WHARF

Established 1886

THE WHARF (HOLDINGS) LIMITED

Stock Code: 4

Annual Report 2016

CORPORATE PROFILE

Founded in 1886, The Wharf (Holdings) Limited (Stock code: 4) is a premier company with HK$443.8 billion of total assets. Backed by a long standing mission of "Building for Tomorrow" and a proven track record in management and execution, the Group has produced consistent and productive performance over the years. As one of the only seven constituent stocks from the original Hang Seng Index 50 years ago, Wharf is among the top local blue chips that are most actively traded and widely held. Over the past 10 years, core earnings per share have increased by 91% and dividends per share have increased by169%, for a compound annual growth rate of 10%.

The Group is active in Hong Kong and Mainland China with prime real estate as primary strategic focus. Site acquisition, design, development and marketing are its core competencies while mall development and retail management remain its strategic differentiation. The Group also owns a fast expanding hotel portfolio under Wharf Hotels, and valuable port assets under Modern Terminals in Hong Kong.

Investment Properties ("IP") in Hong Kong and China continues to grow over the years and continues to be a key growth driver for the Group. With a book value of HK$319.3 billion, it accounted for 64% of the Group's core profit in 2016.

Harbour City and Times Square are flagships of Wharf’s IP portfolio. The former is a landmark with international showcase effect for global retailers and a regional landmark for shoppers. The latter, with its prominent 17-level mall design and professionally-managed trade mix, is among the most successful vertical malls in the world.

The portfolio also extends to the prime Central business district, the Peak and the new CBD2 in Kowloon East. In Central, properties included the iconic Murray Building (for conversion into a unique urban chic hotel), Crawford House on Queen's Road Central and the Wheelock House office tower on Pedