs	Share of results after tax of an associate	Share of results after tax of joint ventures	Profit before taxation
	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million
For the six months ended 30 June 2017								
Investment properties	6,601	5,887	478	—	(515)	—	—	5,850
Development properties	2,166	1,135	—	—	(2)	4	(40)	1,097
Hotels	646	144	—	—	(1)	—	—	143
Segment total	9,413	7,166	478	—	(518)	4	(40)	7,090
Investment and others	133	77	—	(259)	(8)	—	—	(190)
Corporate expenses	—	(193)	—	—	—	—	—	(193)
Group total	9,546	7,050	478	(259)	(526)	4	(40)	6,707
For the six months ended 30 June 2016 (unaudited)								
Investment properties	6,363	5,629	81	—	(586)	—	—	5,124
Development properties	1,686	429	—	9	(5)	(9)	141	565
Hotels	621	106	—	—	(1)	—	—	105
Segment total	8,670	6,164	81	9	(592)	(9)	141	5,794
Investment and others	134	85	—	(95)	(30)	—	—	(40)
Corporate expenses	—	(91)	—	—	—	—	—	(91)
Group total	8,804	6,158	81	(86)	(622)	(9)	141	5,663

(b) ***Analysis of segment business assets***

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$ Million	HK$ Million	HK$ Million	HK$ Million
Investment properties	229,725	236,224	244,871	245,866
Development properties	9,772	6,885	5,710	4,714
Hotels	6,075	6,246	6,983	7,667
Total segment business assets	245,572	249,355	257,564	258,247
Unallocated corporate assets	14,901	13,615	7,898	5,810
Total assets	260,473	262,970	265,462	264,057

Unallocated corporate assets mainly comprise equity investments, deferred tax assets, bank deposits and cash, amounts due from the immediate holding company and fellow subsidiaries and other derivative financial assets.

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

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$ Million	HK$ Million	HK$ Million	HK$ Million
Development properties	4,186	3,647	3,225	3,243

(c) ***Other segment information***

	Capital expenditure				
	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	HK$ Million	HK$ Million	HK$ Million	HK$ Million (unaudited)	HK$ Million
Investment properties	7,030	1,408	7,770	7,101	490
Development properties	—	—	—	—	—
Hotels	760	372	989	286	683
Group total	7,790	1,780	8,759	7,387	1,173

	Depreciation and amortisation				
	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	HK$ Million	HK$ Million	HK$ Million	HK$ Million (unaudited)	HK$ Million
Investment properties	13	21	21	11	10
Development properties	—	—	—	—	—
Hotels	166	165	152	76	62
Segment total	179	186	173	87	72
Investment and others	3	3	3	1	1
Group total	182	189	176	88	73

The Group had no significant non-cash expenses other than depreciation and amortisation.

(d) ***Geographical information***

	Revenue				
	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	HK$ Million	HK$ Million	HK$ Million	HK$ Million (unaudited)	HK$ Million
Hong Kong	12,829	13,474	14,200	7,020	7,296
The PRC	4,575	4,064	2,606	1,752	2,221
Singapore	33	38	45	32	29
Group total	17,437	17,576	16,851	8,804	9,546

	Operating profit				
	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	HK$ Million	HK$ Million	HK$ Million	HK$ Million (unaudited)	HK$ Million
Hong Kong	9,841	10,640	11,328	5,681	5,876
The PRC	542	1,081	451	445	1,145
Singapore	33	38	45	32	29
Group total	10,416	11,759	11,824	6,158	7,050

	Specified non-current assets			
	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$ Million	HK$ Million	HK$ Million	HK$ Million
Hong Kong	232,451	238,682	247,844	249,207
The PRC	6,763	6,762	6,756	7,097
Group total	239,214	245,444	254,600	256,304

	Total business assets			
	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$ Million	HK$ Million	HK$ Million	HK$ Million
Hong Kong	233,222	239,353	248,319	249,672
The PRC	12,350	10,002	9,245	8,575
Group total	245,572	249,355	257,564	258,247

Specified non-current assets excludes deferred tax assets, equity investments, derivative financial assets and other non-current assets.

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

5 Operating profit

(a) *Operating profit is arrived at:*

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	HK$ Million	HK$ Million	HK$ Million	HK$ Million (unaudited)	HK$ Million
After charging/(crediting)					
Depreciation and amortisation on					
- hotel and club properties, plant and equipment	175	181	168	84	69
- leasehold land	7	8	8	4	4
Total depreciation and amortisation	182	189	176	88	73
Impairment of trade receivables	—	3	—	—	—
Staff costs (Note (ii))	730	765	779	358	368
Auditors' remuneration	7	7	8	3	4
Cost of trading properties for recognised sales	3,859	2,768	1,968	1,234	999
Gross amount of rental income from investment properties (Note (i))	(11,260)	(12,038)	(12,775)	(6,363)	(6,601)
Direct operating expenses of investment properties	1,356	1,479	1,494	680	664
Interest income (Note (iii))	(206)	(90)	(69)	(39)	(27)
Dividend income from equity investments	(42)	(56)	(76)	(46)	(44)
Loss on disposal of hotel and club properties, plant and equipment	—	1	—	—	—
Corporate charges from a fellow subsidiary	387	167	189	91	193

Notes:

(i) Gross amount of rental income includes contingent rentals for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017 of HK$1,711 million, HK$1,078 million, HK$707 million, HK$382 million (unaudited) and HK$354 million respectively.

(ii) Staff costs included defined contribution pension schemes costs for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017 of HK$35 million, HK$35 million, HK$38 million, HK$20 million (unaudited) and HK$21 million respectively.

(iii) Interest income for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017 of HK$206 million, HK$90 million, HK$69 million, HK$39 million (unaudited) and HK$27 million respectively, are generated in respect of financial assets (mainly comprising bank deposits) stated at amortised cost. For the year ended 31 December 2014, interest income included HK$105 million from an associate.

(b) ***Directors' emoluments***

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefit of Directors) Regulation for the years ended 31 December 2014, 2015 and 2016 and six months ended 30 June 2016 and 2017 are as follows:

	Fees	Salaries, allowance and benefits in kind	Discretionary bonus	Contribution to pension schemes	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31 December 2014					
Executive directors					
Mr. Ng Tin Hoi Stephen	50	960	—	—	1,010
Ms. Lee Yuk Fong Doreen	—	3,618	7,875	540	12,033
Ms. Leng Yen Thean	—	3,523	5,000	348	8,871
Total	50	8,101	12,875	888	21,914
For the year ended 31 December 2015					
Executive directors					
Mr. Ng Tin Hoi Stephen	50	960	—	—	1,010
Ms. Lee Yuk Fong Doreen	—	4,203	7,125	628	11,956
Ms. Leng Yen Thean	—	3,695	4,000	365	8,060
Total	50	8,858	11,125	993	21,026
For the year ended 31 December 2016					
Executive directors					
Mr. Ng Tin Hoi Stephen	50	960	—	—	1,010
Ms. Lee Yuk Fong Doreen	—	4,474	5,625	225	10,324
Ms. Leng Yen Thean	—	3,885	4,000	384	8,269
Total	50	9,319	9,625	609	19,603
For the six months ended 30 June 2016 (unaudited)					
Executive directors					
Mr. Ng Tin Hoi Stephen	25	480	—	—	505
Ms. Lee Yuk Fong Doreen	—	2,235	2,813	218	5,266
Ms. Leng Yen Thean	—	1,939	2,000	192	4,131
Total	25	4,654	4,813	410	9,902
For the six months ended 30 June 2017					
Executive directors					
Mr. Ng Tin Hoi Stephen	25	480	—	—	505
Ms. Lee Yuk Fong Doreen	—	2,303	3,000	7	5,310
Ms. Leng Yen Thean	—	2,002	3,000	198	5,200
Total	25	4,785	6,000	205	11,015

Notes:

(i) The directors of the Company were appointed on the following dates:

	Date of appointment
Executive Directors:	
Mr. Ng Tin Hoi Stephen	13 April 2017
Ms. Lee Yuk Fong Doreen	8 August 2017
Ms. Leng Yen Thean	8 August 2017
Mr. Leung Kai Hang	8 August 2017
Independent Non-executive Directors	
Mr. Au Siu Kee, Alexander	23 October 2017
Mr. Andrew James Seaton	23 October 2017
Mr. Richard Gareth Williams	23 October 2017
Professor Yeoh Eng Kiong, *GBS, JP*	23 October 2017

(ii) There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

(iii) Mr. Au Siu Kee, Alexander, Mr. Andrew James Seaton, Mr. Richard Gareth Williams and Professor Yeoh Eng Kiong, *GBS, JP* did not receive any fees, salaries or other compensations during the Relevant Periods.

(iv) Mr. Ng Tin Hoi Stephen, Ms. Lee Yuk Fong Doreen, Ms. Leng Yen Thean and Mr. Leung Kai Hang are the executives for the Wharf Estates Group and their remunerations disclosed above included those for the services rendered by them as executives. Mr. Leung Kai Hang did not receive any fees, salaries or other compensations during the Relevant Periods.

(v) Wharf operates share option schemes in which eligible Wharf directors and employees are granted share options in Wharf. Certain directors of the Company were granted share options under the share option schemes of Wharf during the Relevant Periods.

(c) ***Individuals with highest emoluments***

Of the five individuals with the highest emoluments, 2, 2, 2, 2 and 2 for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017 are directors respectively, whose emoluments are disclosed in Note 5(b). The aggregate of the emoluments in respect of the other 3, 3, 3, 3 and 3 individuals are as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Salaries and other emoluments	4,612	6,277	6,527	3,134	4,179
Discretionary bonuses	2,250	1,934	1,955	977	770
Retirement scheme contributions	682	593	621	311	253
Total	7,544	8,804	9,103	4,422	5,202

The emoluments of the 3, 3, 3, 3 and 3 individuals with highest emoluments are within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	Number of individual	Number of individual	Number of individual	Number of individual (unaudited)	Number of individual
HK$1,000,000 — HK$1,500,000	—	—	—	2	—
HK$1,500,001 — HK$2,000,000	—	—	—	1	3
HK$2,000,001 — HK$2,500,000	2	1	—	—	—
HK$2,500,001 — HK$3,000,000	1	—	1	—	—
HK$3,000,001 — HK$3,500,000	—	2	2	—	—

6 **Other net income/(charge)**

Other net income/(charge) for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017 mainly comprises:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	HK$ Million	HK$ Million	HK$ Million	HK$ Million (unaudited)	HK$ Million
Net foreign exchange gains/(losses)	126	239	231	(87)	(213)
Fair value gain on forward foreign exchange contracts	36	2	—	—	—

7 **Finance costs**

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	HK$ Million	HK$ Million	HK$ Million	HK$ Million (unaudited)	HK$ Million
Interest charged on:					
Bank loans	197	174	92	55	23
Loans from fellow subsidiaries	1,042	1,036	1,112	534	483
Total interest charge	1,239	1,210	1,204	589	506
Other finance costs	150	127	162	43	22
Less: Amount capitalised	(125)	(35)	(15)	(10)	(2)
Total	1,264	1,302	1,351	622	526

Interest was capitalised at an average annual rate of approximately 1.7%, 1.3%, 1.0%, 1.0% (unaudited) and 1.1% for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, respectively.

8 Income tax

Taxation charged to the combined statements of profit or loss includes:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	HK$ Million	HK$ Million	HK$ Million	HK$ Million (unaudited)	HK$ Million
Current income tax					
Hong Kong					
- provision for the year/period	1,320	1,413	1,536	777	825
- (over)/under-provision in respect of prior years/periods	(14)	6	1	3	—
Outside Hong Kong					
- provision for the year/period	182	329	215	181	237
- over-provision in respect of prior years/periods	—	—	(2)	—	—
	1,488	1,748	1,750	961	1,062
Land appreciation tax (“LAT”) (Note 8(c))	119	89	9	31	433
Deferred tax					
Origination and reversal of temporary differences	77	131	136	48	58
Total	1,684	1,968	1,895	1,040	1,553

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

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

(c) Under the Provisional Regulations on LAT, all gains arising from transfer of real estate property in the PRC are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of the 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) Prepaid tax/taxation payable in the combined statements of financial position is expected to be utilised/settled within one year.

(e) Tax attributable to an associate and joint ventures for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017 are an aggregate of HK$90 million, HK$138 million, HK$153 million, HK$90 million (unaudited) and HK$9 million respectively, which are included in the share of results of an associate 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 the PRC for earnings generated since 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, the Group has provided HK$15 million, HK$42 million, HK$13 million, HK$11 million (unaudited) and HK$19 million, respectively, for withholding taxes on accumulated earnings generated by its PRC subsidiaries which will be distributed to their immediate holding companies outside the PRC in the foreseeable future.

(g) **Reconciliation between the actual tax charge and profit before taxation at applicable tax rates:**

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	HK$ Million	HK$ Million	HK$ Million	HK$ Million (unaudited)	HK$ Million
Profit before taxation	37,149	16,271	12,079	5,663	6,707
Notional tax on profit before taxation calculated at applicable tax rates	6,108	2,735	2,039	967	1,131
Tax effect of non-deductible expenses	57	48	76	59	58
Tax effect of non-taxable income	(22)	(76)	(61)	(28)	(16)
Tax effect of non-taxable fair value gain on investment properties	(4,575)	(879)	(197)	(13)	(79)
(Over)/under-provision in respect of prior years/periods	(14)	6	(1)	3	—
Tax effect of tax losses not recognised	12	40	9	6	3
Tax effect of previously unrecognised tax losses utilised	(2)	(30)	—	—	—
Tax effect of previously unrecognised tax losses now recognised as deferred tax assets	(18)	—	—	—	—
Tax effect of temporary differences not recognised	4	(7)	8	4	4
LAT on properties for sales	119	89	9	31	433
Withholding tax on distributed/distributable earnings	15	42	13	11	19
Actual total tax charge	1,684	1,968	1,895	1,040	1,553

9 **Dividends**

Dividends of HK$4,803 million, HK$8,297 million and HK$15,753 million were declared by Wharf Estates Limited to Wharf for the years ended 31 December 2014, 2015 and 2016, respectively.

Dividends of HK$172 million, HK$126 million, HK$353 million, HK$322 million (unaudited) and HK$141 million were declared by Harbour Centre Development Limited to non-controlling interests for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, respectively.

The rates for dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

10 Earnings per share

Earnings per share information is not presented as its inclusion for the purpose of this report is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Relevant Periods on the basis as disclosed in Note 1 of Section B.

11 Investment properties

	Completed	Under development	Total
	HK$ Million	HK$ Million	HK$ Million
(a) Cost or valuation			
At 1 January 2014	193,016	1,289	194,305
Exchange adjustment	—	(4)	(4)
Additions	6,402	591	6,993
Revaluation surpluses	27,729	—	27,729
At 31 December 2014 and 1 January 2015	227,147	1,876	229,023
Exchange adjustment	—	(109)	(109)
Additions	659	695	1,354
Revaluation surpluses	5,329	—	5,329
At 31 December 2015 and 1 January 2016	233,135	2,462	235,597
Exchange adjustment	—	(156)	(156)
Additions	7,116	627	7,743
Revaluation surpluses	1,191	—	1,191
At 31 December 2016 and 1 January 2017	241,442	2,933	244,375
Exchange adjustment	—	90	90
Additions	250	231	481
Revaluation surpluses	478	—	478
At 30 June 2017	242,170	3,254	245,424

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

	Completed	Under development	Total
	HK$ Million	HK$ Million	HK$ Million
31 December 2014			
At valuation	227,147	—	227,147
At cost	—	1,876	1,876
	227,147	1,876	229,023
31 December 2015			
At valuation	233,135	—	233,135
At cost	—	2,462	2,462
	233,135	2,462	235,597
31 December 2016			
At valuation	241,442	—	241,442
At cost	—	2,933	2,933
	241,442	2,933	244,375
30 June 2017			
At valuation	242,170	—	242,170
At cost	—	3,254	3,254
	242,170	3,254	245,424

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

	Completed	Under development	Total
	HK$ Million	HK$ Million	HK$ Million
At 31 December 2014			
Held in Hong Kong			
Long term leases	206,007	—	206,007
Medium term leases	21,140	—	21,140
	227,147	—	227,147
Held outside Hong Kong			
Medium term leases	—	1,876	1,876
	227,147	1,876	229,023

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

	Completed	Under development	Total
	HK$ Million	HK$ Million	HK$ Million
At 31 December 2015			
Held in Hong Kong			
Long term leases	211,375	—	211,375
Medium term leases	21,760	—	21,760
	233,135	—	233,135
Held outside Hong Kong			
Medium term leases	—	2,462	2,462
	233,135	2,462	235,597
At 31 December 2016			
Held in Hong Kong			
Long term leases	219,202	—	219,202
Medium term leases	22,240	—	22,240
	241,442	—	241,442
Held outside Hong Kong			
Medium term leases	—	2,933	2,933
	241,442	2,933	244,375
At 30 June 2017			
Held in Hong Kong			
Long term leases	219,920	—	219,920
Medium term leases	22,250	—	22,250
	242,170	—	242,170
Held outside Hong Kong			
Medium term leases	—	3,254	3,254
	242,170	3,254	245,424

(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 2014, 2015 and 2016 and 30 June 2017 were revalued by Knight Frank Petty Limited ("Knight Frank"), an independent firm of professional surveyors who have among their staff Fellows of the Hong Kong Institute of Surveyors with extensive experience in valuing properties in Hong Kong and the PRC. Knight Frank has valued the investment properties on a market value basis and has taken into account the net income of the respective properties, allowing for reversionary potential and the redevelopment potential of the properties where appropriate.

The revaluation surplus arising on revaluation on investment properties is recognised in the line item "Increase in fair value of investment properties" on the face of the combined statements of profit or loss.

The following table presents the investment properties which are measured at fair value at the end of each reporting period across the three levels of the inputs to the revaluation methodologies in accordance with HKFRS 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 input. The Group's investment properties which are at Level 3 valuation are analysed as below:

	Level 3			
	Retail	**Office**	**Residential**	**Total**
	HK$ Million	**HK$ Million**	**HK$ Million**	**HK$ Million**
Recurring fair value measurements				
At 31 December 2014				
Hong Kong	145,296	71,861	9,990	227,147
At 31 December 2015				
Hong Kong	149,325	73,630	10,180	233,135
At 31 December 2016				
Hong Kong	149,868	81,294	10,280	241,442
At 30 June 2017				
Hong Kong	150,391	81,499	10,280	242,170

During the Relevant Periods, there were no transfer 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 during the Relevant Periods when 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. Valuation reports with an analysis of changes in fair value measurement are reviewed and approved by the senior management.

Valuation methodologies

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

Level 3 valuation methodologies

Completed investment properties

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

	Weighted average							
	Capitalisation rate				Market rent			
	31 December			30 June	31 December			30 June
	2014	2015	2016	2017	2014	2015	2016	2017
					HK$psf	HK$psf	HK$psf	HK$psf
Hong Kong								
— Retail	5.2%	5.2%	5.1%	5.2%	278	285	287	291
— Office	4.2%	4.2%	4.2%	4.2%	47	49	51	51
— Residential	4.5%	4.5%	4.5%	4.5%	57	58	59	59

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

(e) The Group leases out properties under operating leases, which generally run for a period of two to twelve years. Lease payments 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:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$ Million	HK$ Million	HK$ Million	HK$ Million
Within 1 year	7,811	9,262	9,654	10,187
After 1 year but within 5 years	10,950	12,598	11,959	12,433
After 5 years	971	1,034	1,186	1,309
	19,732	22,894	22,799	23,929

12 **Hotel and club properties, plant and equipment**

	Leasehold land	Hotel and club properties	Plant and equipment	Total
	HK$ Million	HK$ Million	HK$ Million	HK$ Million
Cost				
At 1 January 2014	228	6,004	1,197	7,429
Exchange adjustment	—	(2)	—	(2)
Additions	4	704	89	797
Disposals	—	—	(11)	(11)
At 31 December 2014 and 1 January 2015	232	6,706	1,275	8,213
Exchange adjustment	(3)	(67)	(3)	(73)
Additions	5	343	78	426
Disposals	—	—	(32)	(32)
Written off	—	—	(14)	(14)
At 31 December 2015 and 1 January 2016	234	6,982	1,304	8,520
Exchange adjustment	(3)	(69)	(3)	(75)
Additions	1	968	47	1,016
Disposals	—	—	(7)	(7)
At 31 December 2016 and 1 January 2017	232	7,881	1,341	9,454
Exchange adjustment	1	32	1	34
Additions	—	668	24	692
Disposals	—	—	(5)	(5)
At 30 June 2017	233	8,581	1,361	10,175

	Leasehold land	Hotel and club properties	Plant and equipment	Total
	HK$ Million	HK$ Million	HK$ Million	HK$ Million
Accumulated depreciation and impairment losses				
At 1 January 2014	52	1,201	785	2,038
Exchange adjustment	—	(2)	—	(2)
Charge for the year	7	39	136	182
Written back on disposals	—	—	(10)	(10)
At 31 December 2014 and 1 January 2015	59	1,238	911	2,208
Exchange adjustment	—	(33)	—	(33)
Charge for the year	8	50	131	189
Written back on disposals	—	—	(30)	(30)
Written off	—	—	(14)	(14)
At 31 December 2015 and 1 January 2016	67	1,255	998	2,320
Exchange adjustment	—	(34)	(2)	(36)
Charge for the year	8	49	119	176
Written back on disposals	—	—	(6)	(6)
At 31 December 2016 and 1 January 2017	75	1,270	1,109	2,454
Exchange adjustment	—	16	—	16
Charge for the period	4	20	49	73
Written back on disposals	—	—	(5)	(5)
At 30 June 2017	79	1,306	1,153	2,538
Net book value				
At 31 December 2014	173	5,468	364	6,005
At 31 December 2015	167	5,727	306	6,200
At 31 December 2016	157	6,611	232	7,000
At 30 June 2017	154	7,275	208	7,637

The hotel properties under development comprise the Murray Building Project totalling HK$4,625 million, HK$4,947 million, HK$5,868 million and HK$6,501 million at 31 December 2014, 2015 and 2016 and 30 June 2017 respectively, which were included in hotel and club properties for which the costs attributable to land and buildings cannot be allocated reliably. This amount is not subject to depreciation.

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

	Leasehold land	Hotel and club properties	Total
	HK$ Million	HK$ Million	HK$ Million
At 31 December 2014			
Held in Hong Kong			
Long term leases	82	140	222
Medium term leases	47	4,703	4,750
	129	4,843	4,972
Held outside Hong Kong			
Medium term leases	44	625	669
	173	5,468	5,641
At 31 December 2015			
Held in Hong Kong			
Long term leases	82	122	204
Medium term leases	40	5,023	5,063
	122	5,145	5,267
Held outside Hong Kong			
Medium term leases	45	582	627
	167	5,727	5,894
At 31 December 2016			
Held in Hong Kong			
Long term leases	82	139	221
Medium term leases	33	5,934	5,967
	115	6,073	6,188
Held outside Hong Kong			
Medium term leases	42	538	580
	157	6,611	6,768
At 30 June 2017			
Held in Hong Kong			
Long term leases	80	173	253
Medium term leases	30	6,560	6,590
	110	6,733	6,843
Held outside Hong Kong			
Medium term leases	44	542	586
	154	7,275	7,429

(c) ***Impairment of hotel and club properties, plant and equipment***

The value of hotel and club properties, plant and equipment is assessed at the end of each reporting period for indications of impairment with reference to valuations undertaken by management. The management assess the recoverable amount of each asset being the higher of its value in use or its fair value less costs to sell. No such impairment was made or written back during the Relevant Periods.

13 Interest in an associate

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$ Million	HK$ Million	HK$ Million	HK$ Million
Share of net assets	610	702	679	703
Amount due from an associate	1,449	906	738	760
	2,059	1,608	1,417	1,463
Amount due to an associate (Note 20)	(17)	(32)	(14)	—
	2,042	1,576	1,403	1,463

Details of the associate are set out below:

Name of entity	Place of establishment and operation	Class of shares	Percentage of equity interest	Principal activities
上海萬九綠合置業有限公司	The PRC	Registered capital	19	Property

(a) The amount due from an associate is unsecured, recoverable on demand and not expected to be recoverable within twelve months from the end of each reporting period.

As at 31 December 2014, the amount due from an associate, is interest bearing at 6.0% per annum.

As at 31 December 2015 and 2016 and 30 June 2017, the amount due from an associate is interest free. The amounts are neither past due nor impaired throughout the Relevant Periods.

(b) As at 31 December 2014, 2015 and 2016 and 30 June 2017, the amount due to an associate is unsecured, interest free and repayable on demand.

(d) ***Summary financial information of the associate***

No associate is individually material to the Group. Information of the associate is summarised below:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$ Million	HK$ Million	HK$ Million	HK$ Million
Carrying amount of the associate in the combined financial statements	610	702	679	703

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	HK$ Million	HK$ Million	HK$ Million	HK$ Million (unaudited)	HK$ Million
Amounts of the Group's share of the associate's					
- (Loss)/profit from continuing operations	(4)	133	23	(9)	4
- Other comprehensive income	—	(41)	(46)	(14)	20
Total comprehensive income	(4)	92	(23)	(23)	24

14 **Interest in joint ventures**

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$ Million	HK$ Million	HK$ Million	HK$ Million
Share of net assets	2,127	2,039	1,808	1,780
Amounts due to joint ventures (Note 20)	(1,036)	(1,208)	(1,422)	(1,449)
	1,091	831	386	331

Details of joint ventures are set out below:

Name of entity	Place of establishment/ incorporation and operation	Class of shares	Percentage of equity interest	Principal activities
Speedy Champ Investments Limited . .	Hong Kong	Ordinary shares	39	Holding company
重慶豐盈房地產開發有限公司	The PRC	Registered capital	39	Property

(a) As at 31 December 2014, 2015 and 2016 and 30 June 2017, the amounts due to joint ventures are unsecured, interest free and repayable on demand.

(b) No joint venture is individually material to the Group. Aggregate information of the joint ventures is summarised below:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$ Million	HK$ Million	HK$ Million	HK$ Million
Aggregate carrying amount of individually immaterial joint ventures in the combined financial statements	2,127	2,039	1,808	1,780

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	HK$ Million	HK$ Million	HK$ Million	HK$ Million (unaudited)	HK$ Million
Aggregate amounts of the Group's share of those joint ventures'					
- Profit/(loss) from continuing operations. . .	97	95	176	141	(40)
- Other comprehensive income.	(8)	(112)	(41)	(13)	12
Total comprehensive income.	89	(17)	135	128	(28)

15 Equity investments

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$ Million	HK$ Million	HK$ Million	HK$ Million
Listed investment stated at market value				
– in Hong Kong	303	867	869	1,057
– outside Hong Kong	1,247	1,583	1,432	1,886
	1,550	2,450	2,301	2,943

16 Properties for sale

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$ Million	HK$ Million	HK$ Million	HK$ Million
Properties under development for sale	4,528	2,510	1,753	801
Completed properties for sale	451	189	204	129
	4,979	2,699	1,957	930

(a) Properties under development for sale of HK$2,059 million, HK$1,117 million, HK$77 million and HK$165 million at 31 December 2014, 2015 and 2016 and 30 June 2017, respectively, are expected to be completed after more than one year from the end of the reporting period.

(b) The carrying value of leasehold land and land deposits included in properties under development for sale and completed properties for sale is summarised as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$ Million	HK$ Million	HK$ Million	HK$ Million
Held outside Hong Kong				
Long term leases	2,912	1,707	984	454

17 **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 the invoice date as at 31 December 2014, 2015 and 2016 and 30 June 2017 as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$ Million	HK$ Million	HK$ Million	HK$ Million
Trade receivables				
0 - 30 days	445	367	244	216
31 - 60 days	8	14	24	22
61 - 90 days	3	5	4	13
Over 90 days	—	4	16	24
	456	390	288	275
Other receivables and prepayments	775	658	530	692
	1,231	1,048	818	967

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

(b) ***Impairment of trade receivables***

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

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

	31 December			30 June
	2014	2015	2016	2017
	HK$ Million	HK$ Million	HK$ Million	HK$ Million
At the beginning of the year/period	—	—	2	2
Impairment loss recognised	—	3	—	—
Uncollectible amounts written off	—	(1)	—	—
At the end of the year/period	—	2	2	2

(c) ***Trade receivables that are not impaired***

As at 31 December 2014, 2015 and 2016 and 30 June 2017, 100%, 99%, 99% and 99% of the Group's trade receivables was not impaired, of which 97%, 98%, 94% and 88% was either not past due or less than two months past due.

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

18 Derivative financial instruments

	As at 31 December						As at 30 June	
	2014		2015		2016		2017	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million
At fair value through profit or loss								
Forward foreign exchange contracts	80	48	—	2	—	—	—	—
Other derivatives	4	—	1	—	—	—	—	—
Total	84	48	1	2	—	—	—	—
Analysis								
Current	80	45	1	2	—	—	—	—
Non-current	4	3	—	—	—	—	—	—
Total	84	48	1	2	—	—	—	—

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

	As at 31 December						As at 30 June	
	2014		2015		2016		2017	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million
Forward foreign exchange contracts								
Expiring within 1 year	80	45	—	2	—	—	—	—
Expiring after more than 1 year but not exceeding 5 years	—	3	—	—	—	—	—	—
Total	80	48	—	2	—	—	—	—
Other derivatives								
Expiring within 1 year	—	—	1	—	—	—	—	—
Expiring after more than 1 year but not exceeding 5 years	4	—	—	—	—	—	—	—
	4	—	1	—	—	—	—	—
Total	84	48	1	2	—	—	—	—

(a) The notional principal amounts of derivative financial instruments outstanding at the end of each reporting period were as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$ Million	HK$ Million	HK$ Million	HK$ Million
Forward foreign exchange contracts	2,879	2,652	—	—

(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 were closed at the end of each reporting period. Derivative financial instruments do not qualify for hedge accounting and their corresponding changes in fair values have been recognised in the combined statements of profit or loss.

(c) A gain of HK$36 million, HK$2 million, HK$Nil, HK$Nil (unaudited) and HK$Nil for the years ended 31 December 2014, 2015 and 2016 and six months ended 30 June 2016 (unaudited) and 30 June 2017, respectively, in respect of forward foreign exchange contracts was recognised in the combined statements of profit or loss.

(d) The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master agreements providing offsetting mechanisms under certain circumstances. The Group has not offset any of the financial instruments as no parties have exercised their rights to offset the recognised amounts in the Historical Financial Information during the Relevant Periods.

19 **Bank deposits and cash**

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$ Million	HK$ Million	HK$ Million	HK$ Million
Bank deposits and cash	5,273	6,501	5,212	2,171

At 31 December 2014, 2015 and 2016 and 30 June 2017, bank deposits and cash included:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$ Million	HK$ Million	HK$ Million	HK$ Million
Balances placed with banks in the PRC (Note (a))	4,933	6,406	5,047	2,092
Balances solely for certain designated property development projects in the PRC (Note (a))	329	160	96	78

(a) The remittance is subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

The effective annual interest rate on bank deposits was 1.8%, 1.5%, 1.2% and 1.6% at 31 December 2014, 2015 and 2016 and 30 June 2017, respectively.

Bank deposits and cash are denominated in the following currencies:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$ Million	HK$ Million	HK$ Million	HK$ Million
RMB	4,907	6,380	5,022	2,063
HKD	336	93	166	81
USD	30	28	24	27
	5,273	6,501	5,212	2,171

20 **Trade and other payables**

Included in this item are trade payables with an ageing analysis based on the invoice date as at 31 December 2014, 2015 and 2016 and 30 June 2017 as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$ Million	HK$ Million	HK$ Million	HK$ Million
Trade payables				
0 - 30 days	99	116	111	64
31 - 60 days	12	21	31	9
61 - 90 days	1	2	7	3
Over 90 days	3	5	6	4
	115	144	155	80
Rental and customer deposits	2,824	3,169	3,306	3,347
Construction costs payable	2,060	1,175	1,189	768
Amount due to an associate (Note 13)	17	32	14	—
Amounts due to joint ventures (Note 14)	1,036	1,208	1,422	1,449
Other payables	1,587	1,557	1,846	1,535
	7,639	7,285	7,932	7,179

The amount of trade and other payables that is expected to be settled after more than one year as at 31 December 2014, 2015 and 2016 and 30 June 2017 are HK$2,006 million, HK$2,554 million, HK$2,394 million and HK$2,384 million respectively, which is mainly for rental and customer deposits. The Group considers the effect of discounting these items would be immaterial. As at 31 December 2014, 2015 and 2016 and 30 June 2017, 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 from the end of each reporting period.

21 Deposits from sale of properties

Deposits from sale of properties in the amount of HK$786 million, HK$2,836 million, HK$Nil and HK$Nil as at 31 December 2014, 2015 and 2016 and 30 June 2017, respectively, are expected to be recognised as income in the combined statements of profit or loss after more than one year from the end of each reporting period.

22 Bank loans

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$ Million	HK$ Million	HK$ Million	HK$ Million
Bank loans (secured)				
Due after more than 1 year but not exceeding 2 years	6	—	—	—
Bank loans (unsecured)				
Due within 1 year	250	1,529	1,232	685
Due after more than 1 year but not exceeding 2 years	7,274	2,500	300	700
Due after more than 2 years but not exceeding 5 years	7,426	4,914	2,850	1,500
	14,950	8,943	4,382	2,885
Total	14,956	8,943	4,382	2,885
Analysis of maturities of the above borrowings:				
Current borrowings				
Due within 1 year	250	1,529	1,232	685
Non-current borrowings				
Due after more than 1 year but not exceeding 2 years	7,280	2,500	300	700
Due after more than 2 years but not exceeding 5 years	7,426	4,914	2,850	1,500
	14,706	7,414	3,150	2,200
Total	14,956	8,943	4,382	2,885

(a) The Group's borrowings are denominated in the following currencies:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$ Million	HK$ Million	HK$ Million	HK$ Million
HKD	8,975	7,929	3,955	2,458
USD	5,975	1,014	427	427
RMB	6	—	—	—
	14,956	8,943	4,382	2,885

(b) At 31 December 2014, the Group's banking facilities in the amount of HK$138 million were secured by mortgage over the Group's certain properties under development for sale with an aggregate carrying value of HK$208 million.

(c) The effective interest rate per annum on bank loans ranged from 0.9% to 6.2%, 0.9% to 2.1%, 0.9% to 1.6% and 1.2% to 1.6% for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 respectively.

(d) All the interest bearing borrowings are carried at amortised cost. None of the non-current interest bearing borrowings are expected to be settled within one year from the end of each reporting period.

(e) At 31 December 2014, 2015 and 2016 and 30 June 2017, the Group's bank loans included HK$4,418 million, HK$4,800 million, HK$3,250 million and HK$1,750 million respectively, which are borrowed by Harbour Centre Development Limited. The loans are without recourse to the Company and its other subsidiaries.

(f) Certain of the above borrowings are attached with financial covenants which require that at any time, the consolidated tangible net worth of Harbour Centre Development Limited and its subsidiaries ("HCDL Group") is not less than and the ratio of borrowings to consolidated tangible net worth of HCDL Group is not more than certain required levels. During the Relevant Periods, all these covenants have been complied with by the Group.

(g) Certain bank loans are guaranteed by Wharf which are attached with financial covenants which require that at any time the consolidated tangible net worth of Wharf is not less than and the ratio of borrowings to consolidated tangible net worth of Wharf is not more than certain required levels. During the Relevant Periods, all these covenants have been complied with by Wharf. Such bank loans will be repaid and the guarantees by Wharf will be terminated prior to the Listing Date.

23 **Loans from fellow subsidiaries**

The loans from fellow subsidiaries are unsecured, interest bearing at market rates and repayable on demand. The fellow subsidiaries confirmed that they would not call upon the Group to repay any part of the loans for the next twelve months from the end of each reporting period. The effective interest rate per annum on loans from fellow subsidiaries ranged from 1.3% to 6.1%, 1.6% to 6.1%, 1.4% to 6.1% and 1.4% to 6.1% for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 respectively.

The loans from fellow subsidiaries are expected to be settled on the Listing Date by issuance of the Promissory Note.

24 **Amounts due from/to the immediate holding company and fellow subsidiaries**

The amounts due from/to the immediate holding company and fellow subsidiaries are non-trade in nature, unsecured, interest free and recoverable/repayable on demand.

25 **Deferred taxation**

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

	As at 31 December			**As at 30 June**
	2014	**2015**	**2016**	**2017**
	HK$ Million	**HK$ Million**	**HK$ Million**	**HK$ Million**
Deferred tax liabilities	1,499	1,656	1,762	1,822
Deferred tax assets	(19)	(46)	—	—
Net deferred tax liabilities	1,480	1,610	1,762	1,822

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

	Depreciation allowances in excess of the related depreciation	Others	Future benefit of tax losses	Total
	HK$ Million	HK$ Million	HK$ Million	HK$ Million
At 1 January 2014	1,356	45	(2)	1,399
Charged/(credited) to profit or loss	118	(41)	—	77
Acquisition of a subsidiary	4	—	—	4
At 31 December 2014 and 1 January 2015	1,478	4	(2)	1,480
Charged to profit or loss	123	8	—	131
Exchange adjustment	(1)	—	—	(1)
At 31 December 2015 and 1 January 2016	1,600	12	(2)	1,610
Charged to profit or loss	120	14	2	136
Acquisition of subsidiaries	13	—	—	13
Exchange adjustment	3	—	—	3
At 31 December 2016 and 1 January 2017	1,736	26	—	1,762
Charged to profit or loss	53	5	—	58
Exchange adjustment	—	2	—	2
At 30 June 2017	1,789	33	—	1,822

(b) ***Deferred tax assets not recognised***

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

	As at 31 December						As at 30 June	
	2014		2015		2016		2017	
	Deductible temporary differences/ tax losses	Deferred tax assets	Deductible temporary differences/ tax losses	Deferred tax assets	Deductible temporary differences/ tax losses	Deferred tax assets	Deductible temporary differences/ tax losses	Deferred tax assets
	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million
Deductible temporary differences	474	118	444	111	479	119	492	123
Future benefit of tax losses								
– Hong Kong	14	2	16	3	25	4	35	6
– Outside Hong Kong	72	18	112	28	141	35	144	36
	86	20	128	31	166	39	179	42
	560	138	572	142	645	158	671	165

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 2014, 2015 and 2016 and 30 June 2017. The tax losses arising from Hong Kong operations do not expire under current tax legislation. The tax losses arising from operations in the PRC can be carried forward to offset against taxable profits of subsequent years for up to five years from the year in which they arose.

26 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 currency 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 rate 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 to the floating/fixed rate mix appropriate to its current business portfolio.

Based on a sensitivity analysis performed as at 31 December 2014, 2015 and 2016 and 30 June 2017, it was estimated that a general increase/decrease of 1% in interest rates, with all other variables held constant, would have decreased/increased the Group's post-tax profit and total equity by approximately HK$127 million, HK$37 million, HK$44 million and HK$53 million respectively. 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 each reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of each 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 each 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 on the same basis as throughout the Relevant Periods.

(b) ***Foreign currency risk***

The Group owns assets and conducts its businesses primarily in Hong Kong and secondarily in the PRC, with its cash flows denominated substantially in HKD and RMB which exposes the Group to foreign currency risk with respect to RMB related to its property development in the PRC. Anticipated foreign exchange payments relate primarily to RMB capital expenditure.

Where appropriate or available in a cost-efficient manner, the Group may enter into forward foreign exchange 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 the PRC, the Group has adopted a diversified funding approach and has entered into certain forward foreign exchange contracts. Based on the prevailing accounting standards, the forward foreign exchange contracts are marked to market with the valuation movement recognised in the combined statements of profit or loss.

The following table details the Group's exposure at the end of each 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.

	As at 31 December							
	2014				2015			
	USD Million	RMB Million	SGD Million	AUD Million	USD Million	RMB Million	SGD Million	AUD Million
Bank deposits and cash	1	—	—	—	—	—	—	—
Equity investments	160	—	—	—	203	—	—	—
Bank loans	(225)	—	—	—	(220)	—	—	—
Intercompany balances	(2,222)	66	(250)	(110)	(2,137)	66	(250)	(110)
Gross exposure arising from recognised assets and liabilities	(2,286)	66	(250)	(110)	(2,154)	66	(250)	(110)
Notional amount of forward foreign exchange contracts at fair value through profit or loss	(235)	—	—	—	—	—	—	—
Overall net exposure	(2,521)	66	(250)	(110)	(2,154)	66	(250)	(110)

	As at 31 December					As at 30 June				
	2016					2017				
	USD Million	RMB Million	JPY Million	SGD Million	AUD Million	USD Million	RMB Million	JPY Million	SGD Million	AUD Million
Bank deposits and cash	—	—	—	—	—	—	—	—	—	—
Equity investments	184	—	—	—	—	242	—	—	—	—
Bank loans	(55)	—	—	—	—	(55)	—	—	—	—
Intercompany balances	(1,770)	(1,127)	(9,958)	(510)	(110)	(947)	(1,127)	(9,960)	(510)	(110)
Gross exposure arising from recognised assets and liabilities	(1,641)	(1,127)	(9,958)	(510)	(110)	(760)	(1,127)	(9,960)	(510)	(110)
Notional amount of forward foreign exchange contracts at fair value through profit or loss	—	—	—	—	—	—	—	—	—	—
Overall net exposure	(1,641)	(1,127)	(9,958)	(510)	(110)	(760)	(1,127)	(9,960)	(510)	(110)

In addition, at 31 December 2014, 2015 and 2016 and 30 June 2017, the PRC subsidiaries of the Group with RMB as their functional currency are exposed to foreign currency risk with respect to HKD/USD by holding HKD/USD denominated bank deposits and cash in the amount of HK$27 million, HK$27 million, HK$25 million and HK$27 million respectively.

Based on the sensitivity analysis performed at 31 December 2014, 2015 and 2016 and 30 June 2017, 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 PRC operations from 1% increase/decrease of exchange rate against RMB and HKD, the Group's total equity would have increased/decreased by HK$98 million, HK$93 million, HK$59 million, and HK$40 million at 31 December 2014, 2015 and 2016 and 30 June 2017, respectively.

(c) ***Equity price risk***

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

Listed investments held in the equity investment 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 investments.

Based on a sensitivity analysis performed as at 31 December 2014, 2015 and 2016 and 30 June 2017, it is estimated that an increase/decrease of 5% in the market value of the Group's listed equity investments, with all other variables held constant, would not have affected the Group's post-tax profit but would have increased/decreased the Group's total equity by HK$78 million, HK$123 million, HK$115 million and HK$147 million, respectively. The analysis has been performed on the same basis as throughout the Relevant Periods.

(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 management regularly monitors the current and expected liquidity requirements and its compliance with lending covenants.

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

The following tables detail the remaining contractual maturities at the end of each 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 each reporting period and carried at the exchange rates prevailing at the end of each reporting period) and the earliest date the Group can be required to pay:

		Contractual undiscounted cash flow				
	Carrying amount	Total	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million
At 31 December 2014						
Bank loans	(14,956)	(15,440)	(437)	(7,903)	(7,100)	—
Trade and other payables	(7,639)	(7,639)	(5,633)	(855)	(975)	(176)
Derivative financial liabilities	(48)	(48)	(45)	(3)	—	—
Amounts due to fellow subsidiaries	(86)	(86)	(86)	—	—	—
Loans from fellow subsidiaries	(25,163)	(29,237)	(1,059)	(1,299)	(18,157)	(8,722)
	(47,892)	(52,450)	(7,260)	(10,060)	(26,232)	(8,898)
At 31 December 2015						
Bank loans	(8,943)	(9,249)	(1,637)	(2,589)	(5,023)	—
Trade and other payables	(7,285)	(7,285)	(4,731)	(1,187)	(1,210)	(157)
Derivative financial liabilities	(2)	(2)	(2)	—	—	—
Amounts due to fellow subsidiaries	(59)	(59)	(59)	—	—	—
Loans from fellow subsidiaries	(28,583)	(32,593)	(1,389)	(10,260)	(9,718)	(11,226)
	(44,872)	(49,188)	(7,818)	(14,036)	(15,951)	(11,383)

	Carrying amount	Contractual undiscounted cash flow				
		Total	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million
At 31 December 2016						
Bank loans	(4,382)	(4,565)	(1,294)	(341)	(2,930)	—
Trade and other payables	(7,932)	(7,932)	(5,538)	(1,066)	(1,108)	(220)
Amount due to the immediate holding company	(10,354)	(10,354)	(10,354)	—	—	—
Amounts due to fellow subsidiaries	(52)	(52)	(52)	—	—	—
Loans from fellow subsidiaries	(30,980)	(34,885)	(1,533)	(11,969)	(13,238)	(8,145)
	(53,700)	(57,788)	(18,771)	(13,376)	(17,276)	(8,365)
At 30 June 2017						
Bank loans	(2,885)	(2,982)	(722)	(731)	(1,529)	—
Trade and other payables	(7,179)	(7,179)	(4,795)	(1,057)	(1,105)	(222)
Amount due to the immediate holding company	(12,350)	(12,350)	(12,350)	—	—	—
Amounts due to fellow subsidiaries	(38)	(38)	(38)	—	—	—
Loans from fellow subsidiaries	(25,002)	(27,017)	(1,188)	(2,428)	(10,805)	(12,596)
	(47,454)	(49,566)	(19,093)	(4,216)	(13,439)	(12,818)

(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 bank, 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 combined statements of financial position. The Group does not provide any other guarantee which would expose the Group to material credit risk.

(f) ***Fair values 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 each 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 11(d).

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 2014 categorised into		
	Level 1	Level 2	Total
	HK$ Million	HK$ Million	HK$ Million
Assets			
Equity investments:			
- Listed investments	1,550	—	1,550
Derivative financial instruments:			
- Forward foreign exchange contracts	—	80	80
- Other derivatives	4	—	4
	1,554	80	1,634
Liabilities			
Derivative financial instruments:			
- Forward foreign exchange contracts	—	48	48

	Fair value measurements as at 31 December 2015 categorised into		
	Level 1	Level 2	Total
	HK$ Million	HK$ Million	HK$ Million
Assets			
Equity investments:			
- Listed investments	2,450	—	2,450
Derivative financial instruments:			
- Other derivatives	1	—	1
	2,451	—	2,451
Liabilities			
Derivative financial instruments:			
- Forward foreign exchange contracts	—	2	2

	Fair value measurements as at 31 December 2016 categorised into		
	Level 1	Level 2	Total
	HK$ Million	HK$ Million	HK$ Million
Assets			
Equity investments:			
- Listed investments	2,301	—	2,301

	Fair value measurements as at 30 June 2017 categorised into		
	Level 1	Level 2	Total
	HK$ Million	HK$ Million	HK$ Million
Assets			
Equity investments:			
- Listed investments	2,943	—	2,943

During the Relevant Periods, there were no transfers of instruments between Level 1 and Level 2 or transfers into or out of Level 3.

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

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

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

(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 2014, 2015 and 2016 and 30 June 2017.

(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 2014, 2015 and 2016 and 30 June 2017 were as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$ Million	HK$ Million	HK$ Million	HK$ Million
Bank loans (Note 22)	14,956	8,943	4,382	2,885
Loans from fellow subsidiaries	25,163	28,583	30,980	25,002
Less: Bank deposits and cash (Note 19)	(5,273)	(6,501)	(5,212)	(2,171)
Net debt	34,846	31,025	30,150	25,716
Equity attributable to shareholders of the Company	200,194	205,134	198,910	204,200
Total equity	205,867	210,905	204,137	209,373
Net debt-to-shareholders' equity ratio	17.4%	15.1%	15.2%	12.6%
Net debt-to-total equity ratio	16.9%	14.7%	14.8%	12.3%

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

27 Share capital and reserves

(a) ***Share capital***

The Company was incorporated in the Cayman Islands on 13 April 2017 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. Details of issued share capital of the Company for the period from 13 April 2017 (date of incorporation) to 30 June 2017 are set out below:

	Number of shares	HK$
Issued and fully paid ordinary shares		
At 13 April 2017 (date of incorporation)	—	—
Issuance of new shares	2	0.2
At 30 June 2017	2	0.2

The share capital in the combined statements of financial position as at 31 December 2014, 2015 and 2016 represented the share capital of WEL and the share capital as at 30 June 2017 represented the share capital of WEL and the Company which in aggregate is less than HK$1 million. Pursuant to the Reorganisation, the Company became the holding company of the Group on 9 August 2017.

Further details of the changes in the Company's share capital are set out in the section headed "Share Capital" in the Listing Document.

(b) ***Reserves***

The Group's equity, apart from share capital and other statutory capital reserves, includes investments revaluation reserves for dealing with the movements on revaluation of equity investments and the 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 2(o).

The revenue reserves of the Group at 31 December 2014, 2015 and 2016 and 30 June 2017 included HK$157 million, HK$184 million, HK$83 million and HK$86 million, respectively, in respect of statutory reserves of the subsidiaries in the PRC which are not distributable in the form of cash dividend but may be used to set off losses or be converted into paid-in capital.

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

28 **Material related parties transactions**

Transactions between the Company and its subsidiaries have been eliminated on combination. The Group has entered into the following material related party transactions during the Relevant Periods:

(a) For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, the Group earned rental income totalling HK$1,028 million, HK$1,069 million, HK$1,023 million, HK$514 million (unaudited) and HK$516 million, respectively, from various tenants which are subsidiaries of Wheelock and Wharf, and 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 Wheelock.

(b) There were in existence agreements with a subsidiary of Wharf for the management, marketing, project management and technical services of the Group's hotel operations. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, total fees payable under this arrangement amounted to HK$100 million, HK$85 million, HK$79 million, HK$34 million (unaudited) and HK$34 million, respectively.

(c) There were in existence agreements with subsidiaries of Wheelock and Wharf for the property services in respect of the Group's property projects. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, total fees payable under this arrangement amounted to HK$116 million, HK$68 million, HK$58 million, HK$33 million (unaudited) and HK$25 million, respectively.

(d) For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, corporate charges amounted to HK$387 million, HK$167 million, HK$189 million, HK$91 million (unaudited) and HK$193 million, respectively, were charged by Wharf Limited, a fellow subsidiary of the Group and a wholly owned subsidiary of Wharf and finance costs amounted to an aggregate of HK$1,042 million, HK$1,036 million, HK$1,112 million, HK$534 million (unaudited) and HK$483 million, respectively, were charged by Wharf Finance Limited, Wharf MTN (Singapore) Pte Ltd and Wharf Finance (BVI) Limited, all of which are fellow subsidiaries of the Group and wholly owned subsidiaries of Wharf.

(e) During the year ended 31 December 2014, the Group entered into an agreement with a subsidiary of its ultimate holding company, Wheelock and Company Limited, and acquired the entire share capital of a company which indirectly holds the investment property of Crawford House in Hong Kong for a consideration of HK$2,754 million. The consideration was determined by reference to the net asset value of the acquiree after taking into account of the current valuation of Crawford House at HK$5,790 million revalued by an independent valuer and a bank loan of HK$3,000 million.

(f) During the year ended 31 December 2016, the Group entered into an agreement with a subsidiary of its ultimate holding company, Wheelock and Company Limited, to acquire the entire share capital of a company which indirectly holds the investment property at 3rd to 24th Floors of Wheelock House in Hong Kong for a total consideration of HK$5,020 million. The consideration of the transaction was determined after taking into account the valuation performed by an independent valuer and agreed by both parties.

(g) During the year ended 31 December 2016, the Group entered into an agreement with a company effectively owned by the close family members of the chairman of the Company's ultimate holding company, to acquire the entire share capital of a company which indirectly holds the investment property at shop C Ground Floor of Wheelock House in Hong Kong for a total consideration of HK$1,141 million. The consideration of the transaction was determined after taking into account the valuation performed by an independent valuer and agreed by both parties.

(h) Remuneration for key management personnel of the Group, represents amounts paid to the Directors of the Company as disclosed in Note 5(b).

In addition to the above transactions, details of the Group's amounts due from and to related parties are disclosed in Notes 13, 14, 23 and 24.

29 Commitments

The Group's outstanding commitments as at 31 December 2014, 2015 and 2016 and 30 June 2017 are detailed as below:

Planned expenditure

	As at 31 December									As at 30 June		
	2014			2015			2016			2017		
	Committed	Uncommitted	Total	Committed	Uncommitted	Total	Committed	Uncommitted	Total	Committed	Uncommitted	Total
	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million
(I) Properties												
Investment properties												
Hong Kong . .	573	1,011	1,584	901	477	1,378	368	429	797	129	469	598
The PRC . . .	2,073	1,746	3,819	1,672	2,442	4,114	1,447	2,054	3,501	1,278	2,100	3,378
	2,646	2,757	5,403	2,573	2,919	5,492	1,815	2,483	4,298	1,407	2,569	3,976
Development properties												
The PRC . . .	1,935	3,246	5,181	1,302	2,157	3,459	488	2,043	2,531	425	2,125	2,550
	1,935	3,246	5,181	1,302	2,157	3,459	488	2,043	2,531	425	2,125	2,550
Properties total												
Hong Kong . .	573	1,011	1,584	901	477	1,378	368	429	797	129	469	598
The PRC . . .	4,008	4,992	9,000	2,974	4,599	7,573	1,935	4,097	6,032	1,703	4,225	5,928
	4,581	6,003	10,584	3,875	5,076	8,951	2,303	4,526	6,829	1,832	4,694	6,526
(II) Hotels	173	2,042	2,215	1,999	235	2,234	1,379	412	1,791	899	124	1,023
Total	4,754	8,045	12,799	5,874	5,311	11,185	3,682	4,938	8,620	2,731	4,818	7,549

(i) Properties commitments are mainly for construction costs to be incurred in the forthcoming years.

(ii) The expenditure for development properties included attributable amounts for developments undertaken by joint ventures and an associate of HK$2,781 million, HK$2,044 million, HK$2,187 million and HK$2,255 million at 31 December 2014, 2015 and 2016 and 30 June 2017 in the PRC, respectively.

30 Investment in a subsidiary

The amount represented the investment in the unlisted wholly owned subsidiary of the Company, Wharf REIC Holdings Limited, at cost of HK$3,900.

31 Future changes in accounting policies

Up to the date of issue of these Historical Financial Information, the HKICPA has issued a number of amendments and new standards which are not yet effective for the Relevant Periods and which have not been adopted in these Historical Financial Information except for HKFRS 9. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
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
Amendments to HKAS 40, *Investment property: Transfers of investment property*	1 January 2018
HK(IFRIC) 22, *Foreign currency transactions and advance consideration*	1 January 2018
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019
Amendments to HKFRS 10 and HKAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	A date to be determined by HKICPA

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 Historical Financial Information. 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.

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 the consolidated financial statements of the Group in 2018. 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 2(p). Currently, revenue arising from rental income is recognised over the accounting periods covered by the lease term and income from 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, it is possible that once the Group adopts HKFRS 15 some of the Group's income from residential property development activities that are currently recognised at a point in time may meet the HKFRS 15 criteria for revenue recognition over time. This 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 for the remainder of the Group's contracts, the point in time when revenue is recognised may be earlier or later than under the current accounting policy.

(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.

Given the majority of the remaining unsold properties for sale would be completed and sold before 1 January 2018, the Group considered that it is unlikely to have a significant financial impact on the consolidated financial statements of the Group upon the adoption of HKFRS 15.

HKFRS 16, Leases

As disclosed in accounting policies as set out in Note 2(j), 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 properties, 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 combined statements of profit or loss over the period of the lease.

Given the Group does not have material operating lease as a leasee, the Group considered that it is unlikely to have a significant financial impact on the consolidated financial statements of the Group upon the adoption of HKFRS 16.

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.

C SUBSEQUENT EVENTS

The following significant events took place subsequent to 30 June 2017:

Group reorganisation

The Company was incorporated in the Cayman Islands on 13 April 2017. The companies comprising the Group underwent and completed a Reorganisation in preparation for the listing of the Company's shares on the Stock Exchange. Further details of the Reorganisation are set out in the section headed "Appendix VII — General Information — Further Information About our Group — 6. Reorganisation" in the Listing Document. The Company became the holding company of the Group on 9 August 2017.

Distribution of interim dividend of Wharf Estates Limited to Wharf

Wharf Estates Limited has declared an interim dividend of HK$10,205 million to Wharf on 30 July 2017. This interim dividend proposed after 30 June 2017 has not been recognised as a liability at 30 June 2017. The dividend is expected to be settled on the Listing Date by issuance of the Promissory Note. The Promissory Note is expected to be settled by (i) the payment of cash and (ii) the assumption by the Company or its subsidiaries of the liabilities of Wharf or its subsidiaries under certain novated banking facilities, within five business days after completion of the Spin-off.

D SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to 30 June 2017.

The information set forth in this Appendix does not form part of the Accountants' Report from KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this listing document, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this listing document and the Accountants' Report set forth in Appendix I to this listing document.

A. UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION OF THE GROUP

The following unaudited pro forma combined statement of financial position of the Group and the unaudited pro forma net tangible assets per Share as at 30 June 2017 and the unaudited pro forma combined statement of profit or loss of the Group for the six months ended 30 June 2017 prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the Listing as if the Listing had taken place on 30 June 2017 for the unaudited pro forma combined statement of financial position of the Group and the unaudited pro forma net tangible assets per Share as at 30 June 2017, and as if the Listing had taken place on 1 January 2017 for the unaudited pro forma combined statement of profit or loss of the Group for the six months ended 30 June 2017.

The unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of (i) the financial position of the Group and the net tangible assets per Share and (ii) the financial performance of the Group had the Listing been completed on 30 June 2017 or 1 January 2017, respectively, or at any future date.

	Combined statement of financial position of the Group as at 30 June 2017	Subscription of Shares paid by Wharf	Estimated listing expenses	Settlement of Inter-Group Balances with the Promissory Note	Unaudited pro forma combined statement of financial position of the Group as at 30 June 2017
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 6)
Non-current assets					
Investment properties	245,424				245,424
Hotel and club properties, plant and equipment . . .	7,637				7,637
Interest in an associate . . .	1,463				1,463
Interest in joint ventures . .	1,780				1,780
Equity investments	2,943				2,943
Other non-current assets . .	39				39
	259,286	—	—	—	259,286

	Combined statement of financial position of the Group as at 30 June 2017	Subscription of Shares paid by Wharf	Estimated listing expenses	Settlement of Inter-Group Balances with the Promissory Note	Unaudited pro forma combined statement of financial position of the Group as at 30 June 2017
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 6)
Current assets					
Properties for sale	930				930
Inventories	11				11
Trade and other receivables	967				967
Prepaid tax	18				18
Bank deposits and cash	2,171	1,000	(66)	(48)	3,057
Amount due from the immediate holding company	674			(674)	—
	4,771	1,000	(66)	(722)	4,983
Total assets	264,057	1,000	(66)	(722)	264,269
Non-current liabilities					
Deferred tax liabilities	(1,822)				(1,822)
Other deferred liabilities	(306)				(306)
Bank loans	(2,200)			(36,668)	(38,868)
Loans from fellow subsidiaries	(25,002)			25,002	—
	(29,330)	—	—	(11,666)	(40,996)
Current liabilities					
Trade and other payables	(7,179)				(7,179)
Deposits from sale of properties	(3,664)				(3,664)
Taxation payable	(1,438)				(1,438)
Bank loans	(685)				(685)
Amount due to the immediate holding company	(12,350)			12,350	—
Amounts due to fellow subsidiaries	(38)			38	—
	(25,354)	—	—	12,388	(12,966)
Total liabilities	(54,684)	—	—	722	(53,962)
NET ASSETS	209,373	1,000	(66)	—	210,307

	Combined statement of financial position of the Group as at 30 June 2017	Subscription of Shares paid by Wharf	Estimated listing expenses	Settlement of Inter-Group Balances with the Promissory Note	Unaudited pro forma combined statement of financial position of the Group as at 30 June 2017
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 6)
Capital and reserves					
Share capital	—	1,000	—		1,000
Reserves	204,200	—	(66)	—	204,134
Equity attributable to shareholders of the Company	204,200	1,000	(66)	—	205,134
Non-controlling interests	5,173	—	—	—	5,173
TOTAL EQUITY	209,373	1,000	(66)	—	210,307

	Pro forma net tangible assets per Share as at 30 June 2017	Subscription of Shares paid by Wharf	Estimated listing expenses	Settlement of Inter-Group Balances with the Promissory Note	Unaudited pro forma net tangible assets per Share as at 30 June 2017
	HK$	HK$	HK$	HK$	HK$
					(Notes 5 and 6)
Net tangible assets per Share (Based on 3,036,227,327 Shares in issue immediately prior to the Listing)	67.25	0.33	(0.02)	—	67.56

	Combined statement of profit or loss of the Group for the six months ended 30 June 2017	Estimated listing expenses	Unaudited pro forma combined statement of profit or loss of the Group for the six months ended 30 June 2017
	HK$ million	HK$ million	HK$ million
	(note 1)	(note 3)	(note 6)
Revenue	9,546	—	9,546
Direct costs and operating expenses	(2,049)	—	(2,049)
Selling and marketing expenses	(132)	—	(132)
Administrative and corporate expenses	(242)	(66)	(308)
Operating profit before depreciation and amortisation, interest and tax	7,123	(66)	7,057
Depreciation and amortisation	(73)	—	(73)
Operating profit	7,050	(66)	6,984
Increase in fair value of investment properties	478	—	478
Other net charge	(259)	—	(259)
	7,269	(66)	7,203
Finance costs	(526)	—	(526)
Share of results after tax of:			
An associate	4	—	4
Joint ventures	(40)	—	(40)
Profit before taxation	6,707	(66)	6,641
Income tax	(1,553)	—	(1,553)
Profit for the period	5,154	(66)	5,088
Profit attributable to:			
Shareholders of the Company	4,900	(66)	4,834
Non-controlling interests	254	—	254
	5,154	(66)	5,088

Notes:

(1) The combined statement of financial position of the Group as at 30 June 2017 has been extracted from the Accountants' Report set forth in Appendix I to this listing document.

(2) As an integral part of the Reorganisation and to facilitate the distribution in specie by Wharf and the Listing, Wharf will subscribe for such number of new Shares as is equal to the number of Wharf Shares in issue as at the Distribution Record Date, which is expected to be 3,036,227,327 Shares, for a total subscription price of HK$1 billion, which will be paid by Wharf to the Company in cash.

(3) The estimated listing expenses mainly comprise professional fees and other listing related expenses, which are expected to be incurred by the Group subsequent to 30 June 2017.

(4) Based on the Inter-Group Balances as at 30 June 2017. As an integral part of the Reorganisation, all Inter-Group Balances as at the Listing Date will be settled by way of the issue of the Promissory Note, the settlement of which will be through (i) the payment of cash drawn under banking facilities and (ii) the assumption by the Company or its subsidiaries of the liabilities of Wharf or its subsidiaries under certain novated banking facilities.

(5) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments as described in note 2 and 3 above and is calculated as net assets attributable to shareholders of the Company divided by 3,036,227,327 Shares expected to be in issue immediately prior to the Listing. The unaudited pro forma net tangible assets per Share does not take into account the HK$10,205 million dividend declared by WEL, which is set out in note 7 below.

(6) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2017.

(7) On 30 July 2017, WEL declared a dividend of HK$10,205 million to Wharf. The dividend payable will be included in the Inter-Group Balances and will be settled as discussed in Note 4 above, by way of the issue of the Promissory Note, the settlement of which will be through (i) the payment of cash drawn under banking facilities and (ii) the assumption by the Company or its subsidiaries of the liabilities of Wharf or its subsidiaries under certain novated banking facilities.

The unaudited pro forma combined statement of financial position of the Group as at 30 June 2017, taking into account the dividend declared of HK$10,205 million, is set out below.

	Unaudited pro forma combined statement of financial position of the Group
	HK$ million
Non-current assets	
Investment properties	245,424
Hotel and club properties, plant and equipment	7,637
Interest in an associate	1,463
Interest in joint ventures	1,780
Equity investments	2,943
Other non-current assets	39
	259,286
Current assets	
Properties for sale	930
Inventories	11
Trade and other receivables	967
Prepaid tax	18
Bank deposits and cash	3,057
	4,983
Total assets	264,269

	Unaudited pro forma combined statement of financial position of the Group
	HK$ million
Non-current liabilities	
Deferred tax liabilities	(1,822)
Other deferred liabilities	(306)
Bank loans	(49,073)
	(51,201)
Current liabilities	
Trade and other payables	(7,179)
Deposits from sale of properties	(3,664)
Taxation payable	(1,438)
Bank loans	(685)
	(12,966)
Total liabilities	(64,167)
NET ASSETS	200,102
Capital and reserves	
Share capital	1,000
Reserves	193,929
Equity attributable to shareholders of the Company	194,929
Non-controlling interests	5,173
TOTAL EQUITY	200,102

The unaudited pro forma net tangible assets per Share after the settlement of the dividend payable to Wharf is HK$64.20, which is calculated as the net assets attributable to shareholders of the Company of HK$194,929 million divided by 3,036,227,327 Shares in issue immediately prior to the Listing.

The gearing ratio is 24.9% which is calculated based on the total interest bearing bank loans of HK$49,758 million divided by total equity of HK$200,102 million.

The net debt to equity ratio is 23.3% which is calculated based on net debt (being the total interest bearing bank loans of HK$49,758 million net of bank deposits and cash of HK$3,057 million) divided by total equity of HK$200,102 million.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose of incorporation in this listing document.

KPMG

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF WHARF REAL ESTATE INVESTMENT COMPANY LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Wharf Real Estate Investment Company Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of financial position of the Group as at 30 June 2017, and the unaudited pro forma net tangible assets per Share as at 30 June 2017 and the unaudited pro forma statement of profit or loss for the six months ended 30 June 2017 and related notes as set out in Part A of Appendix II to the Listing Document dated 9 November 2017 (the "Listing Document") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Listing Document.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the listing by way of introduction of the entire issued shares of the Company (the "Listing") on the Group's financial position and net tangible assets per Share as at 30 June 2017 and the Group's financial performance for the six months ended 30 June 2017 as if the Listing had taken place on 30 June 2017 and 1 January 2017, respectively. As part of this process, information about the Group's financial position as at 30 June 2017 and the Group's combined profit or loss for the six months ended 30 June 2017 has been extracted by the Directors from the Group's Historical Financial Information included in the Accountants' Report as set out in Appendix I to the Listing Document.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock

Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 30 June 2017 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
9 November 2017

The following is the text of a valuation report prepared for the purpose of incorporation in this prospectus received from Knight Frank Petty Limited, an independent valuer, in connection with its valuations as at 31 August 2017 of the properties.

Knight Frank 萊坊

Knight Frank Petty Limited
4th Floor, Shui On Centre
6-8 Harbour Road
Wan Chai, Hong Kong

9 November 2017

The Directors
Wharf Real Estate Investment Company Limited
16th Floor, Ocean Centre
Harbour City
Tsim Sha Tsui
Kowloon

Dear Sirs

Valuation in Respect of Various Property Interests in Hong Kong and the People's Republic of China (hereinafter referred to as "Property Interests")

In accordance with the instructions to us to value the Property Interests held by Wharf Real Estate Investment Company Limited (hereinafter referred to as the "Company") and its subsidiaries or its associated companies (hereinafter together referred to as the "Group") in Hong Kong and the People's Republic of China (the "PRC"), we confirm that we have carried out inspection, made relevant enquiries and carried out searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Property Interests as at 31 August 2017 (the "Valuation Date") for public disclosure purposes in Hong Kong.

Basis of Valuation

In arriving at our opinion of the market value, we followed "The HKIS Valuation Standards (2012 Edition)" issued by The Hong Kong Institute of Surveyors ("HKIS") and "The RICS Valuation — Global Standards 2017" issued by the Royal Institution of Chartered Surveyors ("RICS"). Under the said standards, Market Value is defined as:-

"the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

The market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction), and without offset for any associated taxes or potential taxes.

The market value is also the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

Our valuation complies with the requirements as set out in “The HKIS Valuation Standards (2012 Edition)” issued by HKIS, “The RICS Valuation — Global Standards 2017” issued by the Royal Institution of Chartered Surveyors (“RICS”) and Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Valuation Methodology

Due to the nature of the Property Interests, we have adopted different valuation methodologies. In forming our opinion of value of the property interests in Group I which are held by the Group for investment in Hong Kong, we have adopted the Income Capitalisation Approach - term and reversion method on the basis of capitalisation of the rental income derived from the existing tenancies, where applicable, with due provision for the reversionary income potential of the property interests, or where appropriate, by Direct Comparison Method by making reference to comparable sale transactions as available in the relevant market.

In forming our opinion of value of the property interests in Group II and Group V which are held by the Group for operation in Hong Kong and the PRC, we have valued these properties based on their existing uses as fully operational hotels and assumed that the relevant licences for hotel operation will be continued. We have valued the Properties by Direct Comparison Approach with reference to comparable market transactions. We have cross-checked the valuation by capitalisation of net operating profits handed to us. Portions of our valuations of these properties are attributable to transferrable goodwill, fixtures, fittings, furniture, furnishings and equipment. In considering the valuations of these properties, we have relied on information supplied by the instructing party in respect of room sales, food and beverage revenues, other revenues, outgoings, operating costs, gross operating profits, rents, rates, insurance and other relevant information. Allowances have been made for the periodical replacement and renovation of the hotel furnishings, fixtures and fittings.

Regarding the property interests in Group III and property nos 21 and 23 of Group IV which are property interests held by the Group for investment in the PRC and for sale in the PRC respectively, since the property interests were not completed as at the Valuation Date, our valuations have been arrived by adopting market-based valuation approach with reference to sales evidence of comparable properties with adjustments made to account for any difference. We have assumed that the property interests will be completed in accordance with the development proposals provided to us and the relevant approvals for the proposals have been obtained. We have also taken into account the cost of development including construction costs, finance costs, professional fees and developer's profit which duly reflects the risks associated with the development of the property interests. For property nos 20, 22 and 24 of Group IV, since the property interests were completed as at the Valuation Date, we have considered the Direct Comparison Approach by making reference to sales evidence as available in the market and assumed sales of property with the benefit of vacant possession as at the Valuation Date.

Valuation Assumptions and Conditions

Our valuation is subject to the following assumptions and conditions:-

Title Documents and Encumbrances

We have caused searches to be made at the Hong Kong Land Registry regarding the Property Interests in Hong Kong. However, we have not searched the original documents to verify the ownership or to ascertain any amendment which may not appear on the copies available to us.

In our valuation, we have assumed a good and marketable title and that all documentation is satisfactorily drawn. We have also assumed that the Property Interests are not subject to any unusual or onerous covenants, restrictions, encumbrances or outgoings.

In our valuations of property interests in the PRC, we have assumed that the transferable land use rights in respect of the property interests for specific terms at nominal annual land use fees have been granted and that, any premiums payable have already been fully settled. We have also assumed that the grantees or the users of the property interests have free and uninterrupted rights to use or to assign the property interests for the whole of the unexpired terms as granted. We have relied on the legal advice given by the Group and its PRC legal adviser, Jingtian & Gongcheng, regarding the title to each of the property interests in the PRC.

Development Approvals and Site Conditions

For valuing property interests under development, we have assumed that the Group has obtained all such approvals required for its construction including planning approval, building plan approval, construction permit, etc. We have also assumed that roads and necessary utilities are all readily connected to the property interests.

Disposal Costs and Liabilities

No allowance has been made in our report for any charges, mortgages or amounts owing on the Property Interests nor for any expenses or taxation which may be incurred in effecting a sale.

Source of Information

We have relied to a very considerable extent on information given by the Group. We have accepted advice given to us on such matters as planning approval, statutory notice, easement, tenure, site area, floor areas, number of car parking spaces and all other relevant matters. We have not verified the correctness of any information, including their translation supplied to us concerning the Property Interests, whether in writing or verbally by yourselves, your representatives or by your legal or professional advisers or by any (or any apparent) occupier of the Property Interests or contained on the register of title. We assume that this information is complete and correct.

Inspection

We inspected the Property Interests in the second quarter of 2017. The inspections of the Property Interests were undertaken by Knight Frank valuation team in Hong Kong and the PRC. Nevertheless, we have assumed in our valuations that the Property Interests were in satisfactory exterior and interior decorative order without any unauthorised extension or structural alterations or illegal uses as at the Valuation Date, unless otherwise stated.

Identity of Property Interests to be Valued

We have exercised reasonable care and skill (but will not have an absolute obligation to you) to ensure that the Property Interests, identified by the property addresses in your instructions, are the Property Interests inspected by us and contained within our valuation report. If there is ambiguity as to the property addresses, or the extent of the Property Interests to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

Property Insurance

We have valued the Property Interests on the assumption that, in all respects, they are insurable against all usual risks including terrorism, flooding and rising water table at normal, commercially acceptable premiums.

Areas and Age

In our valuations, we have relied upon areas as available from a quoted source. Otherwise, dimensions and areas would be measured from plans and calculated in accordance with, where appropriate, the current HKIS Code of Measuring Practice and are quoted to a reasonable approximation, with reference to their source.

We have also assumed that the site areas, floor areas, measurements and dimensions shown on the documents handed to us are correct and in approximations only. Where the age of the building is estimated, this is for guidance only.

Structural and Services Condition

We have not undertaken any structural surveys, tested the services or arranged for any investigations to be carried out to determine whether any deleterious materials have been used in the construction of the Property Interests. Our valuation has therefore been undertaken on the basis that the Property Interests were in satisfactory repair and condition and contains no deleterious materials and that services function satisfactorily.

Ground Condition

We have assumed there to be no unidentified adverse ground or soil conditions and that the load bearing qualities of the site of the Property Interests are sufficient to support the buildings constructed or to be constructed thereon; and that the services are suitable for any existing development. Our valuation is therefore prepared on the basis that no extraordinary expenses or delays will be incurred in this respect.

Environmental Issues

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the Property Interests are unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

Compliance with Relevant Ordinances and Regulations

We have assumed that the Property Interests were constructed, occupied and used in full compliance with, and without contravention of any Ordinances, statutory requirements and notices except only where otherwise stated. We have further assumed that, for any use of the Property Interests upon which this report is based, any and all required licences, permits, certificates, consents, approvals and authorisation have been obtained, except only where otherwise stated.

Exchange Rate

Unless otherwise stated, all money amounts stated in our valuations are in Hong Kong Dollar ("HK$") for Property Interests in Hong Kong and in Renminbi ("RMB") for Property Interests in the PRC. The exchange rate adopted in our valuations was RMB1.00 = HK$1.15 which was the approximate exchange rate prevailing as at the Valuation Date.

Limitations on Liability

In accordance with our standard practice, we must state that this valuation is for the use of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents. We do not accept liability to any third party or for any direct or indirect consequential losses or loss of profits as a result of this valuation.

Knight Frank has prepared the valuation based on information and data available to us as at the Valuation Date. It must be recognised that the real estate market is subject to market fluctuations, while changes in policy direction and social environment could be immediate and have sweeping impact on the real estate market. It should therefore be noted that any market violation, policy and social changes or other unexpected incidents after the Valuation Date may affect the values of the Property Interests.

Area Conversion

The area conversion factors in this report are taken as follows:

1 sq m = 10.764 sq ft
1 sq m = 0.0001 ha

We enclose herewith our valuation report.

Yours faithfully
For and on behalf of
Knight Frank Petty Limited

Thomas Lam
FRICS FHKIS RPS(GP) RICS Registered Valuer
Senior Director, Head of Valuation & Consultancy

Clement Leung
MCIREA MRICS MHKIS RPS(GP)
RICS Registered Valuer
Executive Director, Head of China Valuation

Notes: Thomas Lam is a qualified valuer who has 17 years of extensive experiences in market research, valuation and consultancy in the PRC, Hong Kong, Macau and Asia Pacific region.

Clement Leung is a qualified valuer who has 24 years of experiences in property valuation and consultancy services in the PRC and Hong Kong.

SUMMARY OF VALUES

Property Interest	Market Value in Existing State as at 31 August 2017	Interest Attributable to the Group	Market Value in Existing State Attributable to the Group as at 31 August 2017
	(HK$)	*(%)*	*(HK$)*
Group I — Property interests held by the Group for investment in Hong Kong			
1. Ocean Terminal and the Extension, Harbour City, Kowloon Inland Lot No 11178, off Salisbury Road, Tsimshatsui, Kowloon	12,700,000,000	100	12,700,000,000
2. Ocean Centre, Harbour City, No 5 Canton Road, Tsimshatsui, Kowloon	34,800,000,000	100	34,800,000,000
3. Ocean Galleries, Harbour City, Nos 7-23 Canton Road, Tsimshatsui, Kowloon	25,000,000,000	100	25,000,000,000
4. World Commerce Centre, Harbour City, No 11 Canton Road, Tsimshatsui, Kowloon	2,660,000,000	100	2,660,000,000
5. World Finance Centre, Harbour City, Nos 17-19 Canton Road, Tsimshatsui, Kowloon	5,230,000,000	100	5,230,000,000
6. Wharf T & T Centre, Harbour City, No 7 Canton Road, Tsimshatsui, Kowloon	2,440,000,000	100	2,440,000,000

Property Interest	Market Value in Existing State as at 31 August 2017	Interest Attributable to the Group	Market Value in Existing State Attributable to the Group as at 31 August 2017
	(HK$)	*(%)*	*(HK$)*
7. Gateway I, Harbour City, Nos 25-27 Canton Road, Tsimshatsui, Kowloon	21,040,000,000	100	21,040,000,000
8. Retail Podium of Gateway II, Harbour City, Nos 7-23 Canton Road, Tsimshatsui, Kowloon	22,790,000,000	100	22,790,000,000
9. Towers 3, 5 & 6 of Gateway II, Harbour City, Nos 9, 15 and 21 Canton Road, Tsimshatsui, Kowloon	33,540,000,000	100	33,540,000,000
10. Commercial Portion of The Marco Polo Hongkong Hotel, Harbour City, No 3 Canton Road, Tsimshatsui, Kowloon	4,780,000,000	72	3,441,600,000
11. Times Square, No 1 Matheson Street, Causeway Bay, Hong Kong	54,540,000,000	100	54,540,000,000

Property Interest	Market Value in Existing State as at 31 August 2017	Interest Attributable to the Group	Market Value in Existing State Attributable to the Group as at 31 August 2017
	(HK$)	*(%)*	*(HK$)*
12. Shopping Areas, Cinema Accommodation and Commercial Loading and Unloading Spaces (known as Plaza Hollywood) and Car Parking Areas of Galaxia, No. 3 Lung Poon Street, Diamond Hill, Kowloon	9,550,000,000	100	9,550,000,000
13. Crawford House, Nos 64-70A Queen's Road Central, Central, Hong Kong	5,910,000,000	100	5,910,000,000
14. Unit (Commercial) C on Ground Floor (all except common areas), 3rd to 24th Floor and certain spaces and portions and certain exclusive rights and privileges, Wheelock House, No 20 Pedder Street, Central, Hong Kong	6,543,000,000	100	6,543,000,000
		Total of Group I:	240,184,600,000

Property Interest	Market Value in Existing State as at 31 August 2017	Interest Attributable to the Group	Market Value in Existing State Attributable to the Group as at 31 August 2017
	(HK$)	*(%)*	*(HK$)*
Group II — Property interests held by the Group for operation in Hong Kong			
15. Hotel Portion of The Marco Polo Hongkong Hotel, Harbour City, No 3 Canton Road, Tsimshatsui, Kowloon	3,910,000,000	72	2,815,200,000
16. Marco Polo Gateway, Harbour City, No 13 Canton Road, Tsimshatsui, Kowloon	2,000,000,000	100	2,000,000,000
17. Marco Polo Prince, Harbour City, No 23 Canton Road, Tsimshatsui, Kowloon	1,760,000,000	100	1,760,000,000
18. The Murray Hotel, No 22 Cotton Tree Drive, Central, Hong Kong	6,710,000,000	72	4,831,200,000
		Total of Group II:	11,406,400,000

Property Interest	Market Value in Existing State as at 31 August 2017	Interest Attributable to the Group	Market Value in Existing State Attributable to the Group as at 31 August 2017
	(RMB)	*(%)*	*(RMB)*
Group III — Property interest held by the Group for investment in the PRC			
19. Suzhou International Finance Square, Xinghu Street, Suzhou Industrial Park, Suzhou, Jiangsu Province, The PRC	3,370,000,000	57	1,920,900,000
		Total of Group III:	1,920,900,000 (HK$2,209,035,000)
Group IV — Property interests held by the Group for sale in the PRC			
20. Various portions of Changzhou, Times Palace, China Dinosaur Park, Xinbei District, Changzhou, Jiangsu Province, The PRC	107,000,000	72	77,040,000
21. Serviced Apartments and Clubhouse portion of Changzhou Times Palace, China Dinosaur Park, Xinbei District, Changzhou, Jiangsu Province, The PRC	123,000,000	72	88,560,000
22. Phases A1 and A4, Suzhou Times City, Xiandai Avenue, Suzhou Industrial Park, Suzhou, Jiangsu Province, The PRC	36,000,000	57	20,520,000

Property Interest	Market Value in Existing State as at 31 August 2017	Interest Attributable to the Group	Market Value in Existing State Attributable to the Group as at 31 August 2017
	(RMB)	*(%)*	*(RMB)*
23. Portion of Phase A2, Suzhou Times City, Xiandai Avenue, Suzhou Industrial Park, Suzhou, Jiangsu Province, The PRC	2,653,000,000	57	1,512,210,000
24. Various portions of The U World, Zone B of Jiangbei City, Jiangbei District, Chongqing, The PRC	726,000,000	39	283,140,000
		Total of Group IV:	1,981,470,000 (HK$2,278,690,500)

Group V — Property interest held by the Group for operation in the PRC

25. Marco Polo Changzhou, No 88 He Hai East Road, Xinbei District, Changzhou, Jiangsu Province, The PRC	487,000,000	72	350,640,000
		Total of Group V:	350,640,000 (HK$403,236,000)
		Grand Total:	HK$256,481,961,500

VALUATION

Group I: Property interests held by the Group for investment in Hong Kong

	Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2017
1.	Ocean Terminal and the Extension, Harbour City, Kowloon Inland Lot No 11178, off Salisbury Road, Tsimshatsui, Kowloon Kowloon Inland Lot No 11178 and the Remaining Portion of Kowloon Marine Lot No 10	Harbour City is a comprehensive Grade A office, hotel / serviced apartment and commercial complex completed in phases from 1966 to 1999. Ocean Terminal is a 3-storey shopping arcade with a car park and a pier for berthing of cruise vessels, completed in 1966. The total lettable floor area extends to 272,109 sq ft (25,279.54 sq m) or thereabouts. The Extension comprises a 4-storey building to be built at the tip of the terminal. It will provide retail accommodation and cruise terminal facilities (including immigration and customs offices, quarantine areas as well as a baggage hall). The total lettable floor area of the Extension is approximately 94,207 sq ft (8,752.04 sq m). It is completed in 2017. Kowloon Inland Lot No 11178 is held under a Conditions of Exchange No 20166 for a term of 21 years commencing from 12 June 2012 at an annual government rent equivalent to 3% of the rateable value from time to time of the lot. The Remaining Portion of Kowloon Marine Lot No 10 is held under a government lease for a term of 999 years commencing from 25 July 1864 at an annual government rent of HK$276.	Except a portion of about 18,376 sq ft (1,707 sq m) that is vacant, the retail portion of Ocean Terminal is let under various tenancies mostly for a term of 2 years to 3 years with the latest expiring in October 2021. As at the Valuation Date, the total rental income and car park income is approximately HK$121,270,000 per month exclusive of rates, management fees, air-conditioning charges and other outgoings.	HK$12,700,000,000 Hong Kong Dollars Twelve Billion Seven Hundred Million

Notes :

(1) The registered owners of the property are Wharf Realty Limited and Harbour City Estates Limited as at the Valuation Date.

(2) The property lay within an area zoned for "Other Specified Uses (Ocean terminal to include shops and a car park)" uses under the Approved Tsim Sha Tsui Outline Zoning Plan No S/K1/28 dated 3 December 2013 as at the Valuation Date.

(3) As advised, the estimated construction cost for construction of the extension building and the related demolition / alteration works in the existing building was about HK$970,000,000 and the cost incurred as at the Valuation Date was about HK$943,993,000.

(4) The existing building, Ocean Terminal, was assessed on its existing use basis and taking into account of the proposed alteration / renovation / demolition works as provided by the instructing party. The extension portion was assessed on redevelopment basis based on the proposed development scheme, construction costs, programme schedules, etc. as provided to us.

(5) Our key assumptions in the valuation are as follows: -

	Approximate Estimated Market Rental (HK$ per sq ft)	Capitalisation Rate
Retail	320-440	8.00%

We have made reference to various lettings of the same building and similar properties. The rental levels from comparables are in the range of HK$120 — HK$550 per sq ft for retail use.

The above estimated market rental assumed by us is in line with the recent lettings. The capitalisation rate is considered not unreasonable taking into account the market yields of similar properties.

(6) The property is subject to the following encumbrances: -

(i) Two Deeds of Grant of Rights of Way with plan both dated 12 June 2012 vide memorial nos 12061902330235 and 12061302850031;

(ii) Undertaking to The Government of the Hong Kong Special Administrative Region and the Director of Lands dated 12 June 2012 vide memorial no 12061902330243;

(iii) Undertaking letter for designating the greenery areas as common areas from Harbour City Estates Limited to Director of Buildings, Buildings Department dated 12 August 2016 vide memorial no 16093002220515; and

(iv) Waiver Letter with plans from The Government of the Hong Kong Special Administrative Region by the District Lands Officer / Kowloon West dated 12 June 2012 vide memorial no 12061302850046.

	Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2017
2.	Ocean Centre, Harbour City, No 5 Canton Road, Tsimshatsui, Kowloon Section A and Section C of Kowloon Marine Lot No 11	Harbour City is a comprehensive Grade A office, hotel / serviced apartment and commercial complex completed in phases from 1966 to 1999. Ocean Centre comprises a 5-storey retail portion and a 13-storey office portion with a car park and was completed in 1977. The ground and two basement floors provide various car parking spaces. The total lettable floor area of the property is approximately 825,229 sq ft (76,665.64 sq m), including approximately 235,775 sq ft (21,904.03 sq m) for retail uses and approximately 589,454 sq ft (54,761.61 sq m) for office uses. Kowloon Marine Lot No 11 is held under a government lease for a term of 999 years commencing from 13 September 1881. The total annual government rent of Section A and Section C of Kowloon Marine Lot No 11 is HK$1,724.	Except a portion of about 611 sq ft (57 sq m) that is vacant, the retail portion is let under various tenancies mostly for a term of 2 years to 3 years with the latest expiring in June 2024. Except a portion of 28,372 sq ft (2,636 sq m) that is vacant, the office portion is let under various tenancies mostly for a term of 2 to 3 years with the latest expiring in 31 August 2021. As at the Valuation Date, the total rental income and car park income is approximately HK$140,618,000 per month, exclusive of rates, management fees, air-conditioning charges and other outgoings.	HK$34,800,000,000 Hong Kong Dollars Thirty Four Billion Eight Hundred Million

Notes :

(1) The registered owner of the property is Wharf Realty Limited and Harbour City Estates Limited as at the Valuation Date.

(2) The property lay within an area zoned for "Commercial (8)" uses under the Approved Tsim Sha Tsui Outline Zoning Plan No S/K1/28 dated 3 December 2013 as at the Valuation Date.

(3) Our key assumptions in the valuation are as follows: -

	Approximate Estimated Market Rental (HK$ per sq ft)	Capitalisation Rate
Retail	350-470	5.00%
Office	45-50	4.40%

We have made reference to various lettings of the same building and similar properties. The rental levels from comparables are in the range of HK$120 — HK$550 per sq ft and HK$35 — HK$55 per sq ft for retail use and office use respectively.

The above estimated market rental assumed by us is in line with the recent lettings. The capitalisation rate is considered not unreasonable taking into account the market yields of similar properties.

(4) The property is subject to the following encumbrances: -

(i) Modification Letter dated 13 October 1999 vide memorial no UB7899996;

(ii) Two Deeds of Grant of Rights of Way with plan both dated 12 June 2012 vide memorial nos 12061302850031 and 12061902330235;

(iii) Undertaking to The Government of the Hong Kong Special Administrative Region and the Director of Lands dated 12 June 2017 vide memorial no 12061902330243; and

(iv) Waiver Letter with plans from The Government of the Hong Kong Special Administrative Region by the District Lands Officer / Kowloon West dated 12 June 2012 vide memorial no 12061302850046.

	Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2017
3.	Ocean Galleries, Harbour City, Nos 7-23 Canton Road, Tsimshatsui, Kowloon Portion of each of Section B of Kowloon Marine Lot No 11 and the Extension thereto and Section D of Kowloon Marine Lot No 11	Harbour City is a comprehensive Grade A office, hotel / serviced apartment and commercial complex completed in phases from 1966 to 1999. Ocean Galleries comprises a portion of a 6-storey (including basement level and sub-basement level) common retail / car parking / mechanical podium with a car park and was completed in 1983. The basement floor provides various car parking spaces whereas sub-basement floor is a mechanical floor. The total lettable floor area is approximately 240,333 sq ft (22,327.48 sq m). Section B of Kowloon Marine Lot No 11 and the Extension thereto are held under a government lease and conditions of extension no 11410 for a term of 999 years commencing from 13 September 1881. The total annual government rent of Section B of Kowloon Marine Lot No 11 and the Extension thereto is approximately HK$3,000. Section D of Kowloon Marine Lot No 11 is held from the government under a government lease for a term commencing from 13 September 1881 and expiring on 30 June 2047 at an annual rent equivalent to 3% of the rateable value for the time being of the property.	Except a portion of about 31,891 sq ft (2,963 sq m) that is vacant, the retail portion of the property is let under various tenancies mostly for a term of 1 year to 3 years with the latest expiring in April 2025. As at the Valuation Date, the total rental income and car park income is approximately HK$130,813,000 per month, exclusive of rates, management fees, air-conditioning charges and other outgoings.	HK$25,000,000,000 Hong Kong Dollars Twenty Five Billion

Notes :

(1) The registered owner of the property is Wharf Realty Limited as at the Valuation Date.

(2) The property lay within an area zoned for "Commercial (8)" uses under the Approved Tsim Sha Tsui Outline Zoning Plan No S/K1/28 dated 3 December 2013 as at the Valuation Date.

(3) Our key assumptions in the valuation are as follows: -

	Approximate Estimated Market Rental (HK$ per sq ft)	Capitalisation Rate
Retail	400-540	5.00%

We have made reference to various lettings of the same building and similar properties. The rental levels from comparables are in the range of HK$120 — HK$550 per sq ft for retail use.

The above estimated market rental assumed by us is in line with the recent lettings. The capitalisation rate is considered not unreasonable taking into account the market yields of similar properties.

(4) The property is subject to the following encumbrances: -

(i) Modification Letter dated 13 October 1999 vide memorial no UB7899996;

(ii) Deed of Grant of Rights of Way with plan dated 12 June 2012 vide memorial no 12061902330235; and

(iii) Undertaking to The Government of the Hong Kong Special Administrative Region and the Director of Lands dated 12 June 2012 vide memorial no 12061902330243.

	Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2017
4.	World Commerce Centre, Harbour City, No 11 Canton Road, Tsimshatsui, Kowloon Portion of each of Section B of Kowloon Marine Lot No 11 and the Extension thereto and Section D of Kowloon Marine Lot No 11	Harbour City is a comprehensive Grade A office, hotel / serviced apartment and commercial complex completed in phases from 1966 to 1999. World Commerce Centre comprises a 13-storey Grade A office building built over a 6-storey (including basement level and sub-basement level) common retail / car parking / mechanical podium. It was completed in 1983. The total lettable floor area of the property is approximately 228,265 sq ft (21,206.34 sq m) or thereabouts. Section B of Kowloon Marine Lot No 11 and the Extension thereto are held under a government lease and conditions of extension no 11410 for a term of 999 years commencing from 13 September 1881. The total annual government rent for Section B of Kowloon Marine Lot No 11 and the Extension thereto is approximately HK$3,000. Section D of Kowloon Marine Lot No 11 is held from the government under a government lease for a term commencing from 13 September 1881 and expiring on 30 June 2047 at an annual rent equivalent to 3% of the rateable value for the time being of the property.	Except a portion of about 31,987 sq ft (2,972 sq m) that is vacant, the office portion of the property is let under various tenancies mostly for a term of 1 year to 3 years with the latest expiring in April 2022. As at the Valuation Date, the total rental income is approximately HK$8,889,000 per month, exclusive of rates, management fees, air-conditioning charges and other outgoings.	HK$2,660,000,000 Hong Kong Dollars Two Billion Six Hundred and Sixty Million

Notes :

(1) The registered owner of the property is Wharf Realty Limited as at the Valuation Date.

(2) The property lay within an area zoned for “Commercial (8)” uses under the Approved Tsim Sha Tsui Outline Zoning Plan No S/K1/28 dated 3 December 2013 as at the Valuation Date.

(3) Our key assumptions in the valuation are as follows: -

	Approximate Estimated Market Rental (HK$ per sq ft)	Capitalisation Rate
Office	45-50	4.40%

We have made reference to various lettings of the same building and similar properties. The rental levels from comparables are in the range of HK$35 — HK$55 per sq ft for office use.

The above estimated market rental assumed by us is in line with the recent lettings. The capitalisation rate is considered not unreasonable taking into account the market yields of similar properties.

(4) The property is subject to the following encumbrances: -

(i) Modification Letter dated 13 October 1999 vide memorial no UB7899996;

(ii) Deed of Grant of Rights of Way with plan dated 12 June 2012 vide memorial no 12061902330235; and

(iii) Undertaking to The Government of the Hong Kong Special Administrative Region and the Director of Lands dated 12 June 2012 vide memorial no 12061902330243.

	Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2017
5.	World Finance Centre, Harbour City, Nos 17-19 Canton Road, Tsimshatsui, Kowloon Portion of each of Section B of Kowloon Marine Lot No 11 and the Extension thereto and Section D of Kowloon Marine Lot No 11	Harbour City is a comprehensive Grade A office, hotel / serviced apartment and commercial complex completed in phases from 1966 to 1999. World Finance Centre consists of the North & South Towers each of which comprises a 13-storey Grade A office building built over a 6-storey (including basement level and sub-basement level) common retail / car parking / mechanical podium. It was completed in 1983. The total lettable floor area of the property is approximately 478,180 sq ft (44,424.01 sq m) or thereabouts. Section B of Kowloon Marine Lot No 11 and the Extension thereto are held under a government lease and Conditions of Extension No 11410 for a term of 999 years commencing from 13 September 1881. The total annual government rent for Section B of Kowloon Marine Lot No 11 and the Extension thereto is approximately HK$3,000. Section D of Kowloon Marine Lot No 11 is held from the government under a government lease for a term commencing from 13 September 1881 and expiring on 30 June 2047 at an annual rent equivalent to 3% of the rateable value for the time being of the property.	Except a portion of about 55,886 sq ft (5,192 sq m) that is vacant, the office portion of the property is let under various tenancies mostly for a term of 2 years to 3 years with the latest expiring in January 2023. As at the Valuation Date, the total rental income is approximately HK$15,758,000 per month, exclusive of rates, management fees, air-conditioning charges and other outgoings.	HK$5,230,000,000 Hong Kong Dollars Five Billion Two Hundred and Thirty Million

Notes :

(1) The registered owner of the property is Wharf Realty Limited as at the Valuation Date.

(2) The property lay within an area zoned for “Commercial (8)” uses under the Approved Tsim Sha Tsui Outline Zoning Plan No S/K1/28 dated 3 December 2013 as at the Valuation Date.

(3) Our key assumptions in the valuation are as follows: -

	Approximate Estimated Market Rental (HK$ per sq ft)	Capitalisation Rate
Office	38-45	4.40%

We have made reference to various lettings of the same building and similar properties. The rental levels from comparables are in the range of HK$35 — HK$55 per sq ft for office use.

The above estimated market rental assumed by us is in line with the recent lettings. The capitalisation rate is considered not unreasonable taking into account the market yields of similar properties.

(4) The property is subject to the following encumbrances: -

(i) Modification Letter dated 13 October 1999 vide memorial no UB7899996;

(ii) Deed of Grant of Rights of Way with plan dated 12 June 2012 vide memorial no 12061902330235; and

(iii) Undertaking to The Government of the Hong Kong Special Administrative Region and the Director of Lands dated 12 June 2012 vide memorial no 12061902330243.

	Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2017
6.	Wharf T & T Centre, Harbour City, No 7 Canton Road, Tsimshatsui, Kowloon Portion of each of Section B of Kowloon Marine Lot No 11 and the Extension thereto and Section D of Kowloon Marine Lot No 11	Harbour City is a comprehensive Grade A office, hotel / serviced apartment and commercial complex completed in phases from 1966 to 1999. Wharf T & T Centre comprises a 13-storey Grade A office building built over a 6-storey (including basement level and sub-basement level) common retail / car parking / mechanical podium. It was completed in 1983. The total lettable floor area of the property is approximately 227,613 sq ft (21,145.76 sq m) or thereabouts. Section B of Kowloon Marine Lot No 11 and the Extension thereto are held under a government lease and conditions of extension no 11410 for a term of 999 years commencing from 13 September 1881. The total annual government rent for Section B of Kowloon Marine Lot No 11 and the Extension thereto is approximately HK$3,000. Section D of Kowloon Marine Lot No 11 is held from the government under a government lease for a term commencing from 13 September 1881 and expiring on 30 June 2047 at an annual rent equivalent to 3% of the rateable value for the time being of the property.	Except a portion of about 36,180 sq ft (3,361 sq m) that is vacant, the office portion of the property is let under various tenancies mostly for a term of 2 years to 3 years with the latest expiring in August 2020. As at the Valuation Date, the total rental income is approximately HK$8,269,000 per month, exclusive of rates, management fees, air-conditioning charges and other outgoings.	HK$2,440,000,000 Hong Kong Dollars Two Billion Four Hundred and Forty Million

Notes :

(1) The registered owner of the property is Wharf Realty Limited as at the Valuation Date.

(2) The property lay within an area zoned for “Commercial (8)” uses under the Approved Tsim Sha Tsui Outline Zoning Plan No S/K1/28 dated 3 December 2013 as at the Valuation Date.

(3) Our key assumptions in the valuation are as follows: -

	Approximate Estimated Market Rental (HK$ per sq ft)	Capitalisation Rate
Office	38-40	4.40%

We have made reference to various lettings of the same building and similar properties. The rental levels from comparables are in the range of HK$35 — HK$55 per sq ft for office use.

The above estimated market rental assumed by us is in line with the recent lettings. The capitalisation rate is considered not unreasonable taking into account the market yields of similar properties.

(4) The property is subject to the following encumbrances :-

(i) Modification Letter dated 13 October 1999 vide memorial no UB7899996;

(ii) Deed of Grant of Rights of Way with plan dated 12 June 2012 vide memorial no 12061902330235; and

(iii) Undertaking to The Government of the Hong Kong Special Administrative Region and the Director of Lands dated 12 June 2012 vide memorial no 12061902330243.

	Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2017
7.	Gateway I, Harbour City, Nos 25-27 Canton Road, Tsimshatsui, Kowloon The Remaining Portion of Kowloon Marine Lot No 11	Harbour City is a comprehensive Grade A office, hotel / serviced apartment and commercial complex completed in phases from 1966 to 1999. Gateway I comprises two 32-storey Grade A office towers built over a 6-storey integrated shopping centre with a car park and was completed in 1994. The total lettable floor area of the property is approximately 1,218,208 sq ft (113,174.28 sq m), including approximately 71,134 sq ft (6,608.51 sq m) for retail uses and approximately 1,147,074 sq ft (106,565.77 sq m) for office uses. Kowloon Marine Lot No 11 is held under a government lease for a term of 999 years commencing from 13 September 1881. The annual government rent for the Remaining Portion of Kowloon Marine Lot No 11 is approximately HK$3,510.	The retail portion is fully let under various tenancies mostly for a term of 2 years to 3 years with the latest expiring in October 2025. Except a portion of 34,075 sq ft (3,166 sq m) that is vacant, the office portion is let under various tenancies mostly for a term of 2 to 3 years with the latest expiring in August 2021. As at the Valuation Date, the total rental income and car park income is approximately HK$69,617,000 per month, exclusive of rates, management fees, air-conditioning charges and other outgoings.	HK$21,040,000,000 Hong Kong Dollars Twenty One Billion Forty Million

Notes :

(1) The registered owner of the property is Harbour City Estates Limited as at the Valuation Date.

(2) The property lay within an area zoned for "Commercial (8)" uses under the Approved Tsim Sha Tsui Outline Zoning Plan No S/K1/28 dated 3 December 2013 as at the Valuation Date.

(3) Our key assumptions in the valuation are as follows: -

	Approximate Estimated Market Rental (HK$ per sq ft)	Capitalisation Rate
Retail	185-255	5.00%
Office	50-55	4.20%

We have made reference to various lettings of the same building and similar properties. The rental levels from comparables are in the range of HK$120 — HK$550 per sq ft and HK$35 — HK$55 per sq ft for retail use and office use respectively.

The above estimated market rental assumed by us is in line with the recent lettings. The capitalisation rate is considered not unreasonable taking into account the market yields of similar properties.

(4) The property is subject to the following encumbrances :-

(i) Modification Letter dated 13 October 1999 vide memorial no UB7899996;

(ii) Deed of Grant of Rights of Way with plan dated 12 June 2012 vide memorial no 12061902330235; and

(iii) Undertaking to The Government of the Hong Kong Special Administrative Region and the Director of Lands dated 12 June 2012 vide memorial no 12061902330243.

	Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2017
8.	Retail Podium of Gateway II, Harbour City, Nos 7-23 Canton Road, Tsimshatsui, Kowloon Portion of Section B of Kowloon Marine Lot No 11 and the Extension thereto and Section D of Kowloon Marine Lot No 11	Harbour City is a comprehensive Grade A office, hotel / serviced apartment and commercial complex completed in phases from 1966 to 1999. Gateway II comprises three towers for office and serviced apartment uses erected upon a common retail / car parking / mechanical podium forming part of the Harbour City development. Retail podium of Gateway II comprises a 6-storey (including basement level and sub-basement level) common retail / car parking / mechanical podium with a car park and was completed in 1999. The basement floor provides various car parking spaces whereas sub-basement floor is a mechanical floor. The total lettable floor area is approximately 255,742 sq ft (23,759.01 sq m). Section B of Kowloon Marine Lot No 11 and the Extension thereto are held under a government lease and conditions of extension no 11410 for a term of 999 years commencing from 13 September 1881. The total annual government rent for Section B of Kowloon Marine Lot No 11 and the Extension thereto is approximately HK$3,000. Section D of Kowloon Marine Lot No 11 is held from the Hong Kong government under a government lease for a term commencing from 13 September 1881 and expiring on 30 June 2047 at an annual rent equivalent to 3% of the rateable value for the time being of the property.	Except a portion of about 9,992 sq ft (928 sq m) that is vacant, the retail portion of the property is let under various tenancies mostly for a term of 1 year to 3 years with the latest expiring in July 2023. As at the Valuation Date, the total rental income and car park income is approximately HK$109,829,000 per month, exclusive of rates, management fees, air-conditioning charges and other outgoings.	HK$22,790,000,000 Hong Kong Dollars Twenty Two Billion Seven Hundred and Ninety Million

Notes :

(1) The registered owner of the property is Wharf Realty Limited as at the Valuation Date.

(2) The property lay within an area zoned for "Commercial (8)" uses under the Approved Tsim Sha Tsui Outline Zoning Plan No S/K1/28 dated 3 December 2013 as at the Valuation Date.

(3) As advised, the retail portion of the property has undergone conversion works which were completed by 30 June 2017. The total estimated conversion cost was about HK$170,000,000 and the outstanding cost as at the Valuation Date was about HK$25,000,000.

(4) Our key assumptions in the valuation are as follows: -

	Approximate Estimated Market Rental (HK$ per sq ft)	**Capitalisation Rate**
Retail	310-420	5.00%

We have made reference to various lettings of the same building and similar properties. The rental levels from comparables are in the range of HK$120 — HK$550 per sq ft for retail use.

The above estimated market rental assumed by us is in line with the recent lettings. The capitalisation rate is considered not unreasonable taking into account the market yields of similar properties.

(5) The property is subject to the following encumbrances:-

(i) Modification Letter dated 13 October 1999 vide memorial no UB7899996;

(ii) Deed of Grant of Rights of Way with plan dated 12 June 2012 vide memorial no 12061902330235; and

(iii) Undertaking to The Government of the Hong Kong Special Administrative Region and the Director of Lands dated 12 June 2012 vide memorial no 12061902330243.

	Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2017
9.	Towers 3, 5 & 6 of Gateway II, Harbour City, Nos 9, 15 and 21 Canton Road, Tsimshatsui, Kowloon Portion of each of Section B of Kowloon Marine Lot No 11 and the Extension thereto and Section D of Kowloon Marine Lot No 11	Harbour City is a comprehensive Grade A office, hotel / serviced apartment and commercial complex completed in phases from 1966 to 1999. Gateway II comprises three towers for office and serviced apartment uses erected upon a common retail / car parking / mechanical podium forming part of the Harbour City development. Tower 3, Tower 5 & Tower 6 each comprise of a 31-storey Grade A office / services apartment building erected upon a common retail / car parking / mechanical podium. They were completed in 1999. Tower 3 comprises a 17-storey of Grade A office, namely Gateway Prudential Tower and a 14-storey of serviced apartments, namely Sutton Court. Tower 5 comprises a 17-storey of Grade A office, namely Gateway Sun Life Tower and a 14-storey of serviced apartments, namely Hampton Court. Tower 6 comprises a 31-storey of Grade A office building, namely The Gateway. The total lettable floor area of the property is approximately 2,213,470 sq ft (205,636.38 sq m), including approximately 1,552,966 sq ft (144,274.06 sq m) for office uses and approximately 660,504 sq ft (61,362.32 sq m) for serviced apartment uses. Section B of Kowloon Marine Lot No 11 and the Extension thereto are held under a government lease and conditions of extension no 11410 both for a term of 999 years commencing from 13 September 1881.	Except a portion of about 177,468 sq ft (16,487 sq m) that is vacant, the office portion is let under various tenancies mostly for a term of 2 years to 3 years with the latest expiring in November 2020. Except a portion of 189,507 sq ft (17,606 sq m) that is vacant, the serviced apartment portion is let under various tenancies mostly for a term of 1 to 2 years with the latest expiring in August 2019. As at the Valuation Date, the total rental income is approximately HK$93,991,000 per month, exclusive of rates, management fees, air-conditioning charges and other outgoings.	HK$33,540,000,000 Hong Kong Dollars Thirty Three Billion Five Hundred and Forty Million

Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2017
	The total annual government rent for Section B of Kowloon Marine Lot No 11 and the Extension thereto is approximately HK$3,000. Section D of Kowloon Marine Lot No 11 is held from the Hong Kong government under a government lease for a term commencing from 13 September 1881 and expiring on 30 June 2047 at an annual rent equivalent to 3% of the rateable value for the time being of the property.		

Notes :

(1) The registered owner of the property is Harbour City Estates Limited as at the Valuation Date.

(2) The property lay within an area zoned for "Commercial (8)" uses under the Approved Tsim Sha Tsui Outline Zoning Plan No S/K1/28 dated 3 December 2013 as at the Valuation Date.

(3) Our key assumptions in the valuation are as follows: -

	Approximate Estimated Market Rental (HK$ per sq ft)	Capitalisation Rate
Office	50-55	4.20%
Serviced Apartment	55-60	4.50%

We have made reference to various lettings of the same building and similar properties. The rental levels from comparables are in the range of HK$35 — HK$55 per sq ft and HK$45 — HK$60 per sq ft for office use and domestic use respectively.

The above estimated market rental assumed by us is in line with the recent lettings. The capitalisation rate is considered not unreasonable taking into account the market yields of similar properties.

(4) The property is subject to the following encumbrances:-

(i) Modification Letter dated 13 October 1999 vide memorial no UB7899996;

(ii) Deed of Grant of Rights of Way with plan dated 12 June 2012 vide memorial no 12061902330235; and

(iii) Undertaking to The Government of the Hong Kong Special Administrative Region and the Director of Lands dated 12 June 2012 vide memorial no 12061902330243.

	Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2017
10.	Commercial Portion of The Marco Polo Hongkong Hotel, Harbour City, No 3 Canton Road, Tsimshatsui, Kowloon Portion of each of Section A of Kowloon Marine Lot No 91 and Section B of Kowloon Marine Lot No 10	Harbour City is a comprehensive Grade A office, hotel / serviced apartment and commercial complex completed in phases from 1966 to 1999. The Marco Polo Hongkong Hotel is a retail / Grade A office / hotel complex and was completed in 1970. The property comprises a 6-storey commercial portion for retail and office uses. It was completed in about 1970. The total lettable floor area of the property is approximately 133,006 sq ft (12,356.56 sq m), including approximately 117,152 sq ft (10,883.69 sq m) for retail uses and approximately 15,854 sq ft (1,472.87 sq m) for office uses. Kowloon Marine Lot Nos 10 and 91 are held under two government leases each for a term of 999 years commencing from 25 July 1864. The annual government rent for Section A of Kowloon Marine Lot No 91 and Section B of Kowloon Marine Lot No 10 are HK$706 and HK$132 respectively.	The retail space is fully let under various tenancies mostly for a term of 2 to 3 years with the latest expiring in January 2020. The office space is fully let under various tenancies mostly for a term of 2 to 3 years with the latest expiring in April 2019. As at the Valuation Date, the total rental income is approximately HK$22,550,000 per month, exclusive of rates, management fees, air-conditioning charges and other outgoings.	HK$4,780,000,000 Hong Kong Dollars Four Billion Seven Hundred and Eighty Million (72% interest attributable to the Group: HK$3,441,600,000 Hong Kong Dollars Three Billion Four Hundred and Forty One Million Six Hundred Thousand)

Notes :

(1) The registered owner of the property is The Hongkong Hotel Limited as at the Valuation Date.

(2) The property lay within an area zoned for “Commercial” uses under the Approved Tsim Sha Tsui Outline Zoning Plan No S/K1/28 dated 3 December 2013 as at the Valuation Date.

(3) Our key assumptions in the valuation are as follows: -

	Approximate Estimated Market Rental (HK$ per sq ft)	Capitalisation Rate
Retail	140-190	5.00%
Office	35-40	4.40%

We have made reference to various lettings of the same building and similar properties. The rental levels from comparables are in the range of HK$120 — HK$550 per sq ft and HK$35 — HK$55 per sq ft for retail use and office use respectively.

The above estimated market rental assumed by us is in line with the recent lettings. The capitalisation rate is considered not unreasonable taking into account the market yields of similar properties.

(4) The property is subject to an Undertaking letter for designating the greenery areas as common areas from Harbour City Estates Limited to Director of Buildings, Buildings Department dated 12 August 2016 vide memorial no 16093002220515.

	Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2017
11.	Times Square, No 1 Matheson Street, Causeway Bay, Hong Kong Section A, Section B and the Remaining Portion of Inland Lot No 724 Section A and the Remaining Portion of Inland Lot No 725 Inland Lot No 718 Inland Lot No 722 Inland Lot No 727 Inland Lot No 728 Inland Lot No 731	The property is a retail / office complex comprising two Grade A office blocks of 33 and 26 storeys respectively over a 20-storey (including 6 levels of basement) retail / car parking podium. It is linked to the Causeway Bay MTR station and was completed in 1993. The total lettable floor area of the property is approximately 1,556,274 sq ft (144,581.38 sq m), including approximately 530,699 sq ft (49,303.14 sq m) for retail uses and approximately 1,025,575 sq ft (95,278.24 sq m) for office uses. Various car parking spaces are provided on 4 basement levels. Inland Lot Nos 722, 724, 725 and 728 are held from the Hong Kong government under their corresponding government leases each for a term of 999 years commencing from 25 June 1861 at a total annual government rent of HK$589.78. Inland Lot Nos 727 and 731 are held from the Hong Kong government under their corresponding government leases each for a term of 999 years commencing from 20 June 1881 at a total annual government rent of HK$398.10. Inland Lot No 718 is held from the Hong Kong government under a government lease for a term of 999 years commencing from 25 June 1851 at an annual government rent of HK$478.	Except a portion of 37,699 sq ft (3,502 sq m) that is vacant, the retail portion is let under various tenancies mostly for a term of 2 to 3 years with the latest expiring in August 2022. Except a portion of 138,498 sq ft (12,867 sq m) that is vacant, the office portion is let under various tenancies mostly for a term of 2 to 3 years with the latest expiring in October 2025. As at the Valuation Date, the total rental income and car park income is approximately HK$213,177,000 per month, exclusive of rates, management fees, air-conditioning charges and other outgoings.	HK$54,540,000,000 Hong Kong Dollars Fifty Four Billion Five Hundred and Forty Million

Notes :

(1) The registered owner of the property is Times Square Limited as at the Valuation Date.

(2) The property lay within an area zoned for "Commercial (2)" uses under the Draft Wan Chai Outline Zoning Plan No S/H5/27 exhibited on 3 August 2012 as at the Valuation Date.

(3) Our key assumptions in the valuation are as follows: -

	Approximate Estimated Market Rental (HK$ per sq ft)	Capitalisation Rate
Retail	250-320	4.80%
Office	50-60	4.20%

We have made reference to various lettings of the same building and similar properties. The rental levels from comparables are in the range of HK$200 — HK$400 per sq ft and HK$45 — HK$60 per sq ft for retail use and office use respectively.

The above estimated market rental assumed by us is in line with the recent lettings. The capitalisation rate is considered not unreasonable taking into account the market yields of similar properties.

(4) The property is subject to the following encumbrances: -

(i) Three Deeds of Dedication all dated 30 July 1992 vide memorial nos UB5380712, UB5380713 and UB5380714; and

(ii) Deed of Variation dated 19 January 2017 vide memorial no 17012602460325.

	Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2017
12.	Shopping Areas, Cinema Accommodation and Commercial Loading and Unloading Spaces (known as Plaza Hollywood) and Car Parking Areas of Galaxia, No 3 Lung Poon Street Diamond Hill, Kowloon 406,320 / 1,000,000th equal and undivided shares of and in New Kowloon Inland Lot No 6160	Galaxia is a retail / residential development completed in 1998. The property comprises the 8-storey retail portion of the development with a total lettable floor area of approximately 374,784 sq ft (34,818.28 sq m). The property also comprises the car parking areas in the podium of the development which accommodate various parking spaces for private car and the commercial loading and unloading spaces which accommodate various parking spaces for lorries. New Kowloon Inland Lot No 6160 is held from the Hong Kong government under Conditions of Sale No 12239 for a term commencing from 3 February 1993 and expiring on 30 June 2047 at an annual rent equivalent to 3% of the rateable value for the time being of the property.	Except a portion of 32,826 sq ft (3,050 sq m) that is vacant, the retail portion of the property is let under various tenancies mostly for a term of 2 to 3 years with the latest expiring in May 2022. As at the Valuation Date, the total rental income and car park income is approximately HK$37,804,000 per month, exclusive of rates, management fees, air-conditioning charges and other outgoings.	HK$9,550,000,000 Hong Kong Dollars Nine Billion Five Hundred and Fifty Million

Notes :

(1) The registered owners of the property are Plaza Hollywood Limited (5/10th shares), Mullein Company Limited (2/10th shares), Wettersley Company Limited (1/10th share), Bright Smart Limited (1/10th share) and Excellent Base Limited (1/10th share) holding as tenants in common as at the Valuation Date.

(2) The property lay within an area zoned for “Other Specified Uses (Commercial/Residential Development above Public Transport Terminus)” uses under the Approved Tsz Wan Shan, Diamond Hill and San Po Kong Outline Zoning Plan No S/K11/29 dated 6 December 2016 as at the Valuation Date.

(3) Our key assumptions in the valuation are as follows: -

	Approximate Estimated Market Rental (HK$ per sq ft)	Capitalisation Rate
Retail	80-120	5.00%

We have made reference to various lettings of the same building and similar properties. The rental levels from comparables are in the range of HK$60 — HK$150 per sq ft for retail use.

The above estimated market rental assumed by us is in line with the recent lettings. The capitalisation rate is considered not unreasonable taking into account the market yields of similar properties.

	Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2017
13.	Crawford House, Nos 64-70A Queen's Road Central, Central, Hong Kong The Remaining Portion of Inland Lot No 7 and the Remaining Portion of Section A of Inland Lot No 45	The property comprises a 24-storey (including a basement) retail / Grade A office building completed in 1977. The Basement, Ground and 1st to 5th floors provide retail space whilst the 6th to 23rd floors provide office accommodation. The total lettable floor area of the property is approximately 171,468 sq ft (15,929.77 sq m), including approximately 66,233 sq ft (6,153.20 sq m) for retail uses and approximately 105,235 sq ft (9,776.57 sq m) for office uses. Inland Lot Nos 7 and 45 are each held under a government lease for a term of 999 years commencing from 26 June 1843. The annual government rent payable for Inland Lot No 7 is 39 pounds 11 shillings and 8 pence and that for Section A of Inland Lot No 45 is HK$38.	Except a portion of 2,739 sq ft (254 sq m) that is vacant, the retail portion is let under various tenancies mostly for a term of 3 to 10 years with the latest expiring in November 2023. Except a portion of 5,282 sq ft (491 sq m) that is vacant, the office portion is let under various tenancies mostly for a term of 2 to 3 years with the latest expiring in August 2020. As at the Valuation Date, the total rental income is approximately HK$18,589,000 per month, exclusive of rates, management fees, air-conditioning charges and other outgoings.	HK$5,910,000,000 Hong Kong Dollars Five Billion Nine Hundred and Ten Million

Notes :

(1) The registered owner of the property is Ridge Limited as at the Valuation Date.

(2) The property lay within an area zoned for "Commercial" uses under the Approved Central District Outline Zoning Plan No S/H4/16 dated 1 November 2016 as at the Valuation Date.

(3) Our key assumptions in the valuation are as follows: -

	Approximate Estimated Market Rental (HK$ per sq ft)	Capitalisation Rate
Retail	150-210	3.80%
Office	60-65	4.00%

We have made reference to various lettings of the same building and similar properties. The rental levels from comparables are in the range of HK$120 — HK$350 per sq ft and HK$55 — HK$80 per sq ft for retail use and office use respectively.

The above estimated market rental assumed by us is in line with the recent lettings. The capitalisation rate is considered not unreasonable taking into account the market yields of similar properties.

(4) The property is subject to a Licence for Offensive Trade dated 28 August 2008 vide memorial no 09012201400278.

	Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2017
14.	Unit (Commercial) C on Ground Floor (all except common areas), 3rd to 24th Floor and certain spaces and portions and certain exclusive rights and privileges, Wheelock House, No 20 Pedder Street, Central, Hong Kong 8,069.9 / 11,022nd equal and undivided shares of and in Section A, Section C and the Remaining Portion of Marine Lot No 99 and Section A, Section B and the Remaining Portion of Marine Lot No 100.	Wheelock House is a 26-storey (including a basement) commercial / Grade A office building completed in 1984. The property comprises a shop unit on the Ground Floor of the development. The lettable floor area of the shop unit is approximately 3,313 sq ft (307.79 sq m). The property also comprises 21 office floors (from 3rd to 24th floor; 13th floor is omitted from numbering) together with certain spaces and portions and certain exclusive rights and privileges of the development. The total lettable floor area of the office floors is approximately 201,123 sq ft (18,684.78 sq m). Marine Lot No 99 and Marine Lot No 100 are each held under a government lease for a term of 999 years commencing from 16 November 1855. The total annual government rent payable for the subject lot sections is HK$210.	The Ground Floor shop is let to a tenant for a term of 5 years expiring on February 2018. Except a portion of 10,260 sq ft (953 sq m) that is vacant, the office portion is let under various tenancies mostly for a term of 2 to 3 years with the latest expiring in July 2020. As at the Valuation Date, the total rental income is approximately HK$17,497,000 per month, exclusive of rates, management fees, air-conditioning charges and other outgoings.	HK$6,543,000,000 Hong Kong Dollars Six Billion Five Hundred and Forty Three Million

Notes :

(1) The registered owner of the property is Oripuma Investments Limited as at the Valuation Date. By virtue of an Agreement for Sale and Purchase dated 24 March 1995 (vide memorial no UB6267898), the beneficial owner is Wavatah Company Limited.

(2) The Property lay within an area zoned for "Commercial" uses under the Approved Central District Outline Zoning Plan No S/H4/16 dated 1 November 2016 as at the Valuation Date.

(3) Portions of 3rd floor are held by Oripuma Investment Limited (9/10th shares) in common with the owner or owners for the time being of the remaining 1/10th share as Tenants in Common.

(4) The property is subject to the following encumbrances: -

(i) Mutual Grants of Right of Way dated 23 November 1887 vide memorial no 16763.

(ii) Two Deeds of Covenant both dated 20 February 1958 vide memorial nos UB272315 and UB272316.

(iii) Deed of Dedication dated 24 May 1984 vide memorial no UB2597199.

(iv) Two Deeds of Variation both dated 24 May 1984 vide memorial nos UB2597201 and UB2597200.

(v) Deed of Mutual Covenant dated 3 August 1984 vide memorial no UB2628821.

(vi) Sub-Deed of Mutual Covenant dated 12 September 1985 vide memorial nos UB2887783 and UB8155176.

(5) Our key assumptions in the valuation are as follows: -

	Approximate Estimated Market Rental (HK$ per sq ft)	Capitalisation Rate
Retail	915	3.20%
Office	70-80	3.45%

We have made reference to various lettings of the same building and similar properties. The rental levels from comparables are in the range of HK$800 — HK$1,200 per sq ft and HK$55 — HK$80 per sq ft for retail use and office use respectively.

The above estimated market rental assumed by us is in line with the recent lettings. The capitalisation rate is considered not unreasonable taking into account the market yields of similar properties.

Group II: Property interests held by the Group for operation in Hong Kong

	Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2017
15.	Hotel Portion of The Marco Polo Hongkong Hotel, No 3 Canton Road, Harbour City, Tsimshatsui, Kowloon Portion of each of Section A of Kowloon Marine Lot No 91, Section B of Kowloon Marine Lot No 10	Harbour City is a comprehensive Grade A office, hotel / serviced apartment and commercial complex completed in phases from 1966 to 1999. The Marco Polo Hongkong Hotel is a retail / Grade A office / hotel complex and was completed in 1970. As at the Valuation Date, the property located in an 18-storey hotel/commercial/office building accommodating 665 guest rooms with ancillary facilities. The total lettable floor area of the property is approximately 575,949 sq ft (53,506.97 sq m). Kowloon Marine Lot Nos 91 and 10 are held under their respective government leases each for a term of 999 years commencing from 25 July 1864. The annual government rent for Section A of Kowloon Marine Lot No 91 and Section B of Kowloon Marine Lot No 10 are HK$706 and HK$132 respectively.	As at the Valuation Date, the property is operated as a hotel and the occupancy rate was approximately 78%.	HK$3,910,000,000 Hong Kong Dollars Three Billion Nine Hundred and Ten Million (72% interest attributable to the Group: HK$2,815,200,000 Hong Kong Dollars Two Billion Eight Hundred and Fifteen Million Two Hundred Thousand)

Notes:

(1) The registered owner of the property is The Hongkong Hotel Limited as at the Valuation Date.

(2) The property lay within an area zoned for "Commercial" uses under the Approved Tsim Sha Tsui Outline Zoning Plan No S/K1/28 dated 3 December 2013 as at the Valuation Date.

(3) Our key assumptions in the valuation are as follows: -

	Average Daily Rate (HK$ per night)	Capitalisation Rate
Hotel.	1,760	5.25%

We have made reference to the average daily rate (ADR) of similar hotels. The ADRs from comparable hotels are in the range of HK$1,600 — HK$2,100 per night.

The above estimated ADR assumed by us is in line with the market. The capitalisation rate is considered not unreasonable taking into account the market yields of similar properties.

(4) The property is subject to an Undertaking letter for designating the greenery areas as common areas from Harbour City Estates Limited to Director of Buildings, Buildings Department.

	Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2017
16.	Marco Polo Gateway, No 13 Canton Road, Harbour City, Tsimshatsui, Kowloon Portion of each of Section B of Kowloon Marine Lot No 11 and the Extension thereto and Section D of Kowloon Marine Lot No 11	Harbour City is a comprehensive Grade A office, hotel / serviced apartment and commercial complex completed in phases from 1966 to 1999. As at the Valuation Date, the property located in a 21-storey hotel/commercial building accommodating 400 guest rooms with ancillary facilities. It was completed in 1983. The total lettable floor area of the property is approximately 298,729 sq ft (27,752.60 sq m). Kowloon Marine Lot No 11 and the Extension thereto are held under a government lease and condition of extension No 11410 for a term of 999 years commencing from 13 September 1881. The total annual government rent for Section B of Kowloon Marine Lot No 11 and the Extension thereto is approximately HK$3,000.	As at the Valuation Date, the property is operated as a hotel and the occupancy rate was approximately 88%.	HK$2,000,000,000 Hong Kong Dollars Two Billion

Notes:

(1) The registered owner of the property is Harbour City Estates Limited as at the Valuation Date.

(2) The property lay within an area zoned for “Commercial (8)” uses under the Approved Tsim Sha Tsui Outline Zoning Plan No S/K1/28 dated 3 December 2013 as at the Valuation Date.

(3) Our key assumptions in the valuation are as follows: -

	Average Daily Rate (HK$ per night)	Capitalisation Rate
Hotel	1,825	5%

We have made reference to the average daily rate (ADR) of similar hotels. The ADRs from comparable hotels are in the range of HK$1,600 — HK$2,100 per night.

The above estimated ADR assumed by us is in line with the market. The capitalisation rate is considered not unreasonable taking into account the market yields of similar properties.

(4) The property is subject to the following encumbrances:-

(i) Modification Letter dated 13 October 1999 vide memorial no UB 7899996;

(ii) Deed of Grant of Rights of Way with plan dated 12 June 2012 vide memorial no 12061902330235; and

(iii) Undertaking to The Government of the Hong Kong Special Administrative Region and the Director of Lands dated 12 June 2012 vide memorial no 12061902330243.

	Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2017
17.	Marco Polo Prince, No 23 Canton Road, Harbour City, Tsimshatsui, Kowloon Portion of each of Section B of Kowloon Marine Lot No 11 and the Extension thereto and Section D of Kowloon Marine Lot No 11	Harbour City is a comprehensive Grade A office, hotel / serviced apartment and commercial complex completed in phases from 1966 to 1999. As at the Valuation Date, the property located in a 21-storey hotel/commercial building accommodating 394 guest rooms with ancillary facilities. It was completed in 1983. The total lettable floor area of the property is approximately 338,612 sq ft (31,457.82 sq m). Kowloon Marine Lot No 11 and the Extension thereto are held under a government lease and condition of extension No 11410 for a term of 999 years commencing from 13 September 1881. The total annual government rent for Section B of Kowloon Marine Lot No 11 and the Extension thereto is approximately HK$3,000.	As at the Valuation Date, the property is operated as a hotel and the occupancy rate was approximately 88%.	HK$1,760,000,000 Hong Kong Dollars One Billion Seven Hundred and Sixty Million

Notes:

(1) The registered owner of the property is Harbour City Estates Limited as at the Valuation Date.

(2) The property lay within an area zoned for "Commercial (8)" uses under the Approved Tsim Sha Tsui Outline Zoning Plan No S/K1/28 dated 3 December 2013 as at the Valuation Date.

(3) Our key assumptions in the valuation are as follows: -

	Average Daily Rate (HK$ per night)	Capitalisation Rate
Hotel	1,650	5%

We have made reference to the average daily rate (ADR) of similar hotels. The ADRs from comparable hotels are in the range of HK$1,600 — HK$2,100 per night.

The above estimated ADR assumed by us is in line with the market. The capitalisation rate is considered not unreasonable taking into account the market yields of similar properties.

(4) The property is subject to the following encumbrances :-

(i) Modification Letter dated 13 October 1999 vide memorial no UB7899996;

(ii) Deed of Grant of Rights of Way with plan dated 12 June 2012 vide memorial no 12061902330235; and

(iii) Undertaking to The Government of the Hong Kong Special Administrative Region and the Director of Lands dated 12 June 2012 vide memorial no 12061902330243.

	Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2017
18.	The Murray Hotel, No 22 Cotton Tree Drive, Central, Hong Kong Inland Lot No 9036	The property comprises a site with a registered site area of approximately 6,330.00 sq m (68,136 sq ft) or thereabouts. The property is planned to be a 27-storey luxury hotel accommodating 336 guest rooms with ancillary facilities. The total gross floor area of the property is approximately 335,597 sq ft (31,177.73 sq m) according to the relevant approved general building plans The property is undergoing renovation works and is expected to complete in Q4 2017. Inland Lot No 9036 is held from the Hong Kong government under conditions of sale no 20205 for a term commencing from 4 December 2013 for a term of 50 years at an annual rent equivalent to 3% of the rateable value for the time being of the property.	As advised by the Group, the property is planned to be operated as a luxury hotel upon completion of the renovation.	HK$6,710,000,000 Hong Kong Dollars Six Billion Seven Hundred and Ten Million (72% interest attributable to the Group: HK$4,831,200,000 Hong Kong Dollars Four Billion Eight Hundred and Thirty One Million Two Hundred Thousand)

Notes:

(1) The registered owner of the property is The Murray Limited as at the Valuation Date.

(2) The property lay within an area zoned for Other Specified Uses (Building with architectural merits preserved for hotel use) uses under the Approved Central District Outline Zoning Plan No S/H4/16 dated 1 November 2016 as at the Valuation Date.

(3) As advised, the total estimated renovation cost of the development was approximately HK$2,714,000,000 and about HK$2,293,000,000 has been incurred as at the Valuation Date.

(4) Our key assumptions in the valuation are as follows: -

	Average Daily Rate (HK$ per night)	Capitalisation Rate
Hotel	2,800	3%

We have made reference to the average daily rate (ADR) of similar hotels. The ADRs from comparable hotels are in the range of HK$2,650 — HK$3,500 per night.

The above estimated ADR assumed by us is in line with the market. The capitalisation rate is considered not unreasonable taking into account the market yields of similar properties.

Group III: Property interest held by the Group for investment in the PRC

	Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2017
19.	Suzhou International Finance Square, Xinghu Street, Suzhou Industrial Park, Suzhou, Jiangsu Province, The PRC	Suzhou International Finance Square is a proposed commercial and residential composite development to be erected over a parcel of land with a site area of approximately 21,280.89 sq m. Upon completion, the property will comprise retail area, Grade A office, hotel and serviced apartments. The property is planned to complete in 2018. Details of the approximate gross floor areas of major portion of the property are listed as follows: **Use** / **Approximate Gross Floor Area (sq m)** Office: 144,452.00 Serviced Apartments: 100,982.00 Hotel: 26,884.00 Retail: 1,990.00 Total: 274,308.00 The property will also comprise 1,265 basement car parking spaces upon completion. The land use rights of the property were granted for land use rights terms expiring on 8 October 2047 and 8 October 2077 for commercial services use and residential use respectively.	The property was under construction.	RMB3,370,000,000 Renminbi Three Billion Three Hundred and Seventy Million (57% interest attributable to the Group: RMB1,920,900,000 Renminbi One Billion Nine Hundred and Twenty Million Nine Hundred Thousand)

Notes:.

(1) Pursuant to the letter of intent (合作意向書) entered into between 中新蘇州工業園區置業有限公司 ("Party A") and 營發投資有限公司 ("Party B"), both parties agreed to establish a joint-venture company 蘇州高龍房產發展有限公司 (the "Joint Venture"). According to the PRC Legal Adviser's opinion, Party A was subsequently changed from 中新蘇州工業園區置業有限公司 to 蘇州工業園區建屋發展集團有限公司 on 3 April 2008. According to the information provided to us, the latest salient conditions of the Joint Venture are as listed below.

(i) Name of joint-venture company : 蘇州高龍房產發展有限公司 (the "Joint Venture")

(ii)	Period of operation	:	20 December 2007 to 19 December 2057
(iii)	Total investment amount	:	RMB3,000 Million
(iv)	Registered capital	:	RMB1,500 Million (Party A : 20%, Party B : 80%)

(2) Pursuant to the Contract of the Grant of the State-owned Land Use Rights No. Su Gong Yuan Rang (2007) 30 dated 9 October 2007 and its supplementary agreement entered into between Suzhou Industrial Park Zone State-owned Land and Real Estate Bureau and 蘇州高龍房產發展有限公司, the land use rights of five parcels of land with a total site area of 525,318.34 sq m were granted from the former party to the latter party and the salient conditions as stipulated in the said contract area, inter alia, cited as follows:

(i)	Land use and term	40 years for commercial and office uses, and 70 years for serviced apartment and residential uses
(ii)	Land grant fee	RMB3,073,000,000
(iii)	Special requirement	Upon completion of super high-rise portion of the development, not less than 50% of the total gross floor area of such portion shall be held by the Group and not allowed to sell for a period of 10 years starting from the signing of the Contract of the Grant of the State-owned Land Use Rights.

(3) Pursuant to the State-owned Land Use Rights Certificate No. Su Gong Yuan Guo Yong (2010) Di 00053 issued by Suzhou People's Government dated 10 February 2010, the land use rights of a parcel of land with site area of 21,280.89 sq m was granted to the Joint Venture for land use rights terms expiring on 8 October 2047 for commercial services use and 8 October 2077 for residential use.

(4) Pursuant to the Construction Land Use Planning Permit No. Di Zi Di B20070019-01 issued by Suzhou Industrial Park Zone Planning and Construction Committee dated 20 May 2010, the Joint Venture was approved to use a parcel of land with site area of 2.13 hectare for property development.

(5) Pursuant to the Construction Engineering Planning Permit No. Jian Zi Di 20161567 issued by Suzhou Industrial Park Zone Planning and Construction Committee dated 9 November 2016, the Joint Venture was approved to construct a development with a total gross floor area of 382,646.64 sq m.

(6) Pursuant to six Construction Works Commencement Permits Nos. 320594201105160101, 320594201205110201, 320594201306280201, 320594201310220201, 320594201707260201 and 320594201708150301, the Joint Venture was permitted to carry out the construction works of the property.

(7) As advised by the Group, the estimated construction cost and the construction cost incurred of the property as at the Valuation Date were approximately RMB5,392,000,000 and RMB2,526,000,000 respectively. Accordingly, we have taken into account the aforesaid cost in our valuation. In our opinion, the gross development value of the proposed developments of the property, assuming they were completed as at the Valuation Date, was estimated approximately as RMB8,029,000,000.

(8) We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

(i) the Joint Venture is the sole owner of the land use rights of the land as stipulated in the State-owned Land Use Rights Certificate No. Su Gong Yuan Guo Yong (2010) Di 00053 Hao and is entitled to legally use the land according to the legal uses of the land within the land use term;

(ii) the Joint Venture has obtained the Construction Land Use Planning Permit, the Construction Engineering Planning Permit, and the Construction Works Commencement Permits required for the current development of the property;

(iii) the property is subject to a mortgage.

(9) In our valuation, we have adopted average unit rates of about RMB25,000 per sq m for the office portion, about RMB32,000 per sq m for the serviced apartments portion, RMB40,000 per sq m for the retail portion, RMB30,000 per sq m for the hotel portion and about RMB250,000 per each car parking space of the property upon completion.

Group IV: Property interests held by the Group for sale in the PRC

	Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2017
20.	Various portions of Changzhou, Times Palace, China Dinosaur Park, Xinbei District, Changzhou, Jiangsu Province, The PRC	Changzhou Times Palace (the "Development") is a large scale residential development with a total site area of 411,353.00 sq m, located in the core area of the northern part of Changzhou. The Development is located next to the Dinosaur park, a 5A National Tourist Park. The Development comprises high-rise apartments, medium-rise apartments, villas, hotel, retail units and a car park. The property comprises various unsold portions of the Development with a total gross floor area of approximately 7,886.32 sq m which was completed in 2011 to 2016. Details of the approximate gross floor area of the property are summarised as follows: **Use** / **Approximate Gross Floor Area (sq m)** Residential 1,160.28 Retail 6,726.04 Total 7,886.32 In addition, the property also comprises 272 car parking spaces of the Development. The property is held under various land use right terms. *(please refer to note 2 below for details).*	The property was vacant and is planned for sale.	RMB107,000,000 Renminbi One Hundred and Seven Million (72% interest attributable to the Group: RMB77,040,000 Renminbi Seventy Seven Million and Forty Thousand) (see Note (8))

Notes:

(1) Pursuant to the Business Licence with Unified Social Credit No. 91320000668970576M dated 13 June 2016 issued by the Jiangsu Province Administration for Industry & Commerce, 九龍倉(常州)置業有限公司 ("Wharf (Changzhou)") was established with a registered capital of US$169,800,000 for a period commencing from 22 November 2007 and expiring on 21 November 2047.

(2) Pursuant to two State-owned Land Use Right Certificates both issued by the People's Government of Changzhou, the land use rights of the portion of the Development with a site area of 18,043.57 sq m were granted to Wharf (Changzhou) for various terms and the details are listed below:

Certificate No.	Site Area (sq m)	Use	Land Use Term Expiry	Date of Issuance
Chang Guo Yong (2015) Di 14527.	2,394.72	Commercial and residential	27 December 2049 (Commercial) 27 December 2079 (Residential)	27 April 2015
Chang Guo Yong (2015) Di 14516.	15,648.85	Commercial and residential	29 December 2047 (Commercial) 29 December 2077 (Residential)	27 April 2015

(3) Pursuant to the Construction Land Use Planning Permit No Di Zi Di 320400200840032 issued by the Changzhou Planning Bureau dated 18 June 2008, a portion of the Development with a site area of 295,179 sq m was permitted to be developed.

(4) Pursuant to the Construction Land Use Planning Permit No Di Zi Di 320400200840057 issued by the Changzhou Planning Bureau dated 18 August 2008, a portion of the Development with a site area of 116,174 sq m was permitted to be developed.

(5) Pursuant to twelve Construction Engineering Planning Permits all issued by the Changzhou Planning Bureau, portions of the Development were permitted to be developed and the details are listed below:

Certificate No.	Gross Floor Area (sq m)	Date of Issuance
Jian Zi Di 320400201240029	308,582.00 and 90,898.00 basement area	24 February 2012
Jian Zi Di 320400201340125	100,204.00 (including 16,820.00 basement area)	15 July 2013
Jian Zi Di 320400201340150	78,226.00 (including 26,050.00 basement area)	9 August 2013
Jian Zi Di 320400201340191	8,000.00	14 October 2013
Jian Zi Di 320400201446008	N/A	27 March 2014
Jian Zi Di 320400200940213	135,054.00	28 October 2009
Jian Zi Di 320400201040083	30.00	12 May 2010
Jian Zi Di 320400201040145	101,958.00 (including 17,999.00 basement area)	16 July 2010
Jian Zi Di 320400201140035	41,976.00	4 March 2011
Jian Zi Di 320400201146011	N/A	8 July 2011
Jian Zi Di 320400201246017	N/A	17 April 2012
Jian Zi Di 320400201346007	N/A	27 March 2013

(6) Pursuant to thirty-six Construction Works Commencement Permits all issued by the Changzhou Xinbei District Urban Management and Construction Bureau, construction works of portions of the Development were permitted to be commenced and the details are listed below:

Certificate No.	Gross Floor Area (sq m)	Date of Issuance
320406201502020301.	N/A	2 February 2015
320406201405160204.	N/A	3 June 2014
320406201308030101.	83,344.00	16 August 2013

Certificate No.	Gross Floor Area (sq m)	Date of Issuance
320406201308030201	16,820.00	16 August 2013
320406201311100101	8,000.00	5 December 2013
320406201203280101	109,351.00	13 April 2012
320406201112080201	44,450.00	29 February 2012
320406201504280201	78,226.00	28 April 2015
320406201201160101	83,306.00	29 February 2012
320406201112200101	116,463.00	29 February 2012
320406201201160201	23,910.00	29 February 2012
320406201112200201	23,910.00	29 February 2012
320406200911200601	7,580.00	12 January 2010
320406201001150101	N/A	2 March 2010
320406200910200301	26,321.00	1 April 2010
320406201203150104	N/A	18 May 2012
320406201212050104	N/A	23 April 2013
320406200910200401	21,338.00	1 April 2010
320406200910200501	21,891.00	1 April 2010
320406200910200601	17,591.00	1 April 2010
320406201103160201	29,721.00	25 March 2011
320406201010210201	88,061.00	26 November 2010
320406201103160101	N/A	24 March 2011
320406201009210101	N/A	8 October 2010
320406201010210301	13,897.00	26 November 2010
320406201103160301	11,542.00	25 March 2011
320406200910200701	13,220.00	1 April 2010
320406201009210201	N/A	8 October 2010
320406200911200101	1,013.00	12 January 2010
320406200911200201	3,032.00	12 January 2010
320406200911200301	1,810.00	12 January 2010
320406200911200401	780.00	12 January 2010
320406200911200501	11,143.00	12 January 2010
320406200911200701	5,430.00	12 January 2010
320406201108290104	N/A	12 October 2011
320406201108290301	N/A	12 October 2011

(7) Pursuant to twenty-eight Commodity Housing Pre-sale Permits all issued by the Changzhou Housing Security and Real Estate Management Bureau, pre-sales of portions of the Development were permitted and the details are listed below:

Certificate No.	Scope of Pre-sale	Date of Issuance
Chang Xin (2012) Fang Yu Shou Zheng Di 011	Guobin Garden 26, 28 & 31	13 April 2012
Chang Xin (2012) Fang Yu Shou Zheng Di 025	Guobin Garden 29	5 June 2012
Chang Xin (2012) Fang Yu Shou Zheng Di 044	Guobin Garden 24 & 30	18 July 2012
Chang Xin (2012) Fang Yu Shou Zheng Di 058	Guobin Garden 27	21 September 2012

Certificate No.	Scope of Pre-sale	Date of Issuance
Chang Xin (2012) Fang Yu Shou Zheng Di 072.	Guobin Garden 2, 3, 5, 6 & 8	8 November 2012
Chang Xin (2013) Fang Yu Shou Zheng Di 013.	Guobin Garden 25 & 28 commercial	18 March 2013
Chang Xin (2013) Fang Yu Shou Zheng Di 016.	Guobin Garden 7, 9, 11 & 12	29 March 2013
Chang Xin (2013) Fang Yu Shou Zheng Di 025.	Guobin Garden 4, 10 & 13	26 April 2013
Chang Xin (2013) Fang Yu Shou Zheng Di 088.	Guobin Garden 33	4 December 2013
Chang Xin (2014) Fang Yu Shou Zheng Di 033.	Guobin Garden 14, 15 & 16	23 June 2014
Chang Xin (2014) Fang Yu Shou Zheng Di 037.	Guobin Garden 32 & 34	16 July 2014
Chang Xin (2015) Fang Yu Shou Zheng Di 005.	Guobin Garden CK1, CK2 & Basement	4 February 2015
Chang Xin (2015) Fang Yu Shou Zheng Di 027.	Guobin Garden 17 & 18	24 June 2015
Chang Xin (2015) Fang Yu Shou Zheng Di 049.	Guobin Garden 19 & 20	15 October 2015
Chang Xin (2016) Fang Yu Shou Zheng Di 001.	Guobin Garden 21 & 22	12 January 2016
Chang Xin (2016) Fang Yu Shou Zheng Di 039.	CK6	20 September 2016
Chang Xin (2017) Fang Yu Shou Zheng Di 006.	CK3	10 March 2017
Chang Xin (2010) Fang Yu Shou Zheng Di 007.	Times Palace 11, 14-16, 20-24 & 29-34	4 March 2010
Chang Xin (2010) Fang Yu Shou Zheng Di 013.	Times Palace 1 & 2	8 April 2010
Chang Xin (2010) Fang Yu Shou Zheng Di 021.	Times Palace 3	4 June 2010
Chang Xin (2010) Fang Yu Shou Zheng Di 028.	Times Palace 4	3 September 2010
Chang Xin (2010) Fang Yu Shou Zheng Di 044.	Times Palace 12, 13, 17-19, 25-28 & 35-38	3 November 2010
Chang Xin (2010) Fang Yu Shou Zheng Di 062.	Times Palace 7-8	31 December 2010
Chang Xin (2011) Fang Yu Shou Zheng Di 017	Times Palace 5 & 9	6 April 2011
Chang Xin (2011) Fang Yu Shou Zheng Di 025	Times Palace 6	3 June 2011
Chang Xin (2011) Fang Yu Shou Zheng Di 040	Times Palace 10	22 August 2011
Chang Xin (2012) Fang Yu Shou Zheng Di 021.	Times Palace Basement 1	20 May 2012
Chang Xin (2013) Fang Yu Shou Zheng Di 019.	Times Palace Basement 2 & 3	11 April 2013

(8) As advised by the Group, residential portions and retail portions of the property with a total gross floor area of approximately 192.60 sq m and 1,872.24 sq m have been pre-sold (but undelivered as at the Valuation Date) at a total consideration of RMB2,312,160 and RMB15,530,556 respectively. According to the Group's instruction, these pre-sold portions are included in this valuation. We have also taken into account the contracted consideration in the course of our valuation.

(9) We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

(i) Wharf (Changzhou) has legally obtained the land use rights of the property and is the sole owner of the land use rights of the property and is entitled to legally use the land according to the legal uses of the land within the land use term;

(ii) Wharf (Changzhou) has obtained requisite permits and approvals for the development of the property;

(iii) Wharf (Changzhou) has legally obtained the sales permits, completed the necessary registration of the commodity buildings and has the right to sell the commodity buildings; and

(iv) the land use rights of the property are free from mortgage and other encumbrances.

(10) In our valuation, we have adopted average unit rates of about RMB17,000 per sq m for the residential portion, about RMB9,500 per sq m for the retail portion and about RMB85,000 for each car parking space of the property.

	Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2017
21.	Serviced Apartments and Clubhouse portion of Changzhou Times Palace, China Dinosaur Park, Xinbei District, Changzhou, Jiangsu Province, The PRC	Changzhou Times Palace (the "Development") is a large scale residential development with a total site area of 411,353.00 sq m, located in the core area of the northern part of Changzhou. The Development is located next to the Dinosaur park, a 5A National Tourist Park. The Development comprises high-rise apartments, medium-rise apartments, villas, hotel, retail units and a car park. The property comprises serviced apartments and the clubhouse portion of the Development with a total gross floor area of approximately 25,388.30 sq m. Superstructure of the club house was completed in about 2012 whilst the serviced apartments portion is under construction and planned to be completed in about March 2018. Details of the approximate gross floor area of the property are summarised as follows:	The superstructure of the clubhouse portion of the property was complete whilst the serviced apartments portion of the property was under construction.	RMB123,000,000 Renminbi One Hundred and Twenty Three Million (72% interest attributable to the Group: RMB88,560,000 Renminbi Eighty Eight Million Five Hundred and Sixty Thousand)

Use	Approximate Gross Floor Area (sq m)
Serviced Apartments	12,190.62
Serviced Apartments (Basement)	2,281.66
Clubhouse	3,991.00
Other (Basement)	6,925.02
Total	25,388.30

The property is held under a land use right term expiring on 29 April 2048 for commercial use.

Notes:

(1) Pursuant to the Business Licence with Unified Social Credit No. 91320000668970576M dated 13 June 2016 issued by the Jiangsu Province Administration for Industry & Commerce, 九龍倉(常州)置業有限公司 ("Wharf (Changzhou)") was established with a registered capital of US$169,800,000 for a period commencing from 22 November 2007 and expiring on 21 November 2047.

(2) Pursuant to the Realty Title Certificate No Su (2016) Changzhou Bu Dong Chan Quan Di 0069058 issued by the Changzhou State Land Resources and Administration Bureau dated 21 September 2016, the land use rights of the property with a site area of 78,273.00 sq m and a building with a gross floor area of 47,178.33 sq m (Marco Polo) were vested in Wharf (Changzhou) for a land use right term expiring on 29 April 2048 for commercial use.

(3) Pursuant to the Construction Land Use Planning Permit No Di Zi Di 320400200840032 issued by the Changzhou Planning Bureau dated 18 June 2008, a portion of the Development with a site area of 295,179.00 sq m was permitted to be developed.

(4) Pursuant to three Construction Engineering Planning Permits all issued by the Changzhou Planning Bureau, portions of the Development were permitted to be developed and the details are listed below:

Certificate No.	Gross Floor Area (sq m)	Date of Issuance
Jian Zi Di 320400201346031	N/A	22 September 2013
Jian Zi Di 320400201040104	9,746.00	11 June 2010
Jian Zi Di 320400201340072	58,261.00 (including basement of 19,839.00)	23 May 2013

(5) Pursuant to ten Construction Works Commencement Permits all issued by the Changzhou Xinbei District Urban Management and Construction Bureau, construction works of portions of the Development were permitted to be commenced and the details are listed as below:

Certificate No.	Gross Floor Area (sq m)	Date of Issuance
320406201007020101.	9,746.00	10 August 2010
320406201312160104.	N/A	11 March 2014
320406201101270201.	6,964.00	28 August 2013
320406201101270101.	51,234.00	28 August 2013
320406200910200901.	3,905.00	10 May 2010
320406200910200801.	N/A	10 May 2010
320406200910201001.	N/A	10 May 2010
320406200910201101.	N/A	10 May2010
320406201006240401.	N/A	6 July 2010
320406201108290401.	N/A	3 March 2012

(6) As advised by the Group, the estimated construction cost and construction cost incurred of the serviced apartments of the property as at the Valuation Date were approximately RMB161,000,000 and RMB114,000,000 respectively. Accordingly, we have taken into account the said costs in our valuation. In our opinion, the gross development value of the proposed developments of the property, assuming it were complete as at the Valuation Date, was estimated approximately as RMB159,000,000.

(7) We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

(i) Wharf (Changzhou) has legally obtained the land use rights of the property and is the sole owner of the land use rights of the property and is entitled to legally use the land according to the legal uses of the land within the land use term;

(ii) Wharf (Changzhou) has obtained requisite permits and approvals for the current development of the property;

(iii) There is no substantial legal obstacle for Wharf (Changzhou) in obtaining the Realty Title Certificate of the property after the constructions as stipulated in the aforesaid permits and approvals and legally obtained all the acceptance examination upon completion filing documents of the property; and

(iv) the land use rights of the property are free from mortgage and other encumbrances.

(8) In our valuation, we have adopted average unit rates of about RMB11,000 per sq m for the serviced apartments portion and about RMB8,500 per sq m for the clubhouse portion of the property upon completion.

	Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2017
22.	Phases A1 and A4, Suzhou Times City, Xiandai Avenue, Suzhou Industrial Park, Suzhou, Jiangsu Province The PRC	Suzhou Times City (The "Development") is a proposed large-scale residential development to be erected over four parcels of contiguous land with a total site area of approximately 504,037.45 sq m. The Development is planned to complete in four phases, namely Phases A1 to A4. Phases A1, A3, A4 and portion of A2 have been completed in 2013 to 2017 whilst the remaining portion of Phase A2 is under construction and is expected to complete in late 2017. The property comprises 385 car parking spaces of Phases A1 and A4 of the Development. The land use rights terms of the property were granted for terms expiring on 8 October 2047 and 8 October 2077 for ancillary retail and residential uses respectively.	The property was vacant and is planned for sale.	RMB36,000,000 Renminbi Thirty Six Million (57% interest attributable to the Group: RMB20,520,000 Renminbi Twenty Million Five Hundred and Twenty Thousand) (see Note (3))

Notes:

(1) Pursuant to the letter of intent (合作意向書) entered into between 中新蘇州工業園區置業有限公司 ("Party A") and 營發投資有限公司 ("Party B"), both parties agreed to establish a joint-venture company 蘇州高龍房產發展有限公司 (the "Joint Venture"). According to the Group's PRC legal adviser's opinion, Party A was subsequently changed from 中新蘇州工業園區置業有限公司 to 蘇州工業園區建屋發展集團有限公司 on 3 April 2008. According to the information provided to us, the latest salient conditions of the Joint Venture are listed below.

(i)	Name of joint-venture company	:	蘇州高龍房產發展有限公司 (the "Joint Venture")
(ii)	Period of operation	:	20 December 2007 to 19 December 2057
(iii)	Total investment amount	:	RMB3,000 Million
(iv)	Registered capital	:	RMB1,500 Million (Party A : 20%, Party B : 80%)

(2) Pursuant to four State-owned Land Use Rights Certificates Nos. Su Gong Yuan Guo Yong (2008) Di 01139 to 01142 all issued by Suzhou Industrial Park Zone State-owned Land and Real Estate Bureau dated 16 December 2008, the land use rights of four parcels of land with a total site area of 504,037.45 sq m were granted to the Joint Venture for land use rights terms expiring on 8 October 2047 and 8 October 2077 for ancillary retail and residential uses respectively.

(3) As advised by the Group, 297 car parking spaces of the property have been pre-sold (but undelivered as at the Valuation Date) at a total consideration of RMB27,107,700. According to the Group's instruction, these pre-sold portions are included in this valuation. We have also taken into account the contracted consideration in the course of our valuation.

(4) We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

(i) the Joint Venture has legally obtained the land use rights of the property and is entitled to legally use the land according to the legal uses of the land within the land use term;

(ii) the Joint Venture has obtained requisite permits and approvals for the property except for the Construction Works Commencement Permits of substation of 3-6#, garbage chamber of 1-2# and guard room of Phase A4, Suzhou Times City; and

(iii) the Joint Venture has legally obtained the sales permits, and has the right to sell the commodity buildings.

(5) In our valuation, we have adopted an average unit rate about RMB94,000 for each car parking space of the property.

	Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2017
23.	Portion of Phase A2, Suzhou Times City, Xiandai Avenue, Suzhou Industrial Park, Suzhou, Jiangsu Province, The PRC	Suzhou Times City (the "Development") is a proposed large-scale residential development to be erected over four parcels of contiguous land with a total site area of approximately 504,037.45 sq m. The Development is planned to complete in four phases, namely Phases A1 to A4. Phases A1, A3, A4 and portion of A2 have been completed in 2013 to 2017 whilst the remaining portion of Phase A2 is under construction and is expected to complete in late 2017. The property comprises the unsold portion of Phase A2 of the Development with approximate gross floor areas as follows. **Use** / **Approximate Gross Floor Area (sq m)** Residential: 120,394.24 Retail: 4,029.09 Total: 124,423.33 In addition, the property will comprise 1,628 car parking spaces upon completion. The land use rights terms of the property have been granted for terms expiring on 8 October 2047 and 8 October 2077 for ancillary retail and residential uses respectively.	The property was under construction.	RMB2,653,000,000 Renminbi Two Billion Six Hundred and Fifty Three Million (57% interest attributable to the Group: RMB1,512,210,000 Renminbi One Billion Five Hundred and Twelve Million Two Hundred and Ten Thousand) (see Note (6))

Notes:

(1) Pursuant to the letter of intent (合作意向書) entered into between 中新蘇州工業園區置業有限公司 ("Party A") and 營發投資有限公司 ("Party B"), both parties agreed to establish a joint-venture company 蘇州高龍房產發展有限公司 (the "Joint Venture"). According to the Group's PRC legal adviser's opinion, Party A was subsequently changed from 中新蘇州工業園區置業有限公司 to 蘇州工業園區建屋發展集團有限公司 on 3 April 2008. According to the information provided to us, the latest salient conditions of the Joint Venture are listed below.

(i)	Name of joint-venture company	:	蘇州高龍房產發展有限公司 (the "Joint Venture")
(ii)	Period of operation	:	20 December 2007 to 19 December 2057
(iii)	Total investment amount	:	RMB3,000 Million
(iv)	Registered capital	:	RMB1,500 Million (Party A : 20%, Party B : 80%)

(2) Pursuant to four State-owned Land Use Rights Certificates Nos. Su Gong Yuan Guo Yong (2008) Di 01139 to 01142 all issued by Suzhou Industrial Park Zone State-owned Land and Real Estate Bureau dated 16 December 2008, the land use rights of four parcels of land with a total site area of 504,037.45 sq m were granted to the Joint Venture for land use rights terms expiring on 8 October 2047 and 8 October 2077 for ancillary retail and residential uses respectively.

(3) Pursuant to the Construction Land Use Planning Permit No. Di Zi Di C20070029-01 issued by Suzhou Industrial Park Zone Planning and Construction Committee on 11 August 2009, the Joint Venture was approved to use a parcel of land with a site area of 50.404 hectare for property development.

(4) Pursuant to the Construction Engineering Planning Permit No. Jian Zi Di 20150258 issued by Suzhou Industrial Park Zone Planning and Construction Committee on 3 March 2015, the Joint Venture was approved to construct a development with a total gross floor area of 174,910.64 sq m.

(5) Pursuant to 11 Commodity Housing Pre-sale Permits, pre-sales of portions of Phase A2 of the Development were permitted and the details are listed as below:

Certificate No.	Scope of Pre-sale	Date of Issuance
Su Fang Yu Yuan (2015) 086	Blocks 1, 2, 6, 7	30 April 2015
Su Fang Yu Yuan (2015) 111	Blocks 3, 5, 10	29 May 2015
Su Fang Yu Yuan (2015) 158	Blocks 8, 9, 11	26 June 2015
Su Fang Yu Yuan (2015) 268	Block 18	30 September 2015
Su Fang Yu Yuan (2015) 274	Blocks 16 and 17	10 October 2015
Su Fang Yu Yuan (2015) 355	Block 12	11 December 2015
Su Fang Yu Yuan (2016) 001	Block 21	5 January 2016
Su Fang Yu Yuan (2016) 025	Block 19	21 January 2016
Su Fang Yu Yuan (2016) 116	Blocks 13 and 15	29 April 2016
Su Fang Yu Yuan (2016) 138	Block 20	20 May 2016
Su Fang Yu Yuan (2016) 204	Dongshahu Road Nos. 129 and 139	18 July 2016

(6) As advised by the Group, portion of the property with a total gross floor area of approximately 171,467.06 sq m have been pre-sold (but undelivered as at the Valuation Date) at a total consideration of RMB3,313,955,116. According to the Group's instruction, these pre-sold portions are included in this valuation. We have also taken into account the contracted consideration in the course of our valuation.

(7) As advised by the Group, the estimated construction cost and the construction cost incurred of the property as at the Valuation Date were approximately RMB600,000,000 and RMB298,000,000 respectively. Accordingly, we have taken into account the aforesaid cost in our valuation. In our opinion, the gross development value of the proposed developments of the property, assuming they were completed as at the Valuation Date, was estimated approximately as RMB3,336,000,000.

(8) We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

(i) the Joint Venture has legally obtained the land use rights of the property and is entitled to legally use the land according to the legal uses of the land within the land use term;

(ii) the Joint Venture has obtained requisite permits and approvals for the development of the property; and

(iii) the Joint Venture has legally obtained the sales permits, and has the right to sell the commodity buildings.

(9) In our valuation, we have adopted average unit rates of about RMB25,000 per sq m for the residential portion, about RMB30,000 per sq m for the retail portion and about RMB90,000 for each of the car parking space of the property.

	Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2017
24.	Various portions of The U World, Zone B of Jiangbei City, Jiangbei District, Chongqing, The PRC	The U World (the "Development") is located in the centre of Jianbeizui CBD in Jiangbei District of Chongqing, which was completed in 2017. The total site area of the Development is approximately 93,127.00 sq m. The Development is a large-scale residential development comprising high-rise apartments, medium-rise apartments, terrace houses, retail units and a car park. The property comprises various unsold portions of the Development with a total gross floor area of approximately 16,528.00 sq m. Details of the approximate gross floor area of the property are summarised as follows: **Use** — **Approximate Gross Floor Area (sq m)** Residential — 14,021.00 Retail — 2,507.00 Total — 16,528.00 In addition, the property comprises 856 car parking spaces of the Development. The property is held under two land use right terms expiring on 16 October 2047 and 16 October 2057 for commercial and residential uses respectively.	The property was vacant and is planned for sale.	RMB726,000,000 Renminbi Seven Hundred and Twenty Six Million (39% interest attributable to the Group: RMB283,140,000 Renminbi Two Hundred and Eighty Three Million One Hundred and Forty Thousand) (see Note (5))

Notes:

(1) Pursuant to the Speedy Champ Investments Limited 及重慶豐盈房地產開發有限公司之股東協議 entered into between 海港企業有限公司 ("Party A") and 中國海外發展有限公司 ("Party B") on 22 January 2008, both parties agreed to establish a joint-venture company. The salient conditions as stipulated in the said contract are listed as follows:

(i)	Name of joint venture company	:	Speedy Champ Investments Limited (the "Joint Venture")
(ii)	Period of operation	:	11 September 2007 to 10 September 2049
(iii)	Total investment amount	:	US$5,000,000
(iv)	Registered capital	:	US$5,000,000 (Party A : 55%, Party B : 45%)

(2) Pursuant to the Business Licence with Unified Social Credit No. 91500105666413872T dated 12 May 2017 issued by the Chongqing Administration for Industry & Commerce, the Joint Venture was established with a registered capital of US$5,000,000 for a period commencing from 11 September 2007 and expiring on 10 September 2049.

(3) Pursuant to three Real Estate Ownership Certificates all issued by the Chongqing Real Estate and Land Resources Administration Bureau, title to the land portions of the Development with a total site area of 40,879.70 sq m is vested in the Joint Venture for various terms and the details are listed below:

Certificate no	Lot	Site area (sq m)	Use	Land use term expiry	Date of issuance
103D Fang Di Zheng (2010) Zi Di 01012 . . .	B03-1	8,279.50	Mixed	16 October 2047 (Commercial) 16 October 2057 (Residential)	28 June 2010
103D Fang Di Zheng (2010) Zi Di 01015 . . .	B03-2	12,855.40	Mixed	16 October 2047 (Commercial) 16 October 2057 (Residential)	28 June 2010
103D Fang Di Zheng (2010) Zi Di 01018 . . .	B05-3	19,744.80	Mixed	16 October 2047 (Commercial) 16 October 2057 (Residential)	28 June 2010

(4) Pursuant to ten Real Estate Ownership Certificates all issued by the Chongqing Real Estate and Land Resources Administration Bureau, title to portions of the Development is vested in the Joint Venture for various terms and the details are listed below:

Certificate no	Gross floor area (sq m)	Use	Land use term expiry	Date of issuance
Yu (2016) Jiang Bei District Bu Dong Chan Quan Di 000438500	1,406.46	Other Commercial and Services	16 October 2047	14 June 2016
Yu (2016) Jiang Bei District Bu Dong Chan Quan Di 000439071	1,085.05	Other Commercial and Services	16 October 2047	14 June 2016
Yu (2017) Jiang Bei District Bu Dong Chan Quan Di 000019997	2,392.80	Other Commercial and Services	16 October 2047	16 January 2017

Certificate no	Gross floor area (sq m)	Use	Land use term expiry	Date of issuance
Yu (2017) Jiang Bei District Bu Dong Chan Quan Di 000005116	41,181.01	Urban Residential	16 October 2057	16 January 2017
Yu (2017) Jiang Bei District Bu Dong Chan Quan Di 000007378	1,661.16	Other Commercial and Services	16 October 2047	16 January 2017
103 Fang Di Zheng (2013) Zi Di 04900	24,263.88	Urban Residential	16 October 2057	7 February 2013
103 Fang Di Zheng (2013) Zi Di 20337	11,426.61	Urban Residential	16 October 2057	6 June 2013
103 Fang Di Zheng (2015) Zi Di 58006	1,354.96	Urban Residential	16 October 2057	28 December 2015
103 Fang Di Zheng (2015) Zi Di 58113.	2,930.68	Urban Residential	16 October 2057	28 December 2015
103 Fang Di Zheng (2015) Zi Di 58118.	2,989.03	Urban Residential	16 October 2057	28 December 2015

(5) As advised by the Group, residential portion and retail portion of the property with a total gross floor area of approximately 8,360 sq m and 1,047 sq m have been pre-sold (but undelivered as at the Valuation Date) at a total consideration of RMB299,119,988 and RMB14,797,269 respectively. In addition, 48 car parking spaces of the property have been pre-sold (but undelivered as at the Valuation Date) at a total consideration of RMB8,038,400. According to the Group's instruction, the pre-sold portions are included in this valuation. We have also taken into account the contracted consideration in the course of our valuation.

(6) We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

(i) the Joint Venture has legally obtained the land use rights and building ownership of the property and is entitled to use and transfer the property according to the legal uses of the land within the land use term;

(ii) the Joint Venture has legally obtained the sales permits and has the right to sell the commodity building; and

(iii) the property is free from mortgage and other encumbrances.

(7) In our valuation, we have adopted average unit rates of about RMB35,000 per sq m for the residential portion, about RMB28,000 per sq m for the retail portion and about RMB190,000 for each car parking space of the property.

Group V: Property interest held by the Group for operation in the PRC

	Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2017
25.	Marco Polo Changzhou, No 88 He Hai East Road, Xinbei District, Changzhou, Jiangsu Province, The PRC	Marco Polo Changzhou comprises a 13-storey hotel (with a ballroom) and a 3-storey state guest house completed in 2014. The property accommodates 302 guest rooms, a ballroom, 15 meeting rooms, business centre, fitness centre, restaurants and lounge. It has a total gross floor area of approximately 47,178.33 sq m (included a hotel basement and state guest house basement with a gross floor area of 11,481.70 sq m and 3,845.86 sq m respectively). The land use rights of the property have been granted for a term expiring on 29 April 2048 for commercial use.	The property is used for hotel operations. The occupancy rate of the hotel as at the Valuation Date was approximately 56%.	RMB487,000,000 Renminbi Four Hundred and Eighty Seven Million (72% interest attributable to the Group: RMB350,640,000 Renminbi Three Hundred and Fifty Million Six Hundred and Forty Thousand)

Notes:

(1) Pursuant to the Business Licence with Unified Social Credit No. 91320000668970576M dated 13 June 2016 issued by the Jiangsu Province Administration for Industry & Commerce, 九龍倉(常州)置業有限公司 ("Wharf (Changzhou)") was established with a registered capital of US$169,800,000 for a period commencing from 22 November 2007 and expiring on 21 November 2047.

(2) Pursuant to the Realty Title Certificate No Su (2016) Changzhou Bu Dong Chan Quan Di 0069058 issued by the Changzhou State Land Resources and Administration Bureau dated 21 September 2016, the land use rights of the property with a site area of 78,273.00 sq m and a building with a gross floor area of 47,178.33 sq m were vested in Wharf (Changzhou) for a land use right term expiring on 29 April 2048 for commercial use.

(3) We have been provided with the Group's PRC legal adviser's opinion, which inter alia, contains the following:

   (i) Wharf (Changzhou) has legally obtained the land use rights and building ownership of the property and is the sole owner of the property and is entitled to occupy, use and transfer the property according to the legal uses of the land and building within the land use term; and

   (ii) the property is free from mortgage and other encumbrances.

(4) Our key assumptions in the valuation are as follows: -

	Average Daily Rate (RMB per night)	Capitalisation Rate
Hotel	450	6.50%

We have made reference to the average daily rate (ADR) of similar hotels. The ADRs from comparable hotels are in the range of RMB410 — RMB850 per night.

The above estimated ADR assumed by us is in line with the market. The capitalisation rate is considered not unreasonable taking into account the market yields of similar properties.

The following is a brief summary of the laws and regulations that currently materially affect us in our operations in the property industry in Hong Kong and the PRC.

A. REGULATORY OVERVIEW OF THE HONG KONG PROPERTY INDUSTRY

(a) The Land System in Hong Kong

The freehold of all land in Hong Kong (except St. John's Cathedral located in Central, Hong Kong) is owned by the Hong Kong government. In general, the Hong Kong government sells or grants land on a leasehold system. Land is commonly leased to private parties by the Hong Kong government by way of long-term leases. Such leases are in the form of:

(i) "government leases" which typically contain certain standard restrictions and carry a nominal annual rent, or

(ii) "conditions of grant" which usually contain more restrictions and an annual rent linked to rateable value of the land and under which the lessee will, subject to compliance with the conditions, be entitled to a lease of the land.

The lessee of the government lease or conditions of grant is normally referred to as the owner of the leased property.

There are various covenants in the conditions of grant and in the government leases, including land use and development restrictions. If a lessee wishes to modify the land use restrictions or remove or modify development restrictions in a government lease or conditions of grant, the lessee must make an application to the Director of Lands, and is usually required to pay a premium for this.

(b) Terms of Government Lease

The terms of government leases vary according to the land policies prevailing at the time. In the early days of Hong Kong as a colony, government leases had been granted for fixed terms of 75 years, 99 years, 150 years or 999 years with or without right of renewal. At present, leases or conditions of grants are usually granted for a term of 50 years. In the New Territories, pursuant to the New Territories Leases (Extension) Ordinance (Chapter 150 of the Laws of Hong Kong), with the exception of short term tenancies and leases for special purposes, the terms of government leases have been automatically extended to 30 June 2047, without payment of any additional premium, although the lessees are required under section 8 of the New Territories Leases (Extension) Ordinance to pay to the Hong Kong government from the date of extension an annual rent at 3% of the rateable value of the land from time to time.

Since 1 July 1997, the Basic Law of Hong Kong (the "**Basic Law**") came into effect. Article 8 of the Basic Law provides that all laws previously in force in Hong Kong prior to 1 July 1997 (including the rules of equity, ordinances, subordinate legislation and customary law) shall be maintained, except for any that contravene the Basic Law, and subject to any amendment(s) by the legislature of Hong Kong. It is further provided under Article 120 of the Basic Law that all leases granted, decided upon or renewed before the establishment of the HKSAR which extend beyond 30 June 1997, and all rights in relation to such leases, shall continue to be recognised and protected under the laws of Hong Kong and the policies formulated by the Hong Kong government. In respect of leases of land without a right of renewal which expire after the establishment of the HKSAR, Article 123 of the Basic Law provides that such leases shall be dealt with in accordance with the laws and policies formulated by the Hong Kong government on its own.

(c) **The Disposal of Land by the Hong Kong government**

Government land in Hong Kong is normally disposed of by way of public auction or tender under which the Hong Kong government sells the land to the highest bidder or tenderer for a premium. Sites are made available under an application system. Under this system, the government publishes lists of sites available for sale upon application. Sites on a list are only put up for public sale if there is a firm offer to buy the sites at a premium acceptable to the Hong Kong government. The applicant has to sign an agreement with the Hong Kong government and pay a deposit equivalent to the greater of 5% of the minimum price he is prepared to pay for the site and HK$25 million. An applicant whose minimum bid for a site is acceptable to the Hong Kong government still has to compete with others in an open auction or tender for the site. In addition to this system, the Hong Kong government has also introduced a government-initiated land auction or tender system in order to increase land supply in 2010-2011.

The Hong Kong government includes sites in the Land Sale Programme that it expects will be available for sale and announces in advance on a quarterly schedule the Land Sale Programme. This allows the Hong Kong government to initiate sales of sites and control land supply, taking into consideration of market needs at the time and providing transparency and certainty for the market. Government rolls over the left-over available sites in one financial year's Land Sale Programme to that of the next financial year.

(d) **The Buildings Department and the Building Authority**

The Buildings Department provides, amongst other things, services to owners and occupants of both existing and new premises in the private sector through the enforcement of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) and related legislation. Such services include:

(i) reducing dangers and nuisances caused by unauthorised building works and advertisement signboards;

(ii) promoting proper repairs and maintenance of old buildings, drainage and slopes;

(iii) considering and approving alteration and addition works;

(iv) processing submissions under the simplified requirements and the household minor works validation scheme of the minor works control system;

(v) improving fire safety measures in buildings and providing advice on the suitability of premises for the issue of licences for specified commercial uses;

(vi) scrutinising and approving building plans, carrying out audit checks on construction works and site safety and issuing occupation permits upon completion of new buildings.

Any alterations to the premises, including building as well as demolition of structures, which have been carried out without the requisite permits and consents under the authority of the Buildings Department may be subject to warning notices, and subsequently building orders issued by the Building Authority.

The enforcement policy of the Buildings Department

The Buildings Department issued a revised enforcement policy on the prioritisation of enforcement work of the Buildings Department against unauthorised building works, which came into effect from 1 April 2011. The policy stated, amongst other things, that in respect of unauthorised structures on rooftops, flat roofs as well as those in yards and lanes of buildings, irrespective of their level of risk to public safety or whether they are newly constructed, the Buildings Department will no longer issue warning notices, and will, instead, issue building orders.

Pursuant to section 40 (1BA) of the Buildings Ordinance, any person who, without reasonable excuse, fails to comply with building orders issued under section 24(1) of the Buildings Ordinance is liable on conviction to a fine of HK$200,000 and to imprisonment for one year, as well as a further fine of HK$20,000 for each day during which failure to comply with the said order has continued.

Pursuant to section 40 (1B) of the Buildings Ordinance, any person who, without reasonable excuse, fails to comply with building orders issued under sections 26(1) or 28(3) of the Buildings Ordinance is liable on conviction to a fine of HK$50,000 and to imprisonment for one year, as well as a further fine of HK$5,000 for each day during which failure to comply with the said order has continued. Any prosecution under the Buildings Ordinance may be commenced within 12 months of non-compliance with the relevant building order or within 12 months of such non-compliance being discovered by or coming to the notice of the Building Authority. In addition, if an order to remove unauthorised building works is not complied with, the Building Authority may direct the work to be carried out by a government contractor and bill the owner of the property as at the date of completion of the work for all costs incurred, plus a supervision charge.

Mandatory Building Inspection Scheme and Mandatory Window Inspection Scheme

The Mandatory Building Inspection Scheme and the Mandatory Window Inspection Scheme were introduced in June and December 2011 respectively with the enactment of relevant amendments to the Buildings Ordinance through the Buildings (Amendment) Ordinance 2011 (Ordinance No. 16 of 2011) and the subsidiary legislation including the

Building (Inspection and Repair) Regulation (Chapter 123P of the Laws of Hong Kong). The legislation empowers the Building Authority to issue statutory notices to owners as necessary and persons served with any such notices are legally required to carry out prescribed inspections and repairs of their buildings and windows every 10 years and 5 years respectively.

(e) **Occupation Permit**

An occupation permit is a document issued by the Buildings Department under the provisions of the Buildings Ordinance which stipulates the designated user of the property as at the time of issue, and may be issued in respect of the whole or part of a new building. If any material change is intended to be made to the use of the premises which would contravene the designated user specified in the occupation permit, one month's notice must be given to the BA of the intended change and the BA may prohibit such change of use where, in its opinion, the building is not suitable by reason of its construction for the intended use. The occupation permit is important to a purchaser of a unit in a building as it confirms that the statutory requirements of the Buildings Ordinance have been complied with, and will also show the permitted use of the building. As a usual practice, the occupation permit must be produced by a vendor to prove title in a property transaction.

(f) **Government Rates in Hong Kong**

Government rates in Hong Kong is a form of indirect tax levied on properties by the Hong Kong government. The revenue collected from government rates forms part of the Hong Kong government's general revenue. Government rates are charged at a percentage of the rateable value. Rateable value is an estimated annual rental value of a property at a designated valuation reference date, assuming that the property was then vacant and to let from year to year, on the basis that the tenant undertakes to pay all usual tenant's rates and taxes, whilst the landlord undertakes to pay the Hong Kong government rent, the costs of repairs and insurance and any other expenses necessary to maintain the tenement to a state to command that rent.

Rateable values are subject to annual review by the Rating and Valuation Department of the Hong Kong government in order to reflect more precisely changes in market rental values of properties. In general, properties in all parts of Hong Kong are liable to be assessed to rates under the Rating Ordinance (Chapter 116 of the Laws of Hong Kong). Both the owner and the occupier are liable for rates. In practice, payment of government rates is dependent upon the terms of the agreement between the owner and occupier of the premises. In the absence of any agreement to the contrary, liability for rates rests with the occupier.

For the current financial year of 2017-2018, the percentage charge for government rates is 5%. The designated valuation reference date for 2017-2018 revaluation is 1 October 2016 and the rateable values take effect from 1 April 2017.

(g) **Stamp Duty in Hong Kong**

The Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) imposes duty, payable within a specified time frame, on certain types of transaction documents which include, but are not limited to, the lease of immovable property. The parties and all other persons executing the documents in relation to the lease of immovable property are liable for stamp duty.

If a chargeable document is not duly stamped, any person who uses such document is also liable for the stamp duty and any penalty. Non-payment of penalties under the Stamp Duty Ordinance will attract civil liability, and any chargeable instrument which is not duly stamped will generally not be admissible in evidence in any proceedings except criminal proceedings and civil proceedings by the Collector of Stamp Revenue to recover stamp duty or any penalty payable under the Stamp Duty Ordinance, or be available for any other purpose whatsoever, unless such document is duly stamped.

The time limit for stamping is two to 30 days depending on the type of the instrument. A penalty of up to ten times the amount of stamp duty may be payable for late stamping. However, under some circumstances, the penalty may be remitted upon written request.

B. REGULATORY OVERVIEW OF THE HONG KONG HOTEL, RESTAURANT AND CATERING INDUSTRY

(a) **Hotel and guesthouse licence**

A hotel and guesthouse licence is a document issued by the Office of the Licensing Authority of the Home Affairs Department of the Hong Kong government (the "**Licensing Authority**"), which processes applications for new licences of hotels and guesthouses, their renewal as well as their transfer, under the provisions of the Hotel and Guesthouse Accommodation Ordinance (Chapter 349 of the Laws of Hong Kong) (the "**HGAO**").

According to the HGAO, a "hotel" or a "guesthouse" means any premises whose occupier, proprietor or tenant holds out that, to the extent of his available accommodation, he will provide sleeping accommodation for any person presenting himself who appears able and willing to pay a reasonable sum for the services and facilities provided for a period of less than 28 continuous days and is in a fit state to be received.

All new establishments must apply for a licence from the Licensing Authority prior to commencing operations unless a certificate of exemption has been issued or if the premises is excluded from the application of the HGAO under the Hotel and Guesthouse Accommodation (Exclusion) Order (Chapter 349C of the Laws of Hong Kong) by reason of the sleeping accommodation being exclusively provided on a basis of a minimum period of 28 continuous days for each letting.

Validity periods of licences range from 12 to 84 months and are subject to renewal upon their expiration. The holder of a licence should apply for a renewal not less than three months prior to the expiry of the licence. It is the responsibility of the applicant to ensure that his premises do comply with the lease conditions, deed of mutual covenant and other regulations or laws of Hong Kong.

(b) **Food and Beverage**

Any person operating a restaurant in Hong Kong is required to obtain a restaurant licence from the Food and Environmental Hygiene Department of the Hong Kong government (the "**FEHD**") under the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) and the Food Business Regulations (Chapter 132X of the Laws of Hong Kong) (the "**FBR**") before commencing a restaurant business. It is provided under section 31(1) of the FBR that no person shall carry on or cause, permit or suffer to be carried on any restaurant business except with a restaurant licence, which involves the sale of meals or unbottled non-alcoholic drinks other than Chinese herbal tea for consumption on the premises, but does not involve a factory canteen or any business carried out by hawker who is the holder of a licence under the Hawker Regulation (Chapter 132 AI of the Laws of Hong Kong).

A general restaurant licence or light refreshment licence will be issued by the FEHD depending on the type of food to be served on the premises. A provisional licence valid for a period of six months or a lesser period can be issued to licensees pending the issue of a full licence, during which time the licensee has to complete all outstanding requirements for the issue of a full licence. A full licence is generally valid for a period of 12 months from and including the date of its issue.

In Hong Kong, a person must obtain a liquor licence from the Liquor Licensing Board under the Dutiable Commodities (Liquor) Regulations (Chapter 109B of the Laws of Hong Kong) (the "**DCR**") before the commencement of sale of liquor for consumption on the premises.

A liquor licence will only be valid if the premises remain licensed as a restaurant. In general, a liquor licence is valid for a period of 12 months or lesser period, subject to continuous compliance with the requirements under the relevant legislation and regulations, and is subject to renewal upon expiration. A holder of a licence should apply for renewal not more than three months but not less than two months prior to the expiry of the liquor licence.

(c) **Water pollution control licence**

For certain of our operations in Hong Kong, we are required to obtain water pollution control licences from the Environmental Protection Department of the Hong Kong government prior to any discharge of trade effluents under the Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong) (the "**WPCO**"). These include effluents from all types of industrial, manufacturing, commercial, institutional and construction activities.

Under sections 8(1) and 8(2) of the WPCO, a person who discharges (i) any waste or pollutants into the waters of Hong Kong in a water control zone; or (ii) any matter into any inland waters in a water control zone which tends (either directly or in combination with other matter which has entered into those waters) to impede the proper flow of the water in a manner leading or likely to lead to a substantial aggravation of pollution commits an offence. The occupier of the premises also commits an offence. Under sections 9(1) and 9(2) of the WCPO, a person who discharges any matter into a communal sewer or communal drain in a water control zone commits an offence and where any such matter is discharged into a communal sewer or communal drain in a water control zone commits an offence. Section 12(1)(b) of the WCPO however, states that a person does not commit an offence under the aforementioned sections should the discharge or deposit in question be made under, and in accordance with, a water pollution control licence.

A licence will be granted with terms and conditions specifying requirements relevant to the discharge, such as the discharge location, provision of wastewater treatment facilities, maximum allowable quantity, effluent standards, self-monitoring requirements and keeping records. A discharge should be made in accordance with the terms and conditions of a licence. Authorised officers may carry out inspections to ensure the compliance of the discharge.

A water pollution control licence is generally valid for five years, subject to continuous compliance with the requirements under the relevant legislation and regulations. A water pollution control licence is renewable.

(d) **Hotel television (transmission) licence**

A hotel television (transmission) licence is a document issued by the Communications Authority pursuant to section 6(D)(2)(a) of the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong). A person is required to obtain a telecommunications licence to establish or maintain a means of telecommunication. The person who wants to establish or maintain a telecommunications system for the provision of television entertainment and information services within a hotel is required to apply for a hotel television (transmission) licence. Only hotels licenced by the Licensing Authority under the Hotel and Guesthouse Accommodation Ordinance will be considered by the Communications Authority for the issuance of a hotel television (transmission) licence.

A hotel television (transmission) licence is usually valid until the first day, in the year next following the year in which it was issued, of the month next following the month in which it was issued, and subject to the discretion of the Communications Authority, may be renewed for a period of one year at a time.

C. REGULATORY OVERVIEW OF THE PRC PROPERTY INDUSTRY

(a) **Regulations on the Establishment of Real Estate Enterprise**

Establishment of a Real Estate Development Enterprise

According to the Law of the People's Republic of China on Administration of Urban Real Estate (中華人民共和國城市房地產管理法) (the "**Urban Real Estate Law**") promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**"), effective on 1 January 1995 and amended on 27 August 2009, a real estate developer is defined as an enterprise which engages in the development and sale of real estate for the purpose of making profit. Under the Regulations on Administration of Development of Urban Real Estate (城市房地產開發經營管理條例) (the "**Development Regulations**") implemented by the State Council on 20

July 1998 and amended on 8 January 2011, a developer who aims to establish a real estate development enterprise shall apply for registration with the administration for industry and commerce and an enterprise which is to engage in development of real estate shall satisfy the following requirements: 1) its registered capital shall be RMB1 million or more; and 2) it shall have four or more full-time professional real estate/construction technicians and two or more full-time accounting officers, each of whom shall hold the relevant qualification certificate.

Foreign-Invested Real Estate Enterprises

Pursuant to the Foreign Investment Industrial Guidance Catalogue (2017 Revision) (the "**2017 Industrial Guidance Catalogue**") (外商投資產業指導目錄(2017年修訂)) jointly enacted by the PRC Ministry of Commerce ("**MOFCOM**") and the National Development and Reform Commission of the PRC ("**NDRC**") and enforced on 28 July 2017, foreign investment in the construction of villas and golf courses falling within the prohibited category under Foreign Investment Industrial Guidance Catalogue (2015 Revision) (the "**2015 Industrial Guidance Catalogue**") (外商投資產業指導目錄(2015年修訂)) has been removed from the category of prohibited industries and no foreign investment related to real estate development falls within the prohibited category or restricted category. However, according to the clarification of NDRC, the remove of the construction of villas and golf courses from the category of prohibited industries of the "2017 Industrial Guidance Catalogue" is to keep consistency with the restriction measures on domestic investment in such industries and foreign investment in the construction of villas and golf courses shall follow the same restriction measures on domestic investment in such industries.

A foreign real estate investor may establish business in the form of a joint venture, cooperative venture or wholly foreign owned enterprise in accordance with the PRC laws and administrative regulations governing foreign-invested enterprises.

On 11 July 2006, the Ministry of Construction, MOFCOM, NDRC, the People's Bank of China ("**PBOC**") , the State Administration for Industry and Commerce of the PRC ("**SAIC**") and the State Administration of Foreign Exchange ("**SAFE**") jointly promulgated Opinions on Standardising the Admittance and Administration of Foreign Capital in the Real Estate Market (關於規範房地產市場外資准入和管理的意見 (the "**Opinions**"), which provides that an overseas entity or individual investing in real estate in China other than for self-use must apply for the establishment of a Foreign-Invested Real Estate Enterprise ("**FIREE**") in accordance with applicable PRC laws and may only conduct operations within the authorised business scope.

The Circular on Thorough Implementation of Relevant Problems Regarding the Opinions (關於貫徹落實《關於規範房地產市場外資准入和管理的意見》有關問題的通知) promulgated by the General Office of MOFCOM on 14 August 2006 sets out the definition of FIREE as foreign invested enterprise which carries out construction and operation of a variety of residences such as ordinary residences, apartments, villas, hotels (restaurants), resorts, office buildings, convention centres, commercial facilities and theme parks, or development of land or a whole land lot aimed at the abovementioned construction projects.

On 19 August 2015, Ministry of Housing and Urban-Rural Development ("**MOHURD**"), NDRC, PBOC, SAIC and SAFE jointly promulgated the Circular on Adjusting Policies on the Market Access and Administration of Foreign Investment in the Real Estate Market (關於調整房地產市場外資准入和管理有關政策的通知). Pursuant to the circular, the ratio of registered capital to total investment of FIREEs shall be subject to the Tentative Regulations of SAIC on the Proportion of the Registered Capital to the Total Amount of Investment of Sino-foreign Equity Joint Ventures (國家工商行政管理局關於中外合資經營企業註冊資本與投資總額比例的暫行規定) and the requirement that a foreign invested real estate company must fully pay its registered capital before handling the procedures for domestic loans, foreign loans and settlement of foreign exchange loans has been lifted.

On 6 November 2015, MOFCOM and SAFE jointly promulgated the Circular on Further Improving the Filing of Foreign Investments in Real Estate (關於進一步改進外商投資房地產備案工作的通知) which has simplified the administrative procedures for FIREEs. According to the circular, the local departments shall approve the establishment and changes of FIREEs in accordance with the laws and statutes concerning foreign investment, and provide information on real estate projects in the foreign investment information system of MOFCOM.

Qualification of a Real Estate Developer

Under the Development Regulations, a real estate developer must record its establishment to the governing real estate development authorities in the location of the registration authority within 30 days after receiving its Business License. An enterprise may not engage in the development and sale of real estate without a qualification classification certificate for real estate development under the Provisions on Administration of Qualifications of Real Estate Developers (房地產開發企業資質管理規定) (the "**Qualifications Provisions**") promulgated by the Ministry of Construction of PRC and implemented on 29 March 2000, revised on 4 May 2015. In accordance with the Qualifications Provisions, qualifications of a real estate enterprise are classified into four classes: class 1, class 2, class 3 and class 4. Different classes of qualification should be examined and approved by corresponding authorities. The class 1 qualification shall be subject to preliminary examination and procedures for approval of developers of class 2 or lower shall be formulated by the construction authority under the government of the relevant province, autonomous region or municipality directly under the central government. The class 1 qualification is further subject to final approval of the construction authority under the State Council. For a newly established real estate developer, after it reports its establishment to the real estate development authority, the latter shall issue the Provisional Qualification Certificate (暫定資質證書) to the eligible developer within 30 days. The Provisional Qualification Certificate is effective for one year from its issuance while the real estate development authority may extend the validity to a period of no longer than two years considering the actual business situation of the enterprise. The real estate developer shall apply for qualification classification by the real estate development authority within one month before the expiry of the Provisional Qualification Certificate.

A developer of any qualification classification may only engage in the development and sale of the real estate within its approved scope of its qualification classification. A class 1 real estate developer may undertake real estate development projects throughout the country without any limit on the scale of the project. A real estate developer of class 2 or lower may undertake a project with a GFA of less than 250,000 sq.m. and the specific scope of business shall be as formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality.

The qualification of a real estate developer should be subject to annual inspection by corresponding authorities.

(b) **Regulations on the Development of Real Estate Projects**

Land Grants

The Development Regulations provide that the land use right for a land parcel intended for real estate development shall be obtained through grant except for land use rights which may be obtained through allocation pursuant to PRC laws or the stipulations of the State Council. Under the Provisional Regulations of the People's Republic of China on Grant and Transfer of the Land Use Rights of State-owned Urban Land (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) promulgated by the State Council on 19 May 1990, a system of assignment and transfer of the right to use State-owned land is adopted. A land user shall pay land premium to the State as consideration for the grant of the right to use a land site within a certain term, and the land user may transfer, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use. The land administration authority under the local government of the relevant city or county shall enter into an assignment contract with the land user to provide for the grant of land use rights. After full payment of the land premium, the land user shall register with the land administration authority and obtain a land use rights certificate which evidences the acquisition of land use rights. Land for industry (except land for mining), commercial use, tourism, entertainment and residential commodity properties, or where there are two or more intended users for a certain piece of land must be granted by way of public tender, public auction or listing-for-sale processes under the Regulations regarding the Grant of State-Owned Construction Land Use Rights by Way of Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有建設用地使用權規定) effective on 1 November 2007.

Pursuant to the Measures on Disposal of Idle Land (閒置土地處置辦法) promulgated by the Ministry of Land and Resources (the "**MLR**") in April 1999, and amended in June 2012, idle land fees at the rate of 20% of the land transfer price or the allocated land price may be imposed on land that has not been developed for one year from the construction commencement date as prescribed limit in the land use right grant contract or allocation decision. Land use rights may be forfeited to the government without compensation to the developer if the land has not been developed for two years from the construction commencement date.

Development of a Real Estate Project

Pursuant to the Administrative Measures for the Verification and Approval and the Record-filing of Foreign Investment Projects (外商投資項目核准和備案管理辦法) promulgated by NDRC on 17 May 2014 and amended on 27 December 2014, the verification and approval of foreign investment projects authorisation and scope will follow the Catalogue of Investment Projects Approved by the Government (政府核准的投資項目目錄). Projects falling into the restricted category as listed in the Foreign Investment Industrial Guidance Catalogue with a total investment (including additional investment) of US$300 million or more shall be subject to the verification and approval by the competent investment department of the State Council; of which the total investment (including additional investment) of US$2 billion shall be reported to the State Council for record-filing. Projects falling into the restricted category as listed in the Foreign Investment Industrial Guidance Catalogue with a total investment (including additional investment) of less than US$300 million shall be subject to the verification and approval by provincial governments.

When carrying out the feasibility study for a construction project, the construction or the developer entity must make a preliminary application for construction on the relevant site to the relevant land and resources administration authority in accordance with the Measures for Administration of Examination and Approval for Construction Sites (建設用地審查報批管理辦法) promulgated by MLR in March 1999, as amended in November 2016, and the Measures for Administration of Preliminary Examination of Construction Project Sites (建設項目用地預審管理辦法) promulgated by MLR in July 2001, as amended in November 2016. After receiving the preliminary application, the land administration authority will carry out preliminary examinations of various aspects of the construction project in compliance with the overall zoning plans, land utilisation standards and land supply policy of the government, and will issue a preliminary approval in respect of the project site if its examination proves satisfactory.

For a construction project for which the right to use state-owned land is obtained through grant, the construction entity shall apply to the urban and rural planning authority under the city or county people's government for a construction site planning permit under the Law of the People's Republic of China on Urban and Rural Planning (中華人民共和國城鄉規劃法) promulgated by the NPC on 28 October 2007, revised on 24 April 2015.

Planning and design proposals in respect of a real estate development project are subject to relevant reporting and approval procedures required under the Law of the People's Republic of China on Urban and Rural Planning and local statutes on urban and rural planning. Upon approval by the authorities, a construction works planning permit will be issued by the relevant urban and rural planning authority.

After obtaining the construction works planning permit, a real estate developer shall apply for a construction works commencement permit from the housing and urban-rural development authority under the local people's government at the county level or above in accordance with the Measures for Administration of Granting Permission for Commencement of Construction Works (建築工程施工許可管理辦法) promulgated by the MOHURD and implemented on 25 October 2014.

After completion of the construction of a project, the real estate developer must organise an acceptance examination upon completion according to the Provisions on Inspection Upon Completion of Buildings and Municipal Infrastructure promulgated by the MOHURD (房屋建築和市政基礎設施工程竣工驗收規定) on 2 December 2013, and report details of the acceptance examination and file with the construction authority at or above the county level where the project is located within 15 days after the construction is qualified for the acceptance examination according to the Interim Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure (房屋建築工程和市政基礎設施工程竣工驗收備案管理暫行辦法) promulgated by the MOHURD on 4 April 2000 and amended on 19 October 2009. A real estate development project may not be delivered until and unless it has satisfactorily passed the necessary acceptance examination.

(c) **Regulations on Real Estate Transfer and Sale**

Sale of Commodity Buildings

Under the Regulatory Measures on the Sale of Commodity Buildings (商品房銷售管理辦法) (the "**Regulatory Measures**") promulgated by the Ministry of Construction and implemented on 1 June 2001, sale of commodity buildings can include both pre-completion sales (pre-sale) and post-completion sales.

A real estate developer intending to sell a commodity building before its completion shall make the necessary pre-sale registration with the real estate development authority to obtain a Pre-Sales Permit according to the Development Regulations and the Measures for Administration of Pre-sale of Commodity Buildings (城市商品房預售管理辦法) (the "**Pre-sale Measures**") promulgated by the Ministry of Construction on 15 November 1994 and as amended on 20 July 2004. A commodity building may be sold before completion only if: a) the land premium has been paid in full for the grant of the land use rights involved and a land use rights certificate has been obtained; b) a construction works planning permit and construction works commencement permit have been obtained; and c) the funds invested in development construction have reached 25 percent of the total investment in the project as calculated on the basis of the commodity housing provided for pre-sale, and the progress of works and the completion and delivery dates have been ascertained.

Before the post-completion sale of a commodity building, a real estate developer shall submit the Real Estate Development Project Manual and other documents evidencing the satisfaction of preconditions for post-completion sale to the real estate development authority under the Regulatory Measures. Commodity buildings may be put to post-completion sale only when the following preconditions have been satisfied: (i) the real estate development enterprise shall have a business license and a qualification certificate of a real estate developer; (ii) the enterprise shall obtain a land use rights certificate or other approval documents for land use; (iii) the enterprise shall have the construction works planning permit and construction works commencement permit; (iv) the building shall have been completed, inspected and accepted as qualified; (v) the relocation of the original residents shall have been well completed; (vi) the supplementary essential facilities for supplying water, electricity, heating, gas, communication, etc. shall have been made ready for use, and other supplementary essential facilities and public facilities shall have been made ready for use, or the schedule of construction and delivery date shall have been specified; and (vii) the real property management plan shall have been completed.

According to the Provisions on Sales of Commodity Properties at Clearly Marked Price (商品房銷售明碼標價規定) provisions promulgated by NDRC and effective on 1 May 2011, a real estate developer or real estate agency (collectively, "real estate operators") is required to mark the selling price explicitly and clearly for both newly-built and second-hand commodity properties. With respect to the real estate development projects that have received a property pre-sale permit or have completed the filing procedures for the sales of constructed properties, real estate operators shall announce all the commodity properties available all at once for sale within the specified time limit.

SAIC has promulgated the Provisions on Releasing Real Estate Advertisements (房地產廣告發佈規定) which took effect on 1 February 2016. Pursuant to the provisions, a real estate advertisement shall not contain any information relating to the geomancy, divination or other superstitious information. The introduction and exaggeration of a project shall not violate the prevailing custom. A real estate advertisement shall be true, legal, scientific, accurate, and shall not defraud or mislead the public.

Mortgage on Real Estate

Under the Urban Real Estate Law, the PRC Security Law (中華人民共和國擔保法) promulgated by the SCNPC on 30 June 1995 , the Measures for Administration of Mortgages of Urban Real Estate (城市房地產抵押管理辦法) promulgated by the Ministry of Construction in May 1997 and amended on 15 August 2001, and the PRC Property Rights Law (中華人民共和國物權法) promulgated by the SCNPC and effective on 1 October 2007, when a mortgage is created on the ownership of a building legally obtained, such mortgage must be simultaneously created on the land use rights of the land on which the building is situated. The mortgagor and the mortgagee must sign a mortgage contract in writing. China has adopted a system to register mortgages of real estate. A real estate mortgage contract will become effective on the date of signing, while the mortgage will be set up on the date of registration of the mortgage. If a mortgage is created on the real estate in respect of which a property ownership certificate has been obtained legally, the registration authority will, when registering the mortgage, make an entry under "third party rights" on the original property ownership certificate and then issue a certificate of third party rights to the mortgagee. If a mortgage is created on the commodity building put to pre-sale or on works in progress, the registration authority will, when registering the mortgage, record the details on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved will re-register the mortgage of the real property after issue of the certificates evidencing the rights and ownership to the real estate.

Lease of Buildings

The Administration Measures for Administration of Commodity Housing Tenancy was (商品房屋租賃管理辦法) effective on 1 February 2011. The parties to a real estate lease shall go through the lease registration formalities with the competent construction (real estate) departments of the municipalities directly under the Central Government, cities and counties where the housing is located within 30 days after the lease contract is signed. There will be a fine below RMB1,000 on individuals who fail to make corrections within the specified time limit, and a fine between RMB1,000 and RMB10,000 on units which fail to make corrections within the specified time limit.

Real Estate Registration

In China, there used to be two registers of property interests. Land registration is effected by the issue of land use right certificates by the relevant authorities to the land users. The building registration is effected by the issue of property ownership certificates to the property owners. Under the PRC laws and regulations, all land use rights and property ownership rights that are duly registered are protected by law. However, after the promulgation of the Interim Regulations on Real Estate Registration (不動產登記暫行條例) by the State Council and enforced on 1 March 2015, the two registers have been gradually replaced by real estate registration which is a consolidated registry for both land use rights and property ownership interests for the building erected on the relevant land in many cities. Furthermore, the Interim Regulation confirmed that various real estate ownership certificates issued prior to the implementation of the Interim Regulation shall remain valid.

(d) **Regulations on Real Estate Financing**

On 27 September 2007, PBOC and China Banking Regulatory Commission ("**CBRC**") issued the Notice on Strengthening the Management of Commercial Real Estate Credit and Loans (關於加強商業性房地產信貸管理的通知). Under this notice, the PRC government has tightened its control over loans from commercial banks to property developers in order to prevent excessive credit granting by such banks. The notice emphasises that commercial banks shall not offer loans to property developers who have been found by state land resource and construction authorities as hoarding land and buildings. Commercial banks are also prohibited from accepting commercial properties that have been vacant for more than three years as security for loans. The notice implements measures that: (a) prohibit commercial banks from lending to projects with an internal capital ratio (owners' equity) of less than 35%, or without a land use rights certificate, construction land use planning permit, construction planning permit and construction permit; (b) prohibit commercial banks from lending to property developers solely for the payment of land premium; and (c) require commercial properties purchased with loans to have been completed and passed the relevant completion acceptance inspection.

On 29 July 2008, PBOC and CBRC jointly issued the Notice on Promoting Economic Use of Land through Finance (關於金融促進節約集約用地的通知). Commercial banks must provide financial support preferentially to the projects with economic use of land, such as the development of low-rent housing, economically affordable housing, price-capped housing and properties with a total GFA of less than 90 sq.m. This notice, among other things: (a) prohibits the granting of loans to property developers for the purpose of paying land premium; (b) provides that, for secured loans for land reserve, legal land use rights certificates shall be obtained, the loan mortgage shall not exceed 70% of the appraised value of the collateral, and the loan term shall be no more than two years in principle; (c) provides that for property developers who (1) delay the date of commencement of development specified in the land grant agreement for more than one year, (2) have not completed at least one-third of the intended project, or (3) have not invested at least one-fourth of the intended total project investment, loans shall be granted or extended to them prudently; (d) prohibits the granting of loans to property developers whose land has been idle for more than two years or loans taking such idle land as security.

(e) **Regulations on Environment Protection**

Under the requirements of the relevant environmental laws and regulations, including the Appraisal Measures for the Impact on the Environment of the PRC (中華人民共和國環境影響評價法) implemented by the SCNPC on 1 September 2003 and amended on 2 July 2016, and the Regulations Governing Environmental Protection of Construction Projects (建設項目環境保護管理條例) implemented by the State Council on 29 November 1998 and amended on 16 July 2011, enterprises engaging in real estate development and construction must carry out an appraisal of the impact the construction project will have on the environment (hereinafter referred to as "**EIA**"). The relevant project shall not commence until approval of its EIA documents is obtained from the supervisory body for environmental protection. While the project is in progress, the developer should also enforce the EIA documents and implement the environmental protection measures suggested in the opinion of the supervisory body for environmental protection. Such measures must be incorporated into the design, construction and operation of the general construction. Upon completion of the project, the developer should apply to the supervisory body for environmental protection for the inspection and acceptance of the completed environmental protection facilities. Only those projects whose environmental protection facilities have been inspected and accepted may go into operation or be available for use.

Any enterprise, institution or individually-owned business engaging in the activities of industry, construction, catering, and medical treatment, etc. that discharge sewage into urban drainage facilities shall apply to the relevant competent urban drainage department for collecting the permit for discharging sewage into drainage pipelines, and shall discharge sewage according to the requirements of their permit for discharging sewage into drainage pipelines under the Regulations on Urban Drainage and Sewage Disposal (城鎮排水與污水處理條例) effective on 1 January 2014, and the Measures for the Administration of Permits for the Discharge of Urban Sewage into the Drainage Network (城鎮污水排入排水管網許可管理辦法) effective since 1 March 2015.

(f) **Regulations on Hotel Operations**

Security Control Regulations

Under the Measures for Control of Security in the Hotel Industry (旅館業治安管理辦法) promulgated by the Ministry of Public Security on 10 November 1987 and revised on 8 January 2011, and the Decisions of the State Council to Implement Administrative Licenses on Items Necessarily to be Retained for Administrative Examination (國務院對確需保留的行政審批項目設定行政許可的決定) promulgated by the State Council on 29 June 2004 and revised on 25 August 2016, enterprises engaging in hotel operation must be examined and approved by a local public security authority and obtain a special industry license from the local public security authority prior to the operations of the hotel.

Fire Prevention Regulations

Hotels are classified as one of the key administrative units for fire control purposes under relevant fire prevention laws and regulations including the requirements of the relevant fire prevention laws and regulations, including the Fire Prevention Law of the PRC (中華人民共和國消防法）promulgated by SCNPC and effective since 1 May 2009, the Provisions on the Administration of Fire Safety of State Organs, Organisations, Enterprises and Institutions (機關、團體、企業、事業單位消防安全管理規定) promulgated by the Ministry of Public Security and effective since 1 May 2002 and the Provisions on the Supervision and Inspection over Fire Protection (消防監督檢查規定) promulgated by the Ministry of Public Security on 30 April 2009 and revised on 17 July 2012, which require public gathering places, such as hotels, to pass a fire prevention safety inspection conducted by the local public security fire-fighting department before the commencement of business operations.

Administration of Sanitation in Public Places

Under the Regulations on the Sanitary Administration of Public Places (公共場所衛生管理條例) promulgated by the State Council on 1 April 1987 and revised on 6 February 2016, the Implementing Rules of Regulations on the Sanitary Administration of the Public Places (公共場所衛生管理條例實施細則) promulgated by the Ministry of Health on 10 March 2011 and revised on 19 January 2016, as one of the public places which are under special sanitary supervision and administration, hotels must obtain the public place sanitation permit from the administrative department of public health of local people' government at or above the county level for operation and the public place sanitation permit must be reviewed every two years.

Administration of Food Sanitation

Under the Food Safety Law of the PRC (中華人民共和國食品安全法) effective since 1 October 2015, and the Regulation on the Implementation of the Food Safety Law of the People's Republic of China (中華人民共和國食品安全法實施條例) revised on 6 February 2016, enterprises engaging in food production and processing or food sales and catering services shall obtain the food business license in accordance with the law. Besides, catering service providers shall formulate and implement control requirements for raw materials and shall not purchase the raw-food materials not meeting the food safety standards.

(j) **Regulations on Labour and Social Security**

Pursuant to the Labour Law of the PRC (中華人民共和國勞動法) effective since 1 January 1995 and amended on 27 August 2009, the PRC Labour Contract Law (中華人民共和國勞動合同法) effective since 1 January 2008 and amended on 28 December 2012, and the Implementing Regulations of the PRC Labour Contract Law (中華人民共和國勞動合同法實施條例) effective since 18 September 2008, an employment relationship is established from the date when an employee commences working for an employer, and a written employment contract must be entered into on this same date on within one month from the date on which the employee commences work if an employment relationship has already been established. If an employer fails to enter into a written employment contract with an employee within one year from the date on which the employment relationship is established, it must pay the employee twice his/her salary for each month of the period between the next day after one month from the date on which the employee commences work and the day prior to the date on which a written employment contract is entered into and rectify the situation by subsequently entering into a written employment contract with the employee.

Pursuant to the Social Insurance Law of the PRC (中華人民共和國社會保險法) effective since 1 July 2011, employers in the PRC are required to make contributions to various social insurances (including medical, pension, unemployment, work-related injury and maternity insurance) on behalf its employees, and if an employer fails to pay social insurance premiums on time or in full amount, it will be ordered by the collection agency of social insurance premiums to pay or make up the deficit of premiums within a prescribed time limit, and a daily late fee at the rate of 0.05% of the outstanding amount from the due date will be imposed; and if it still fails to pay the premiums within the prescribed time limit, a fine of one to three times the outstanding amount might be imposed by the relevant administrative department. According to the Regulation on the Administration of Housing Provident Fund (住房公積金管理條例) effective since 24 March 2002, enterprises must register at and be subject to review by housing fund administration centres with competent jurisdictions, and open accounts of housing fund for their employees with the designated banks. Enterprises are also obliged to pay and deposit housing fund in full amount in a timely manner. Any enterprise that fails to make housing fund contributions in full amount on time may be ordered to rectify the non-compliance and pay the required contributions within a stipulated deadline; otherwise, an application may be made to a local court for compulsory enforcement.

(k) **Regulations on Foreign Exchange**

Under the PRC Foreign Currency Administration Rules (中華人民共和國外匯管理條例) promulgated on 29 January 1996 and as amended on 1 August 2008 and various regulations issued by SAFE and other relevant PRC government authorities, Renminbi is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments and the payment of interest and dividend. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside China for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, requires the prior approval from SAFE or its local office.

The Notice on Regulating Issues Relevant to Administration of Foreign Exchange in Real Estate Market (關於規範房地產市場外匯管理有關問題的通知) jointly issued by SAFE and MOHURD on 1 September 2006 and amended on 4 May 2015, provides that , (i) where a FIREE fails to acquire a land use rights certificate or to make its capital funding for a development project amounting to 35% of the total investment to the project, the foreign exchange administration will not handle its foreign debt registration or approve its settlement of foreign exchange funds; (ii) where a foreign institution or individual fails to pay the transfer price in a lump sum with its/his own fund, the foreign exchange administration will not process the registration of foreign exchange proceeds from transfer of equities; (iii) the domestic and foreign investors of a FIREE may not enter into an agreement or undertaking that promises a fixed return in any form to any party, or the foreign exchange administration will not process the foreign exchange registration or registration modification for the FIREE, and (iv) the funds in the foreign exchange account in the name of a foreign investor opened by a foreign institution or individual in a domestic bank may not be used for the property development or operation of the FIREE.

According to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (關於進一步簡化和改進直接投資外匯管理政策的通知) promulgated by SAFE effective on 1 June 2015, the administrative examination and approval procedures relating to the foreign exchange registration approval under domestic direct investment were cancelled and the foreign exchange registration under domestic direct investment will be directly reviewed and handled by banks. In addition, the annual inspection of the direct investment-related foreign exchange was canceled, which was changed to inventory interest registration.

SAFE promulgated the Notice on Reforming the Administrative Approach Regarding the Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises (關於改革外商投資企業外匯資本金結匯管理方式的通知), which took effect on 1 June 2015. According to the notice, for actual needs of business operation, foreign invested enterprises may convert their foreign currency capital into Renminbi at their own discretion. The ratio of the discretionary settlement of foreign currency capital of foreign enterprises is tentatively set at 100%, which is subject to adjustment by SAFE in accordance with the status of China's international balance of payments. In addition, the foreign currency registered capital of a foreign-invested enterprise that has been settled in Renminbi may only be used for purposes within the business scope approved by the applicable governmental authority and shall not be used for the following purposes: (i) directly or indirectly used for expenditures prohibited by the laws and regulations or beyond the enterprise's business scope; (ii) directly or indirectly used for securities investments unless otherwise specified by laws and regulations; (iii) directly or indirectly used for providing Renminbi entrusted loans (unless permitted in the business scope), repaying loans between enterprises (including third party cash advance), or repaying bank loans it has obtained and on-lent to third parties; (iv) used to purchase non-self-use real estate, except for foreign invested real estate enterprises.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 13 April 2017 under the Cayman Companies Law. Our Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.

(b) Our Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 24 October 2017 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of our Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) **Alteration of capital**

Our Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as our directors may determine;

(iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

Our Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) ***Transfer of shares***

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by our Directors is paid to our Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of our Company.

(v) ***Power of our Company to purchase its own shares***

Our Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where our Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by our Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) ***Power of any subsidiary of our Company to own shares in our Company***

There are no provisions in the Articles relating to ownership of shares in our Company by a subsidiary.

(vii) ***Calls on shares and forfeiture of shares***

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced our Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) *Appointment, retirement and removal*

At each annual general meeting, one third of our Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Our Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a Notice signed by at least fifty (50) Members or Member(s) holding not less than 2.5 per cent. (2.5%) of the total voting rights of all Members duly qualified to attend and vote at the meeting for which such notice is given of their intention to propose such person for election and also a Notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office and provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that the period for lodgment of such Notice(s) shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

Our Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy or as an addition to the existing board shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of our Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and members of our Company may by ordinary resolution appoint another in his place. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to our Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) ***Power to allot and issue shares and warrants***

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as our Directors may determine, or (b) on terms that, at the option of our Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither our Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) ***Power to dispose of the assets of our Company or any of its subsidiaries***

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. Our Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Companies Law to be exercised or done by our Company in general meeting.

(iv) ***Borrowing powers***

The board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of our Company and, subject to the Companies Law, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

(v) ***Remuneration***

The ordinary remuneration of our Directors is to be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst our Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. Our Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and ex-employees of our Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) ***Compensation or payments for loss of office***

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which our Director is contractually entitled) must be approved by the Company in general meeting.

(vii) ***Loans and provision of security for loans to Directors***

Our Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if our Company were a company incorporated in Hong Kong.

(viii) ***Disclosure of interests in contracts with our Company or any of its subsidiaries***

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to our directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of our Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which our Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where our Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which our Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) **Proceedings of the Board**

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) **Alterations to constitutional documents and our Company's name**

The Articles may be rescinded, altered or amended by our Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of our Company.

(e) **Meetings of members**

(i) ***Special and ordinary resolutions***

A special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given held in accordance with the Articles.

(ii) ***Voting rights and right to demand a poll***

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where our Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) ***Annual general meetings***

Our Company must hold an annual general meeting of our Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) ***Notices of meetings and business to be conducted***

An annual general meeting must be called by notice of not less than twenty-one (21) clear days. All other general meetings must be called by notice of at least fourteen (14) clear days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place (and if the meeting is to be held at two or more places by using any technology that enables the members who are not together at the same place to listen, speak and vote at the meeting, details of each of such places) of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of our Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to, among others, the auditors for the time being of our Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of our Company personally, by post to such member's registered address, by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by our Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of our directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of our directors and of the auditors;

(ff) the granting of any mandate or authority to our directors to offer, allot, grant options over or otherwise dispose of the unissued shares of our Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to our directors to repurchase securities of our Company.

(v) ***Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) ***Proxies***

Any Member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a Member. A Member who is the holder of two or more shares may appoint one proxy or more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting, and where a Member appoints more than one person as his proxy, each proxy so appointed shall only represent respectively such number of shares of the Member as specified in the relevant instrument appointing the relevant proxy. In addition, a proxy or proxies representing either a Member who is an individual or a Member which is a corporation shall be entitled to exercise the same powers on behalf of the Member which he or they represent as such Member could exercise. Where a Member appoints more than one proxy the instrument of proxy must state which proxy (to the exclusion of all other proxies appointed by such Member) is entitled to vote on a show of hands.

(f) **Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Companies Law or necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of our Company except as conferred by law or authorised by the board or our Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its general meeting, together with a printed copy of the directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, our Company may send to such persons summarised financial statements derived from our Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of our Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by our Company in general meeting or in such manner as the members may determine.

The financial statements of our Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) **Dividends and other methods of distribution**

Our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve, of the Company lawfully available for distribution, including share premium.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. Our Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

Our Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of our Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

(h) **Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) **Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of our Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) **Procedures on liquidation**

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if our Company is wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if our Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

3. CAYMAN ISLANDS COMPANY LAW

Our Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. Our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) **Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) **Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) **Dividends and distributions**

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) **Protection of minorities and shareholders' suits**

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) **Disposal of assets**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) **Accounting and auditing requirements**

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) **Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) **Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.

The undertaking for our Company is for a period of twenty years from 17 May 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) **Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) **Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) **Inspection of corporate records**

Members of our Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of our Company. They will, however, have such rights as may be set out in our Company's Articles.

(n) **Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as our directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) **Register of Directors and Officers**

Our Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) **Beneficial Ownership Register**

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of our Company are listed on the Stock Exchange, our Company is not required to maintain a beneficial ownership register.

(q) **Winding up**

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of our company have passed a special resolution requiring the company to be wound up by the Court, or where our company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of our company as contributories on the ground that it is just and equitable that our company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) **Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) **Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) **Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, our Company's special legal counsel on Cayman Islands law, have sent our Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in "Appendix VIII — Documents Available for Inspection". Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

The following summary of certain Hong Kong, Cayman Islands, PRC and U.S. tax consequences of the acquisition, ownership and disposition of our Shares is based upon the laws, regulations, rulings and decisions now in effect, all of which are subject to change (possibly with retroactive effect). The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, own or dispose of our Shares and does not purport to apply to all categories of prospective investors, some of whom may be subject to special rules. Prospective investors should consult their own tax advisers concerning the application of Hong Kong, Cayman Islands, PRC, U.S. and other tax laws to their particular situation as well as any consequences of the acquisition, ownership and disposition of our Shares arising under the laws of any other taxing jurisdiction.

The taxation of our Company and that of our Shareholders is described below. Where Hong Kong, PRC and U.S. tax laws are discussed, these are merely an outline of the implications of such laws.

Investors should note that the following statements are based on advice received by our Company regarding taxation laws, regulations and practice in force as at the date of this listing document, which may be subject to change.

A. OVERVIEW OF TAX IMPLICATIONS IN HONG KONG

1. Hong Kong Taxation of our Company

Profits Tax

Our Company will be subject to Hong Kong profits tax in respect of profits arising in or derived from Hong Kong at the current rate of 16.5%. Dividend income derived by our Company from its subsidiaries will be excluded from Hong Kong profits tax.

2. Hong Kong Taxation of our Shareholders

Dividends

No tax is imposed in Hong Kong in respect of dividends our Company pays to our Shareholders. Dividends paid to our Shareholders are free of withholding taxes in Hong Kong.

Profits Tax

Hong Kong profits tax will not be payable by any Shareholders (other than our Shareholders carrying on a trade, profession or business in Hong Kong and holding our Shares for trading purposes) on any capital gains made on the sale or other disposal of our Shares.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of our Shares, will be payable by the purchaser on every purchase, and by the seller on every sale, of Shares, whether or not the sale or purchase is on or off the Stock Exchange (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving our Shares). In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of Shares.

Estate Duty

Hong Kong estate duty was abolished with effect from 11 February 2006. No Hong Kong estate duty is payable by our Shareholders in relation to our Shares owned by them upon death.

B. OVERVIEW OF TAX IMPLICATION IN THE CAYMAN ISLANDS

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold an interest in land in the Cayman Islands.

C. OVERVIEW OF TAX IMPLICATIONS IN THE PRC

Income Tax

According to the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) enacted by the NPC on 16 March 2007 and enforced from 1 January 2008 onwards, as amended in February 2017, a unified income tax rate of 25% will be applied towards foreign investment and foreign enterprises which have set up institutions or facilities in the PRC as well as PRC enterprises.

Under the PRC Enterprise Income Tax Law, enterprises established outside of China whose "de facto management bodies" are located in China are considered "resident enterprises" will be subject to the unified 25% EIT rate as to their global income. In determining whether "de facto management bodies" are located in China, the following factors will be considered in their entirety: (a) the senior management and core management departments in charge of daily operations are located mainly within the PRC; (b) financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (c) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within the PRC; and (d) at least half of the enterprise's directors with voting rights or senior management reside within the PRC. In addition, an enterprise established outside the PRC which meets all of the aforesaid requirements shall make an application for the classification as a "resident enterprise" and this will ultimately be confirmed by the provincial-level tax authority. However, it is not entirely clear how the PRC tax authorities will identify and determine a non-PRC entity (that has not made such application or has not already been notified of its status for PRC Enterprise Income Tax Law purposes) as a "resident enterprise" in practice.

On 6 March 2009, SAT issued the Measures Dealing with Income Tax of Enterprise Engaged in Real Estate Development and Operation (房地產開發經營業務企業所得稅處理辦法)

effective on 1 January 2008, amended on 16 June 2014, which specifically stipulates the rules regarding tax treatment of income and deduction of cost and fees, verification and calculation of tax cost and tax treatment on certain matters of the real estate development enterprise according to the PRC Enterprise Income Tax Law and its implementation rules.

On 12 May 2010, SAT promulgated the Notice on the Confirmation of Completion Conditions for Development of Products by Real Estate Development Enterprises (關於房地產開發企業開發產品完工條件確認問題的通知), which provides that a property will be deemed as completed when its delivery procedures (including move-in procedures) have commenced or when the property is in fact put in use. Real estate developers shall conduct the settlement of the developed property's tax cost in time and calculate the amount of EIT for the current year.

Furthermore, pursuant to the PRC Enterprise Income Tax Law and the Implementation Rules on the Enterprise Income Tax (企業所得稅法實施條例) promulgated by the State Council on 6 December 2007 and effective 1 January 2008, a reduced withholding tax rate of 10% will be applicable to any dividend payable by foreign-invested enterprises to their non-PRC enterprise investors. In addition, pursuant to the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed on 21 August 2006 and applicable in Hong Kong to income derived in any year of assessment commencing on or after 1 April 2007 and in mainland China to any year commencing on or after 1 January 2007, a company incorporated in Hong Kong will be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it holds a 25% or more of equity interest in each such PRC subsidiary at the time of the distribution, or 10% if it holds less than a 25% equity interest in that subsidiary. According to the Notice of the SAT on issues regarding the Administration of Dividend Provisions in Tax Treaties (國家稅務總局關於執行稅收協定股息條款有關問題的通知), which was promulgated on 20 February 2009, recipients of dividends paid by PRC enterprises must satisfy certain requirements in order to obtain a preferential income tax rate pursuant to a tax treaty. One such requirement is that the taxpayer must be the "beneficial owner" of relevant dividends. In order for a corporate recipient of dividends paid by a PRC enterprise to enjoy preferential tax treatment pursuant to a tax treaty, such recipient must be the direct owner of a certain proportion of the share capital of the PRC enterprise at all times during the 12 months preceding its receipt of the dividends. In addition, the Notice on How to Understand and Recognise the "Beneficial Owner" in Tax Treaties (關於如何理解和認定稅收協定中"受益所有人"的通知), or Notice 601, promulgated by SAT on 27 October 2009, narrowed the scope of "beneficial owners" to individuals, enterprises or other organisations who "normally engage in substantive operations", and introduced various factors to adversely impact the recognition of such "beneficial owners". On 27 August 2015, SAT issued the Notice Regarding the Publishing of the Administrative Measures for Non-residents Taxpayer to Enjoy the Treatment Under Tax Treaties (關於發佈《非居民納稅人享受稅收協定待遇管理辦法》的公告), effective on 1 November 2015, which provides that a non-resident taxpayer meeting the conditions for tax treaty treatment may enjoy the benefits under the relevant tax treaties upon the time of the tax declaration by himself or the withholding agent, and accept the follow-up administration of the tax authority.

On 3 February 2015, the SAT issued Bulletin 7, which sets out the rules of taxation under the circumstance when a non-PRC resident enterprise indirectly transfers the equity interests of a PRC resident enterprise by disposing of its equity interests in a non-PRC holding company directly or indirectly holding the equity interests of a PRC resident enterprise (the "Indirect Transfer"). Based on the "substance over form" principle, if the PRC tax authority considers that the Indirect Transfer lacks bona fide commercial purpose and thus regarded as avoiding PRC tax, it may disregard the existence of the non-PRC holding company, deem the Indirect Transfer as the direct transfer of equity interests of a PRC resident enterprise and impose PRC EIT on the attributable capital gain. Bulletin 7 stipulates detailed guidelines on the circumstances when such Indirect Transfer is considered to lack a bona fide commercial purpose and thus regarded as avoiding PRC tax. Furthermore, if the Indirect Transfer is subject to EIT, the transferee has an obligation to withhold tax from the sale proceeds and the transferor shall pay tax directly when the transferee fails withholding enough tax. The EIT payable is 10% of the attributable capital gain if the transferor is a non-PRC resident (and may be 25% if the transferor is deemed as PRC tax resident). However, whether Bulletin 7 would apply to the indirect transfer of equity interests in PRC resident enterprises depends on the ultimate determination of the PRC tax authority.

Value-added Tax

On 23 March 2016, Circular 36 was promulgated by MOF and SAT, upon approval by the State Council, the pilot program of replacing business tax with value-added tax was implemented nationwide with effect from 1 May 2016 and all business tax payers in the construction industry, real estate industry, finance industry and consumer service industry, etc. shall be included in the scope of the pilot program and pay value-added tax instead of business tax.

Under Measures for Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax (營業稅改徵增值稅試點實施辦法), entities and individuals engaging in the sale of services, intangible assets or real property within the territory of the PRC shall be the taxpayers of value-added tax and shall, instead of business tax, pay value-added tax in accordance with these measures. Taxpayers are divided into general taxpayers and small-scale taxpayers. For the provision of construction or real property lease, the sale of real property or the transfer or land use right, the tax rate shall be 11%.

According to the Provisions on Issues Related to the Pilot Program of Replacing Business Tax with Value-added Tax (營業稅改徵增值稅試點有關事項的規定), if the general taxpayers among the real estate development enterprises sell their self-developed old real estate projects, they may choose the simple taxation method to pay the tax at the levy rate of 5%. The old real estate projects refer to the real estate projects, the contract commencement date of which indicated in the Building Engineering Construction Permit is before 30 April 2016.The small-scale taxpayers among the real estate development enterprises sell their self-developed real estate projects, the tax shall be paid at the levy rate of 5%.

Circular 36 together with other laws and regulations pertaining to value-added tax are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

Land Appreciation Tax

In accordance with the requirements of the Provisional Regulations of the PRC on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例) (the "Land Appreciation Tax Provisional Regulations") promulgated on 13 December 1993, implemented on 1 January 1994 and amended on 8 January 2011, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例實施細則) (the "Land Appreciation Tax Detailed Implementation Rules") which were promulgated and implemented on 27 January 1995, any capital-gain from a transfer of real estate shall be subject to LAT, after deducting various prescribed items. LAT shall be charged at four levels of progressive rates: 30% for the appreciation amount not exceeding 50% of the sum of deductible items; 40% for the appreciation amount exceeding 50% but not exceeding 100% of the sum of deductible items; 50% for the appreciation amount exceeding 100% but not exceeding 200% of the sum of deductible items; and 60% for the appreciation amount exceeding 200% of the sum of deductible items. Deductible items include the following:

(a) amount paid for obtaining the land use rights;

(b) costs and expenses for the development of the land;

(c) costs and expenses of new buildings and ancillary facilities, or evaluated prices of old buildings and constructions;

(d) related tax payable for the transfer of real property; and

(e) other deductible items as specified by MOF.

In addition, for taxpayers constructing ordinary standard residences for sale (i.e. residences built in accordance with the local standards for residential properties (deluxe apartments, villas, resorts etc. are not under the category of ordinary standard residences)) where the appreciation amount does not exceed 20 percent of the sum of deductible items, the appreciation amount shall be exempt from LAT.

SAT issued the Notice on Improvement of the Administration of the Collection of Land Appreciation Tax (關於認真做好土地增值稅徵收管理工作的通知) on 10 July 2002 to require local tax authorities to modify their management system of LAT collection and operational details, to formulate and implement a sound taxpaying declaration system for LAT, to improve the methods of prepayment of LAT.

On 2 March 2006, MOF and SAT issued the Notice on Several Matters on Land Appreciation Tax (關於土地增值稅若干問題的通知) to clarify the relevant issues regarding LAT as follows:

(a) The notice clarifies the application of LAT exemption on sales of ordinary standard residential properties built by real estate developers and transfers of ordinary residential properties by individuals;

(b) The notice also provides that, where any developer develops ordinary residential properties as well as commercial properties, the land appreciation amount must be separately calculated and verified;

(c) As to the advance collection and settlement of LAT, the notice requires all local LAT collection departments to design their LAT prepayment rate in a reasonable manner, and to adjust it on a timely basis according to the appreciation of the property, the local market development and the specific property categories, such as ordinary standard residential properties, non-ordinary standard residential properties and commercial properties. The notice also requires that LAT settlement be conducted upon the completion of a property project in a timely manner, and that LAT collection departments shall return any amount overcharged and demand the payment of any shortfall; and

(d) As for any LAT that has not been prepaid within the advance collection period, overdue surcharges shall be imposed and collected as of the day following the expiration of the prescribed advance collection period according to the PRC Law on the Administration of Tax Collection and its implementation rules.

As to any property that has received its certificate of completion, and where the saleable GFA of the project that has been transferred constitutes more than 85% of the total saleable GFA, the tax authorities may require the relevant taxpayer to settle LAT on the transferred properties in proportion to the income generated from, and corresponding items of deduction relating to, the transferred properties, with the specific LAT settlement procedures to be provided by provincial-level local tax authorities.

On 28 December 2006, SAT issued the Notice on the Administration of the Settlement of Land Appreciation Tax of Real Estate Development Enterprises (國家稅務總局關於房地產開發企業土地增值稅清算管理有關問題的通知) which came into effect on 1 February 2007. Pursuant to the Notice, a real estate developer shall settle and clear the LAT payment of its development projects that meet certain criteria with the tax authorities in accordance with the applicable LAT rates. The LAT shall be settled based on the relevant projects as approved by the competent authorities; and for projects developed in different stages, the LAT shall be settled in stages. LAT shall be settled if (1) the real estate development project has been completed and fully sold; (2) the real estate developer transfers the whole incomplete development project; or (3) the land use rights with respect to the project are directly transferred. In addition, the relevant tax authorities may require the developer to settle the LAT if any of the following criteria is met: (1) for completed real estate development projects, the GFA of the transferred property represents more than 85 percent of total saleable GFA of the project, or the proportion represented is less than 85 percent, but the remaining saleable GFA has been leased out or used by the developer; (2) the project has not been sold out for more than three years after obtaining the sale permit or Pre-Sales Permit; (3) the developer applies for cancellation of the tax registration without having settled the relevant LAT; or (4) other conditions stipulated by the provincial-level tax authorities.

On 12 May 2009, SAT issued the Administrative Rules for the Settlement of Land Appreciation Tax (土地增值稅清算管理規程) (the "Settlement Rules"), which became effective on 1 June 2009. The Settlement Rules reiterated the circumstances under which LAT shall be settled, the criteria that are to be met for relevant tax authorities to require the settlement of LAT and the circumstances under which the tax authorities shall levy and collect LAT as prescribed by the notice. The Settlement Rules further stipulate detailed procedures for the examination and verification of settlement of LAT to be carried out by relevant tax authorities.

On 19 May 2010, SAT promulgated the Notice on Issues Regarding Land Appreciation Tax Settlement (關於土地增值稅清算有關問題的通知), which provides further clarifications and guidelines on LAT settlement, revenue recognition, deductible expenses and other related issues.

On 25 May 2010, SAT issued the Notice on Strengthening the Collection of Land Appreciation Tax (關於加強土地增值稅徵管工作的通知), which provides for a minimum LAT prepayment rate at 2% for provinces in eastern China region, 1.5% for provinces in the central and northeastern China regions, and 1% for provinces in the western China region. The notice also delegates to the local tax authorities to determine the applicable LAT prepayment rates based on the types of the properties in their respective regions.

Deed Tax

Pursuant to the Provisional Regulations of the People's Republic of China on Deed Tax (中華人民共和國契稅暫行條例) promulgated by the State Council on 7 July 1997 and implemented on 1 October 1997, the transferee, whether an individual or an entity, of the title to a land site or building in the PRC shall be subject to the payment of deed tax. The rate of deed tax is 3 percent to 5 percent. The governments of provinces, autonomous regions and municipalities directly under the central government may, within the aforesaid range, determine their applicable tax rates based on their actual situations and report the tax rates to MOF and SAT for the record.

The Circular on Taxation Policy Adjustment Concerning Deed Tax relating to Real Estate Transactions announced that the deed tax for individuals buying ordinary housing as their family's only residence shall be reduced by 50% starting from 1 October 2010. As for individuals buying ordinary housing with a floor area of 90 sq.m. or below as their family's only residence, they shall be subject to a reduced deed tax rate of 1% starting from 1 October 2010.

Urban Land Use Tax

Pursuant to the Provisional Regulations of the People's Republic of China Governing Land Use Tax in Urban Areas (中華人民共和國城鎮土地使用稅暫行條例) promulgated by the State Council on 27 September 1988, implemented on 1 November 1988 and amended on 31 December 2006, 8 January 2011 and 7 December 2013, land use tax in respect of urban land is levied according to the area of relevant land. From 1 January 2007 onwards, the annual tax on every square metre of urban land shall be between RMB0.6 and RMB30.0 depending on the size of the cities concerned.

Real Estate Tax

In accordance with the Provisional Regulations of the People's Republic of China on Real Estate Tax (中華人民共和國房產稅暫行條例) promulgated by the State Council on 15 September 1986 and amended on 8 January 2011 and the PRC State Council Order 546 (中華人民共和國國務院令2008第546號), for enterprises in PRC, no matter domestic or foreign-invested, the real estate tax is calculated at the rate of 1.2% on the residue value of self-owned real estate or at the rate of 12% on rental income derived from real estate.

Stamp Duty

Under the Provisional Regulations of the People's Republic of China on Stamp Duty (中華人民共和國印花稅暫行條例) promulgated by the State Council on 6 August 1988 and implemented on 1 October 1988 and amended on 8 January 2011, for real estate transfer instruments, including those in respect of real estate ownership transfer, the stamp duty rate shall be 0.05% of the amount stated therein; for permit and certificates relating to rights, including real estate title certificates and land use rights certificates, stamp duty shall be levied on an item basis of RMB5 per item.

Municipal Maintenance Tax

Under the PRC Provisional Regulations of the People's Republic of China on Municipal Maintenance Tax (中華人民共和國城市維護建設稅暫行條例) promulgated by the State Council on 8 February 1985, and amended on 8 January 2011, any taxpayer, whether an individual or an entity, of consumption tax, value-added tax or business tax is required to pay municipal maintenance tax calculated on the basis of consumption tax, value-added tax and business tax actually paid. The tax rate is 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

According to the Circular Concerning Unification of Municipal Maintenance Tax and Education Surcharge for Foreign Investment and Domestic Enterprises and Individuals (關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知) issued by State Council on 18 October 2010, the municipal maintenance tax is applicable to foreign invested enterprises, foreign enterprises and foreign individuals from 1 December 2010.

Education Surcharge

Under the Provisional Regulations on Imposition of Education Surcharge (徵收教育費附加的暫行規定) promulgated by the State Council on 28 April 1986 and amended on 7 June 1990, 20 August 2005 and 8 January 2011, any taxpayer, whether an individual or an entity, of value-added tax, business tax or consumption tax is liable for an education surcharge, unless such taxpayer is required to pay a rural area education surcharge as provided by the Notice of the State Council on Raising Funds for Schools in Rural Areas (國務院關於籌措農村學校辦學經費的通知). The Education Surcharge rate is 3% calculated on the basis of consumption tax, value-added tax and business tax actually paid.

According to the Circular Concerning Unification of Municipal Maintenance Tax and Education Surcharge for Foreign Investment and Domestic Enterprises and Individuals, the education surcharge is applicable to foreign invested enterprises, foreign enterprises and foreign individuals from 1 December 2010.

D. CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a summary of certain U.S. federal income tax considerations under present law of the distribution of Shares pursuant to the Distribution and the ownership and disposition of Shares, in each case, by a U.S. Holder (as defined below). This summary deals only with persons receiving Shares pursuant to the Distribution that use U.S. Dollars as their functional currency and who hold Wharf Shares as, and will hold such Shares as, "capital assets" for U.S. federal income tax purposes (generally, property held for investment). This discussion is based upon the provisions of Internal Revenue Code of 1986, Treasury regulations promulgated thereunder, administrative rulings and judicial decisions, all as at the Latest Practicable Date. We have not sought any ruling from the U.S. Internal Revenue Service (the "**IRS**"), with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS will agree with such statements and conclusions.

This discussion also does not address the tax considerations arising under the laws of any U.S. state or local or any non-U.S. jurisdiction, the Medicare tax on net investment income or any alternative minimum tax consequences. In addition, this discussion does not address tax considerations applicable to an investor's particular circumstances or to investors that may be subject to special tax rules, including, without limitation:

- insurance companies;
- tax-exempt organisations;
- dealers in securities or currencies;
- traders in securities that make mark-to-market elections with respect to their shares;
- banks or other financial institutions;

- real estate investment trusts;
- regulated investment companies;
- grantor trusts;
- U.S. expatriates;
- persons subject to the alternative minimum tax;
- persons that hold the Shares or Wharf Shares as part of a hedge, straddle, conversion, constructive sale or other integrated transaction; or
- persons that own or have owned, directly, indirectly, or constructively, 5% or more of the total combined voting power, if any, of the Shares or Wharf Shares.

The tax consequences to a partner in a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) acquiring, holding or disposing of Shares generally will depend on the status of the partner and the activities of the partnership. Partnerships holding Shares should consult their own tax advisers about the U.S. federal income tax consequences to their partners of participating in the Distribution and acquiring, owning and disposing of Shares.

As used here, "U.S. Holder" means, for purposes of the Distribution, a beneficial owner of Wharf Shares, and otherwise a beneficial owner of Shares that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States,
- a corporation, or any other entity taxable as a corporation for U.S. federal income tax purposes, created or organised in or under the laws of the United States, any state thereof, or the District of Columbia;
- an estate the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust if (1) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) the trust has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person.

No statutory, judicial or administrative authority directly discusses how the Distribution should be treated for U.S. federal income tax purposes. As a result, investors are urged to consult their own tax advisors with respect to the application of

the U.S. federal income tax laws to their particular situation, as well as any tax consequences to them of their investment in the Shares arising under U.S. federal estate or gift tax rules or under the laws of any U.S. state or local or any non-U.S. or other taxing jurisdiction or under any applicable tax treaty.

Consequences of the Distribution

No statutory, judicial or administrative authority directly addresses how the Distribution should be treated for U.S. federal income tax purposes. In particular, the application of U.S. federal income tax laws to demergers and similar transactions governed by non-U.S. corporate law is unclear.

Our Company has not conducted the detailed and complex U.S. federal income tax analysis required to determine whether the distribution of Shares pursuant to the Distribution may qualify as a transaction to which Section 355 of the Code applies. In the event that the Distribution does qualify as a Section 355 transaction, however, and if the receipt of the Shares is a reorganisation to which Section 368(a) of the Code applies, the following will be the expected tax treatment (the "**Section 355/368(a) Treatment**").

Section 355/368(a) Treatment

If Section 355/368(a) Treatment applies, subject to the PFIC rules described below, a U.S. Holder receiving Shares in the Distribution generally should have the following tax consequences upon receipt of the Shares:

- the U.S. Holder should not recognise any income, gain or loss upon the receipt of Shares,
- the U.S. Holder should apportion its tax basis in the Wharf Shares between such Wharf Shares and the Shares received in the Distribution in proportion to the relative fair market value of the Wharf Shares and the Shares on the date on which the Shares are distributed, and
- the U.S. Holder should have a holding period for the Shares that includes the period during which the U.S. Holder held the Wharf Shares.

Alternative Treatment

It is possible that the distribution of the Shares pursuant to the Distribution does not qualify under Section 355 and Section 368(a) of the Code (the "**Alternative Treatment**"). If the Alternative Treatment applies, subject to the PFIC rules described below, a U.S. Holder receiving Shares in the Distribution generally should have the following tax consequences upon receipt of the Shares:

The U.S. Holder would be required to treat the distribution of Shares pursuant to the Distribution as a dividend in a U.S. Dollar amount equal to the fair market value of the Shares on the date of receipt to the extent of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). Distributions in excess of our current or accumulated earnings and profits will be treated first as a non-taxable return of capital reducing the U.S. Holder's adjusted tax basis in the Shares. Any distribution in excess of the U.S Holder's adjusted tax basis will be treated as capital gain and will be long-term capital gain if the U.S. Holder held the Shares for more than one year.

The U.S. Holder would take a tax basis in the Shares equal to the U.S. Dollar amount included in income as a dividend and would have a holding period in the Shares that begins with the effective date of the Distribution.

The U.S. Holder should treat the dividend generally as from sources outside the United States for foreign tax credit purposes.

As our Company does not maintain earnings and profits computed based on U.S. federal income tax principles, U.S. Holders should assume that the dividend under this Alternative Treatment would be equal to the fair market value of the shares. Any amount included as a dividend should not be eligible for the dividends received deduction generally allowed to U.S. corporations or for the reduced rate of tax on qualified dividend income available to certain non-corporate U.S. Holders.

Consequences of the Distribution — PFIC Considerations

Our Company has not conducted the detailed and complex U.S. federal income tax analysis required to determine whether our Company or Wharf has previously been a PFIC during the holding period of any U.S. Holder, or will be a PFIC in the current year or future years. For a more detailed description of the PFIC rules, see "**Ownership of the Shares—PFIC Considerations Relevant to Owning the Shares**" below. The application of the PFIC rules to the distribution of the shares pursuant to the Distribution if the Shares or Wharf Shares are or have previously been during the holding period of any U.S. Holder treated as shares of a PFIC could materially and adversely change the consequences to a U.S. Holder described in the discussion above. For example, Proposed Treasury Regulations under Section 1291(f) of the Code could require recognition of gain upon the disposition or deemed disposition of stock of a PFIC, subject to certain exceptions, notwithstanding any non-recognition provision of the Code (including Section 355 and 368(a) of the Code). These regulations have not yet been finalised, and therefore the application of the PFIC rules to the Distribution is uncertain. Moreover, any Distribution, as described below under "**Alternative Treatment**" or that is taxable as a result of Section 1291(f), may be taxable under an adverse regime for "excess distributions" under section 1291 of the Code. The potential application of the PFIC rules, including the proposed regulations to the Distribution is complex and is not fully discussed herein. U.S. Holders should therefore consult their tax advisors as to the application of the PFIC rules in the event that the Wharf Shares and/or the Shares received in the Distribution were treated as shares of a PFIC at any time during such U.S. Holder's holding period for the Wharf Shares or Shares.

Ownership of the Shares

Distributions on the Shares

Subject to the discussion of PFIC below, distributions made by us of cash or property with respect to the Shares generally will be taxable as dividends to the extent paid out of our current or accumulated earnings and profits as determined under U.S. federal income tax principles. Distributions in excess of our current or accumulated earnings and profits will be treated first as a non-taxable return of capital reducing the U.S. Holder's adjusted tax basis in the Shares. Any distribution in excess of the U.S Holder's adjusted tax basis will be treated as capital gain and will be long-term capital gain if the U.S. Holder held the Shares for more than one year. Because we do not expect to maintain calculations of our earnings and profits in accordance with U.S. federal income tax principles, U.S. Holders should expect that a distribution will generally be treated as a dividend for U.S. federal income tax purposes. As used below, the term "dividend" means a distribution that constitutes a dividend for U.S. federal income tax purposes.

The amount includible in the income of a U.S. Holder will include any amounts withheld in respect of taxes. Subject to certain conditions and limitations, non-U.S. withholding taxes on dividends may be treated as foreign taxes eligible for credit against your U.S. federal income tax liability. For purposes of calculating the foreign tax credit, dividends paid on the Shares will be treated as income from sources outside the United States and will generally constitute passive income. Further, in certain circumstances, if you:

- have held the Shares for less than a specified minimum period during which you are not protected from risk of loss, or

- are obligated to make payments related to the dividends,

you will not be allowed a foreign tax credit for foreign taxes imposed on dividends paid on the Shares. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

Dividends paid by us will not be eligible for the dividends received deduction provided under the Code for certain U.S. corporate shareholders. No assurances can be given regarding whether dividends from our Company paid to non-corporate U.S. Holders will be qualified dividends eligible for taxation at preferential rates. The amount of any dividend paid in a currency other than the U.S. dollar will equal the U.S. dollar value of the foreign currency received, calculated by reference to the exchange rate in effect at the time the dividend is received by the U.S. Holder, regardless of whether the payment is in fact converted to U.S. dollars at that time. If the foreign currency received as a dividend is not converted into U.S. dollars on the date of receipt, you will have a tax basis in such currency equal to its U.S. dollar value on the date of receipt. Any gain or loss realised on a subsequent conversion or other disposition of such currency will be treated as U.S.-source ordinary income or loss. U.S. Holders should consult their own tax advisors regarding the treatment of any foreign currency gain or loss if any foreign currency received as a dividend on the Shares is not converted into U.S. dollars on the date of receipt.

Sale or Other Disposition of the Shares

Subject to the discussion of PFIC taxation below, a U.S. Holder generally will recognise capital gain or loss upon the sale, exchange or other taxable disposition of the Shares measured by the difference between the amount realised on the sale, exchange or other taxable disposition of the Shares and the U.S. Holder's adjusted tax basis in the Shares. Any such gain or loss will be long-term capital gain or loss if Shares have been held for more than one year. Certain non-corporate U.S. Holders (including individuals) may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. The deductibility of capital losses is subject to limitations under the Code.

If a non-US income tax is withheld on the sale, exchange or other taxable disposition of the Shares, the amount realised by a U.S. Holder will include the gross amount of the proceeds of that disposition before deduction of the non-US income tax. Capital gain or loss, if any, realised by a U.S. Holder on the sale, exchange or other taxable disposition of the Shares generally will be treated as U.S.-source gain or loss for foreign tax credit purposes. Consequently, in the case of a gain from the disposition of the Shares that is subject to non-US income tax, the U.S. Holder may not be able to benefit from the foreign tax credit for that non-US income tax (i.e., because the gain from the disposition would be U.S-source), unless the U.S. Holder can apply the credit against U.S. federal income tax payable on other income from foreign sources. Alternatively, the U.S. Holder may take a deduction for the non-US tax if it does not elect to claim a foreign tax credit for any foreign taxes paid or accrued during the taxable year. U.S. Holders are urged to consult their own tax advisors regarding the availability of foreign tax credits in their particular situation.

A U.S. Holder's initial tax basis on the Shares will be the U.S. dollar value of the purchase price determined on the date of purchase. With respect to the sale, exchange or other taxable disposition of Shares, the amount realised generally will be the U.S. dollar value of the payment received determined on:

- the date of actual or constructive receipt of payment in the case of a cash basis U.S. Holder and
- the date of disposition in the case of an accrual basis U.S. Holder.

If the Shares are traded on an "established securities market," a cash basis U.S. Holder, or an electing accrual basis U.S. Holder, can determine the U.S. dollar rate of the cost of the Shares or the amount realised based on the exchange rate on the settlement date. If a U.S. Holder sells or otherwise disposes of the Shares in exchange for currency other than U.S.

dollars, any gain or loss that results from currency exchange fluctuations during the period from the date of the sale or other disposition until the date that the currency is converted into U.S. dollars generally will be treated as ordinary income or loss and will not be eligible for the reduced tax rate applicable to long-term capital gains. Such gain or loss generally will be U.S.-source income or loss for foreign tax credit limitation purposes. If the currency is converted into U.S. dollars on the date of receipt, a U.S. Holder generally would not be required to recognise foreign currency gain or loss in respect of the amount realised. U.S. Holders are urged to consult their own tax advisors regarding the treatment of any foreign currency gain or loss realised with respect to any currency received in a sale or other disposition of the Shares that is converted into U.S. dollars (or otherwise disposed of) on a date subsequent to receipt.

PFIC Considerations Relevant to Owning the Shares

Our Company has not conducted the detailed and complex U.S. federal income tax analysis required to determine whether our Company or Wharf has previously been a PFIC during the holding period of any U.S. Holder, or will be a PFIC in the current year or future years. Special adverse U.S. federal income tax rules apply to U.S. persons owning shares of a PFIC. A non-U.S. corporation generally will be a PFIC for U.S. federal income tax purposes in any taxable year in which, after applying the relevant look-through rules with respect to the income and assets of subsidiaries, either:

- at least 75% of its gross income is "passive income", or
- at least 50% of the gross average quarterly value of its assets is attributable to assets that produce passive income or are held for the production of passive income.

For this purpose, passive income generally includes, among other things, dividends, interest, rents and royalties not derived in an active business, gains from the disposition of passive assets and gains from commodities transactions.

As discussed in greater detail below, if the Shares were to be treated as stock of a PFIC, then:

- gain realised (subject to the discussion below regarding a mark-to-market election) on the sale or other disposition of the Shares would not be treated as capital gain,
- a U.S. Holder would be treated as if such U.S. Holder had realised such gain and certain "excess distributions" rateably over the U.S. Holder's holding period for the Shares, and
- under this "excess distribution regime," the U.S. Holder would be taxed at the highest tax rate in effect for each such year to which the gain was allocated, together with an interest charge in respect of the tax attributable to each such year.

With certain exceptions, a U.S. Holder's Shares would be treated as stock in a PFIC if we were a PFIC at any time during such U.S. Holder's holding period in the shares. Dividends received from us would not be eligible for the special tax rates applicable to qualified dividend income if we were treated as a PFIC in the taxable years in which the dividends are paid or in the preceding taxable year (regardless of whether the U.S. Holder held the Shares in such year) but instead would be taxable at rates applicable to ordinary income.

If we were to be treated as a PFIC for any taxable year included in whole or in part in a U.S. Holder's holding period of our Company and such U.S. Holder is treated as owning the Shares for purposes of the PFIC rules (and regardless of whether we remain a PFIC for subsequent taxable years), the U.S. Holder:

- would be liable to pay U.S. federal income tax at the highest applicable income tax rates on (a) ordinary income upon the receipt of excess distributions (the portion of any distributions received by the U.S. Holder on the Shares in a taxable year in excess of 125 percent of the average annual distributions received by the U.S. Holder in the three preceding taxable years or, if shorter, the U.S. Holder's holding period for the Shares) and (b) on any gain from the disposition of the Shares, plus interest on such amounts, as if such excess distributions or gain had been recognised rateably over the U.S. Holder's holding period of the Shares, and

- may be required to annually file Form 8621 with the IRS.

If we were to be treated as a PFIC for any taxable year and provided that the Shares are treated as "marketable stock" within the meaning of applicable Treasury Regulations, a U.S. Holder may make a mark-to-market election with respect to the Shares. Under a mark-to-market election, any excess of the fair market value of the Shares at the close of any taxable year over the U.S. Holder's adjusted tax basis in the Shares is included in the U.S. Holder's income as ordinary income. These amounts of ordinary income would not be eligible for the favourable tax rates applicable to qualified dividend income or long-term capital gains. In addition, the excess, if any, of the U.S. Holder's adjusted tax basis at the close of any taxable year over the fair market value of the Shares is deductible in an amount equal to the lesser of the amount of the excess or the amount of the net mark-to-market gains that the U.S. Holder included in income in prior years. A U.S. Holder's tax basis in the Shares would be adjusted to reflect any such income or loss. Gain realised on the sale, exchange or other disposition of the Shares would be treated as ordinary income, and any loss realised on the sale, exchange or other disposition of the Shares would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included by the U.S. Holder.

The adverse consequences of owning stock in a PFIC could also be mitigated if a U.S. Holder makes a valid "qualified electing fund" election ("**QEF election**"), which, among other things, would require a U.S. Holder to include currently in income its pro rata share of the

PFIC's net capital gain and ordinary earnings, based on earnings and profits as determined for U.S. federal income tax purposes. Because of the administrative burdens involved, it is not intended that we will provide information to its holders that would be required to make such election effective.

U.S. Holders are strongly urged to consult their tax advisors regarding the PFIC rules, and the potential tax consequences to them if we were determined to be a PFIC.

Backup Withholding and Information Reporting

In general, dividends on the Shares, and payments of the proceeds of a sale, exchange or other taxable disposition of the Shares, paid within the United States or through certain U.S.-connected financial intermediaries to a U.S. Holder are subject to information reporting and may be subject to backup withholding unless the U.S. Holder:

- establishes that it is a corporation or other exempt recipient and demonstrates this fact when so required or

- with respect to backup withholding, provides an accurate taxpayer identification number and certifies that it is a U.S. person and that no loss of exemption from backup withholding has occurred.

Backup withholding is not an additional tax. The amount of any backup withholding tax required to be withheld from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. A U.S. Holder generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed its U.S. federal income tax liability by timely filing a refund claim with the IRS.

Certain U.S. Holders are required to report information to the IRS with respect to their investment in shares unless certain requirements are met. Investors who fail to report required information can become subject to substantial penalties. U.S. Holders are encouraged to consult their tax advisors regarding the implications of this requirement on their investment in the Shares.

The above discussion is not intended to constitute an analysis of the tax consequences relating to the Distribution and the ownership and disposition of Shares, and its application to any particular U.S. Holder in its particular circumstances. You should consult your own tax advisor concerning the tax consequences applicable in your particular situation.

FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 13 April 2017. Our registered office is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. We have established a principal place of business in Hong Kong at 16th Floor, Ocean Centre, Harbour City, Canton Road, Kowloon, Hong Kong and our Company has been registered with the Registrar of Companies in Hong Kong as a registered non-Hong Kong company under Part 16 of the Companies Ordinance on 25 May 2017. Mr. Hui Chung Ying Kevin has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong on 13 April 2017.

As a company incorporated in the Cayman Islands, our operations are subject to the Memorandum of Association, the Articles of Association and the Cayman Companies Law. A summary of certain provisions of the Memorandum of Association and the Articles of Association and certain aspects of the Cayman Companies Law is set out in "Appendix V — Summary of the Constitution of our Company and the Cayman Companies Law".

2. Changes in the Share Capital of our Company

(a) As at the date of incorporation of our Company on 13 April 2017, our Company had an authorised share capital of HK$380,000 divided into 3,800,000 Shares of HK$0.10 each.

(b) On 24 October 2017, our sole Shareholder resolved that the authorised share capital of our Company was increased to HK$500,000,000 divided into 5,000,000,000 Shares of HK$0.1 each, pursuant to the written resolutions passed by our sole Shareholder referred to in "3. Written Resolutions of our Sole Shareholder Passed on 24 October 2017" below.

(c) Immediately following completion of the Spin-off (including the surrender and cancellation of the existing two Shares held by Wharf), the authorised share capital of our Company will be HK$500,000,000, divided into 5,000,000,000 Shares of HK$0.1 each, of which 3,036,227,327 Shares will be issued, fully paid or credited as fully paid, and 1,963,772,673 Shares will remain unissued.

Save as disclosed above and in "3. Written Resolutions of our Sole Shareholder Passed on 24 October 2017" below, there has been no alteration in the share capital of our Company since its incorporation.

3. **Written Resolutions of our Sole Shareholder Passed on 24 October 2017**

Written resolutions of our Sole Shareholder were passed on 24 October 2017 pursuant to which, among other matters:

(a) the authorised share capital of our Company was increased from HK$380,000 to HK$500,000,000 divided into 5,000,000,000 Shares by the creation of an additional 4,996,200,000 Shares to rank *pari passu* in all respects with our Shares then existing;

(b) the Memorandum of Association was approved and adopted with immediate effect;

(c) the Articles of Association were adopted in substitution and/or to the exclusion of the existing articles of association of our Company with effect from the Listing Date; and

(d) subject to the Stock Exchange granting approval for the Listing:

(i) the Spin-off and separate Listing was approved;

(ii) the Board or any committee established by our Board was authorised and directed to allot and issue our Shares pursuant to the Distribution, subject to the terms and conditions thereof as set out in this Listing Document and such modifications, amendments, variations or otherwise as may be made by any Director (or any committee established by our Board) in their absolute discretion, and our Board or any committee established by our Board or any Director be and is hereby authorised and directed to effect such modifications, amendments, variations or otherwise as appropriate;

(iii) the subscription for the number of Shares equal to the number of shares in issue of Wharf on the Distribution Record Date for a consideration of HK$1 billion and the issuance of such number of Shares to (A) the Qualifying Wharf Shareholders at the direction of Wharf and (B) a nominee selected by the board of Wharf who will sell such Shares in the market as soon as reasonably practicable following the commencement of dealings in the Shares on the Stock Exchange and the aggregate proceeds of such sale (net of expenses and taxes) be paid to the relevant Excluded Wharf Shareholders, in proportion to their respective shareholdings in Wharf as at the Distribution Record Date in Hong Kong dollars in full satisfaction of the relevant Shares which they would otherwise receive pursuant to the Distribution (provided that if the amount that an Excluded Wharf Shareholder would be entitled to receive is less than HK$100, such sum will be retained for the benefit of Wharf) was approved;

(iv) our Board or any such committee of our Board or any Director was authorised and directed to sign and execute such documents and do all such acts and things incidental to the Spin-off and separate Listing or as he/she/it considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Spin-off and separate Listing;

(v) the surrender of 2 Shares in our Company was approved;

(vi) subject to the lock-up undertaking given by our Company pursuant to Rule 10.08 of the Listing Rules, the Issue Mandate was granted to our Directors to exercise all powers of our Company to allot, issue and deal with our Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for our Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, otherwise than by way of (i) rights issue, (ii) an issue of Shares upon the exercise of any subscription or conversion rights attaching to any bonds, warrants, debentures, notes or any securities which carry rights to subscribe for or are convertible into Shares, (iii) scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or part of any dividend in accordance with the Articles of Association, (iv) a specific authority granted by the Shareholders in general meeting shall not exceed 20% of the entire issued share capital of our Company as at the Listing Date, and such mandate to remain in effect until the earliest of (i) the conclusion of our next annual general meeting, (ii) the expiration of the period within which the next annual general meeting of our Company is required by law to be held, by which our next annual general meeting is required to be held by the Articles of, or (iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying such authority (the "**Relevant Period**");

(vii) the Repurchase Mandate was granted to our Directors to exercise all powers of our Company to repurchase our Shares on the Stock Exchange, or on any other approved stock exchange on which our Shares may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, subject to and in accordance with the Listing Rules and all other applicable laws and rules, such number of Shares representing up to 10% of the entire issued share capital of our Company as at the Listing Date, and such mandate to remain in effect during the Relevant Period; and

(viii) the extension of the Issue Mandate would include the number of issued Shares which may be repurchased pursuant to the Repurchase Mandate.

4. **Our Subsidiaries**

Certain details of our subsidiaries are set out in the Accountants' Report set out in Appendix I to this listing document. Save as set out in Appendix I to this listing document, we do not have any other subsidiaries.

Save as disclosed below, there has been no alteration in the share capital of our subsidiaries within the two years immediately preceding the date of this listing document:

(a) **WEL**

(i) On 9 August 2017, the issued share capital of WEL increased from HK$2.00 divided into 2 shares of HK$1.00 each to HK$1,000,002 divided into 1,000,002 shares of HK$1.00 each.

(ii) On 19 September 2017, the issued share capital of WEL decreased from HK$1,000,002 divided into 1,000,002 shares of HK$1.00 each to HK$1,000,000 divided into 1,000,000 shares of HK$1.00 each.

(b) **Wavatah Company Limited**

(i) On 9 May 2016, the issued share capital of Wavatah Company Limited increased from HK$2.00 divided into 2 shares of HK$1.00 each to HK$1,000 divided into 1,000 shares of HK$1.00 each.

(c) **Wharf Changzhou Property Limited Company (九龍倉(常州)置業有限公司)**

(i) On 13 June 2016, the registered capital of Wharf Changzhou Property Limited Company decreased from USD 229,800,000 to USD 169,800,000.

(d) **Suzhou Gaolong Property Development Limited Company (蘇州高龍房產發展有限公司)** (a joint venture company which is owned as to 20% by Suzhou Industrial Park Housing Development Group Limited (蘇州工業園區建屋發展集團有限公司), an independent third party)

(i) On 29 August 2016, the registered capital of Suzhou Gaolong Property Development Limited Company decreased from RMB 4,000,000,000 to RMB 3,000,000,000, of which, capital contribution of Free Boost Investments Limited decreased from RMB 3,200,000,000 to RMB 2,400,000,000, capital contribution of Suzhou Industrial Park Housing Development Group Limited decreased from RMB 800,000,000 to RMB 600,000,000.

(ii) On 14 March 2017, the registered capital of Suzhou Gaolong Property Development Limited Company decreased from RMB 3,000,000,000 to RMB 1,500,000,000, of which, capital contribution of Free Boost Investments Limited decreased from RMB 2,400,000,000 to RMB 1,200,000,000, capital contribution of Suzhou Industrial Park Housing Development Group Limited decreased from RMB 600,000,000 to RMB 300,000,000.

(e) **Chongqing Fengying Property Development Limited Company (重慶豐盈房地產開發有限公司)** (a wholly-owned subsidiary of Speedy Champ Investments Limited, which is a joint venture company, owned as to 45% by Eton Investments Limited, an independent third party)

(i) On 7 March 2016, the registered capital of Chongqing Fengying Property Development Limited Company decreased from USD 300,000,000 to USD 40,000,000.

(ii) On 12 May 2017, the registered capital of Chongqing Fengying Property Development Limited Company decreased from USD 40,000,000 to USD 5,000,000.

So far as is known to any Director of our Company as at the Latest Practicable Date, save as disclosed in this listing document, no person is directly or indirectly interested in 10% or more of the issued voting shares of any of the subsidiaries of our Company.

5. **Repurchase of Shares**

This section sets out information required by the Stock Exchange to be included in this listing document relating to the repurchase by our Company of our own securities.

(a) **Provisions of the Listing Rules**

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) ***Shareholders' approval***

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution in writing passed by our sole Shareholder on 24 October 2017, the Repurchase Mandate was given to our Directors authorising any repurchase by our Company of Shares on the Stock Exchange, or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of our Company in issue as at the Listing Date, such mandate to remain in effect during the Relevant Period.

(ii) ***Source of funds***

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum of Association, the Articles of Association, the Listing Rules, the Cayman Companies Law and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange prevailing from time to time. Subject to the foregoing, any repurchase by our Company may be made out of our funds which would otherwise be available for dividend or distribution or out of sums standing to the credit of our share premium account or out of the proceeds of a new issue of Shares made for the purpose of the repurchase or, if so authorised by our Articles of Association and subject to the provisions of the Cayman Companies Law, out of capital. Any amount of premium payable on a purchase over the par value of our Shares to be repurchased must be made out of the funds which would otherwise be available for dividend or distribution or from sums standing to the credit of our share premium account or, if so authorised by our Articles of Association and subject to the provisions of the Cayman Companies Law, out of capital.

(iii) ***Trading Restrictions***

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new shares for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its shares if that repurchase would result in the number of listed shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) ***Status of Repurchased Shares***

All repurchased shares (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those shares must be cancelled and destroyed.

(v) ***Suspension of Repurchase***

A listed company may not make any repurchase of shares after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (1) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing

Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (2) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of shares on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) ***Reporting Requirements***

Certain information relating to repurchase of shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate price paid for such repurchases.

(vii) ***Connected Persons***

A listed company is prohibited from knowingly repurchasing shares on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their close associates and a core connected person is prohibited from knowingly selling his shares to the company.

(b) **Reasons for Repurchases**

Our Directors believe that it is in the best interest of our Company and the Shareholders for our Directors to have the ability to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and the Shareholders.

(c) **Funding of Repurchases**

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum of Association, the Articles of Association, the Listing Rules, the Cayman Companies Law and the applicable laws of the Cayman Islands.

On the basis of our current financial position as disclosed in this listing document and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or our gearing position as compared with the position disclosed in this listing document. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(d) **General**

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to us or our subsidiaries. Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Memorandum of Association, the Articles of Association, the Cayman Companies Law and other applicable laws of the Cayman Islands.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequence which would arise under the Takeovers Code as a consequence of any repurchase made pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person of our Company has notified us that he/she/it has a present intention to sell any Share to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

6. **Reorganisation**

In preparation for the Spin-off, we have implemented various reorganisations steps as set out below:

(a) **Acquisition of WREIC**

On 19 April 2017, our Company acquired all the issued shares of WREIC, a company incorporated in the BVI, which then became a wholly-owned subsidiary of our Company.

(b) **Issue of shares in WEL to WREIC**

On 9 August 2017, at the instruction of Wharf, WREIC subscribed for, and WEL (then a wholly-owned subsidiary of Wharf) allotted and issued 1,000,000 shares in WEL credited as fully paid, representing 99.9998% of the issued share capital of WEL. Wharf paid HK$1,000,000 as the total subscription price for these 1,000,000 shares in WEL and directed WEL to issue such WEL shares to WREIC.

In consideration for the allotment and issuance of such WEL shares as set out in the above arrangement, (i) WREIC allotted and issued one share to our Company at a consideration of HK$1, credited as fully paid and (ii) our Company in turn allotted and issued one share to Wharf at a consideration of HK$1, credited as fully paid.

Following the issue of shares by WEL, the shareholders of WEL were (i) WREIC holding 99.9998% and (ii) Wharf holding 0.0002%, of the issued shares of WEL, respectively.

On 19 September 2017, WEL completed a reduction in capital in relation to Wharf's 0.0002% shareholding interest in WEL in accordance with the requirements of the Companies Ordinance. As a result, WEL is an indirect wholly-owned subsidiary of our Company.

(c) **Increase in Authorised Share Capital of our Company**

On 24 October 2017, the authorised share capital of our Company was increased from HK$380,000, divided into 3,800,000 Shares, to HK$500,000,000, divided into 5,000,000,000 Shares.

(d) **Distribution**

On 2 November 2017, Wharf announced that resolutions are expected to be presented to the Wharf Board on or around 14 November 2017 for the purpose of, among others, (i) its approval of the proposal relating to the Spin-off which will be implemented by way of the Distribution and (ii) the declaration of a conditional special interim dividend to be satisfied by way of our Company allotting and issuing to, *inter alia*, the Qualifying Wharf Shareholders new Shares pursuant to the Distribution. The Wharf Board also announced that if such conditional special interim dividend is declared, the Distribution Record Date will be 20 November 2017 and the register of members of Wharf will be closed on 20 November 2017 for the purpose of determining entitlements to the Distribution.

On the Distribution Record Date, Wharf will subscribe for such number of new Shares which is equal to the number of Wharf Shares in issue on that date (the "**Newly Paid Up Shares**") for a total subscription price of HK$1,000 million, which will be paid by Wharf to our Company in cash (the "**Cash Capitalisation**"). The proceeds from the Cash Capitalisation will be used by our Company for its general working capital purposes. Assuming the total number of Wharf Shares in issue remains unchanged from the Latest Practicable Date to the Distribution Record Date, Wharf will subscribe for a total of 3,036,227,327 Newly Paid Up Shares.

Immediately prior to the completion of the Spin-off, our Company will allot and issue the Newly Paid Up Shares directly to the Qualifying Wharf Shareholders on the basis of one Share for every one Wharf Share held as at the Distribution Record Date, and the two existing Shares held by Wharf (being one Share held on incorporation of our Company and one Share issued pursuant to paragraph (c) above) will be surrendered by Wharf to our Company for cancellation. Accordingly, the Qualifying Wharf Shareholders will hold the same proportionate interests in our Company as they hold in Wharf as at the Distribution Record Date.

The Excluded Wharf Shareholders will not receive any Shares pursuant to the Distribution. Instead, the Shares which the Excluded Wharf Shareholders would otherwise receive pursuant to the Distribution will be issued to a nominee selected by the Wharf Board, who will sell such Shares in the market as soon as reasonably practicable following the commencement of dealings in the Shares on the Stock Exchange and the aggregate proceeds of such sale (net of expenses and taxes) will be paid to the relevant Excluded Wharf Shareholders, in proportion to their respective shareholdings in Wharf as at the Distribution Record Date in Hong Kong dollars in full satisfaction of the relevant Shares which they would otherwise receive pursuant to the Distribution, provided that if the amount that an Excluded Wharf Shareholder would be entitled to receive is less than HK$100, such sum will be retained for the benefit of Wharf.

(e) **Settlement of Inter-Group Balances**

Immediately prior to the completion of the Spin-off, the Inter-Group Balances will be settled by way of the issue of the Promissory Note. The Promissory Note will be settled as described in "Financial Information — Indebtedness — Loans from fellow subsidiaries — Settlement of Inter-Group Balances".

FURTHER INFORMATION ABOUT OUR BUSINESS

7. **Material Contracts**

No contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this listing document and are or may be material.

8. **Material Intellectual Property Rights**

(a) ***Trademarks***

As at the Latest Practicable Date, we are the owners of the following trademarks which are material to our business:

Trademark	Registered owner	Place of registration
HARBOUR CITY 海港城	HCEL	Hong Kong

Trademark	Registered owner	Place of registration
荷里活廣場PLAZA HOLLYWOOD	Plaza Hollywood Limited	Hong Kong
PLAZA HOLLYWOOD 荷里活廣場	Plaza Hollywood Limited	Hong Kong
Lcx	LCX Limited	Hong Kong
PRINCE HOTEL	The Prince Hotel Limited	Hong Kong
Gateway Apartments	HCEL	Hong Kong
Gateway	HCEL	Hong Kong
HARBOUR CITY Bazaar	HCEL	Hong Kong
時代廣場	Times Square Limited	Hong Kong
Times Square	Times Square Limited	Hong Kong
食通天	Times Square Limited	Hong Kong
食通天	Times Square Limited	Hong Kong
	Times Square Limited	Hong Kong
GATEWAY	The Marco Polo Hotel (Hong Kong) Limited	Hong Kong

Trademark	Registered owner	Place of registration
The Murray THE MURRAY the murray	The Murray Limited	Hong Kong

As at the Latest Practicable Date, the following trademarks, which are material to our business, had been licensed to us:

Trademark	Licensor	Licensee	Place of registration
THE MARCO POLO HONGKONG HOTEL HONG KONG	Marco Polo Hotels Management Ltd.	The Hongkong Hotel Limited	Hong Kong
馬哥孛羅香港酒店 香港	Marco Polo Hotels Management Ltd.	The Hongkong Hotel Limited	Hong Kong
	The Wharf (Holdings) Limited	our Company	Hong Kong
WHARF	The Wharf (Holdings) Limited	our Company	Hong Kong
WHEELOCK	Wheelock and Company Limited	our Company	Hong Kong
MARCO POLO HOTELS	Marco Polo Hotels Management Ltd.	our Company	Hong Kong
	Marco Polo Hotels Management Ltd.	our Company	Hong Kong
TAI PAN	Marco Polo Hotels Management Ltd.	our Company	Hong Kong
THE Continental CLUB	Marco Polo Hotels Management Ltd.	our Company	Hong Kong

Trademark	Licensor	Licensee	Place of registration
Cafe MARCO	Marco Polo Hotels Management Ltd.	our Company	Hong Kong
La Brasserie RESTAURANT Simply French	Marco Polo Hotels Management Ltd.	our Company	Hong Kong
The Spice Market 香味屋	Marco Polo Hotels Management Ltd.	our Company	Hong Kong
three on canton	Marco Polo Hotels Management Ltd.	our Company	Hong Kong
Niccolo by Marco Polo	Marco Polo Hotels Management Ltd.	The Murray Limited	Hong Kong
Niccolo	Marco Polo Hotels Management Ltd.	The Murray Limited	Hong Kong
	Marco Polo Hotels Management Ltd.	Changzhou Marco Polo Hotel Company Limited (常州馬哥孛羅酒店有限公司)	PRC

(b) ***Domain Names***

As at the Latest Practicable Date, we had registered the following domain names which are material to our business:

Domain Name	Registered owner
GATEWAYAPARTMENTS.COM.HK	HCEL
HARBOURCITY.COM.HK	HCEL
PLAZAHOLLYWOOD.COM.HK	Plaza Hollywood Limited
STARFERRY.COM.HK	The "Star" Ferry Company, Limited
TIMESSQUARE.COM.HK	Times Square Limited
WHARFREIC.COM	Wharf REIC Corporate Services Limited
WHARFREIC.COM.CN	Wharf REIC Corporate Services Limited
WHARFREIC.CN	Wharf REIC Corporate Services Limited

FURTHER INFORMATION ABOUT OUR DIRECTORS

9. Disclosure of interests

Immediately following completion of the Spin-off, the interests and/or short positions of our Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange, will be as follows:

(a) ***Interests /short positions in shares and underlying shares of our Company on assumption that our Directors will receive the following numbers of Shares as a result of the Distribution (on basis of one Share for every one Wharf Share) by virtue of their respective shareholdings in Wharf as at the Latest Practicable Date***

Name of Director	Capacity/nature of interest	Number of Shares	Approximate shareholding percentage
Mr. Ng Tin Hoi Stephen	Beneficial interest	1,009,445	0.0332%
Ms. Leng Yen Thean	Beneficial interest	200,000	0.0066%
Mr. Au Siu Kee Alexander	Beneficial interest	100,000	0.0033%
Professor Yeoh Eng Kiong, *GBS, JP*	Beneficial interest	20,000	0.0007%

(b) ***Interests /short positions in shares and underlying shares of our Company's associated corporations as at the Latest Practicable Date***

Name of Director	Name of associated corporation	Capacity/nature of interest	Number of Shares	Approximate shareholding percentage
Mr. Ng Tin Hoi Stephen	Wharf	Interest in shares	1,009,445	0.0332%
	Wharf	Share options	5,000,000	0.1647%
	Wheelock	Interest in shares	176,000	0.0086%
Ms. Lee Yuk Fong Doreen	Wharf	Share options	3,800,000	0.1252%
Ms. Leng Yen Thean	Wharf	Interest in shares	200,000	0.0066%
	Wharf	Share options	1,350,000	0.0445%
Mr. Au Siu Kee Alexander	Wharf	Interest in shares	100,000	0.0033%
Professor Yeoh Eng Kiong, *GBS, JP*	Wharf	Interest in shares	20,000	0.0007%

Save as disclosed above, and assuming no change in the number of issued shares in Wharf and Wheelock and interest and/or short positions of our Directors or the chief executive of our Company in the shares, underlying Shares and debentures of our Company or our Company's associated corporations, none of our Directors or the chief executive of our Company will, immediately following completion of the Spin-off, have an interest and/or short position (as applicable) in our Shares or the underlying Shares or debentures of our Company or any interests and/or short positions (as applicable) in the shares or the underlying shares or debentures of our Company's associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange.

10. **Directors' Service Contracts and Letters of Appointment**

Our Company has entered into a letter of appointment with the each of our Directors subject to the provision of retirement and rotation of Directors under the Articles. Each of the letters of appointment is for an initial fixed term of three years commencing from their respective date of appointment, unless terminated by our Company by giving a notice of not less than three months in advance. See "Directors and Senior Management — Remuneration of Directors and the Five Highest Paid Individuals" for further information.

Pursuant to the terms of the letter of appointment entered into between each Director (on the one part) and the Company (on the other part), other than Mr. Ng Tin Hoi Stephen who receives only a fee of HK$250,000 per annum for his position as the Chairman, the annual director's fees payable by the Company to each of them are HK$200,000, whereas the relevant directors will receive from the Company an additional fee of HK$100,000 for being a member of the audit committee and, HK$50,000 for being a member of the remuneration committee.

The directors' fees payable by the Company to the relevant Director is subject to increase or reduction as shall be determined or approved by the Board and our Shareholders.

None of our Directors has entered into, or has proposed to enter into, a director's service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

11. **Directors' Remuneration**

For details of our Directors' remuneration, see "Directors and Senior Management — Remuneration of Directors and the Five Highest Paid Individuals" for further information".

12. **Agency Fees or Commissions Received**

No commissions, discounts, brokerages or other special terms have been granted by our Group to any person (including our Directors and experts referred to in ''— Other Information — 17. Qualifications of Experts'' below) in connection with the issue or sale of any capital or security of our Company or any member of our Group within the two years immediately preceding the date of this listing document.

13. **Disclaimers**

Save as disclosed in this listing document:

(a) none of our Directors nor any of the experts referred to in "— Other Information — 18. Qualification of Experts" below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this listing document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group; and

(b) none of our Directors nor any of the experts referred to in "— Other Information — 18. Qualification of Experts" below is materially interested in any contract or arrangement subsisting at the date of this listing document which is significant in relation to the business of our Group.

(c) neither our Controlling Shareholders nor our Directors are interested in any business apart from our business which competes or is likely to compete, directly or indirectly, with our business.

(d) so far as is known to our Directors, none of the Directors or their associates or any Shareholders who are expected to be interested in 5% or more of the issued share capital of our Company has any interest in our five largest customers or our five largest suppliers.

UNDERTAKINGS TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

14. Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for the circumstances as permitted under Rule 10.08 of the Listing Rules.

15. Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that, it shall not and shall procure that the relevant registered shareholder(s) shall not:

(a) in the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this listing document and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares in respect of which it is shown by this listing document to be the beneficial owner; and

(b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be one of our Controlling Shareholders,

in each case, save as permitted under the Listing Rules.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has further undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of its shareholding or the shareholding of the companies controlled by it in our Company is made in this listing document and ending on the date which is 12 months from the Listing Date, it will:

(a) when it pledges or charges any Shares beneficially owned by it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and

(b) when it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company of such indications.

OTHER INFORMATION

16. Joint Sponsors

Somerley Capital Limited satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

HSBC Corporate Finance (Hong Kong) Limited does not satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules because HSBC Trustee (C.I.) Limited, one of the subsidiaries of HSBC Holdings plc, the ultimate parent company of HSBC Corporate Finance (Hong Kong) Limited, holds an interest in the issued share capital of Wheelock as trustee, which could result in HSBC Holdings plc and its subsidiaries holding indirectly more than 5% of the Shares in issue on the Listing Date.

The Joint Sponsors will receive an aggregate fee of US$2.4 million for acting as the sponsors for the Listing.

17. Registration Procedures

The principal register of members of our Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and a Hong Kong branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's Hong Kong branch share register and may not be registered on the principal register of members in the Cayman Islands.

18. **Qualification of Experts**

The qualifications of the experts (as defined under the Listing Rules) who have given opinions or advice which are contained in, or referred to in, this listing document (the "**Experts**") are set out below:

Name	Qualifications
HSBC Corporate Finance (Hong Kong) Limited	Licensed under the SFO to conduct type 6 (advising on corporate finance) regulated activities
Somerley Capital Limited	Licensed under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
Jingtian & Gongcheng	PRC attorneys-at-law
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
KPMG	Certified Public Accountants
Knight Frank Petty Limited	Independent property valuer

19. **Consents of Experts**

Each of the Experts has given and has not withdrawn its written consent to the issue of this listing document with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which they respectively appear.

20. **Promoter**

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this listing document, no cash, securities or other benefits have been paid, allotted or given within the two years immediately preceding the date of this listing document or intended to be paid or given to any promoter.

21. **Preliminary Expenses**

The preliminary expenses incurred by our Company amounted to approximately HK$44,000 and were paid by our Company.

22. **Miscellaneous**

(a) Within the two years immediately preceding the date of this listing document,

(i) save as disclosed in this listing document, no share or loan capital of any member of our Group has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of any member of our Group; and

(iii) no commission has been paid or payable to any person for subscribing, agreeing to subscribe, or procuring or agreeing to procure subscription, for any shares in or debentures of our Company.

(b) No share or loan capital of any member of our Group is under option, or is agreed conditionally or unconditionally to be put under option.

(c) No founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued.

(d) Our Company has no outstanding convertible debt securities or debentures.

(e) There is no arrangement under which future dividends are waived or agreed to be waived.

(f) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this listing document.

(g) Other than HCDL, no company within our Group is presently listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought.

(h) None of HSBC Corporate Finance (Hong Kong) Limited, Somerley Capital Limited, Jingtian & Gongcheng, Conyers Dill & Pearman, KPMG and Knight Frank Petty Limited:

(i) is interested beneficially or non-beneficially in any shares in any member of our Group; or

(ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

(i) In case of any discrepancies between the English language version and the Chinese language version of this listing document, the English language version shall prevail.

Copies of the following documents will be available for inspection at the office of Deacons on 5th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this listing document:

(i) the Memorandum of Association and the Articles of Association;

(ii) the Accountant's Report from KPMG, the text of which is set out in Appendix I to this listing document;

(iii) the report from KPMG relating to the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this listing document;

(iv) the audited combined financial statements of our Group for FY2014, FY2015, FY2016 and 1H2017;

(v) the property valuation report (including the valuation certificates) prepared by Knight Frank Petty Limited relating to the property interests of our Group, the text of which is set out in Appendix III to this listing document;

(vi) the letter of advice prepared by Conyers Dill & Pearman, our legal advisers as to Cayman Islands laws, summarising the constitution of our Company and certain aspects of the Cayman Companies Law as referred to in Appendix V to this listing document;

(vii) the legal opinions issued by Jingtian & Gongcheng, our legal advisers as to PRC laws, relating to certain aspects of our Group and our property interests in the PRC;

(viii) the written consents referred to in "Appendix VII — General Information — Other Information — 19. Consents of Experts"; and

(ix) the Cayman Companies Law.

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Established 1886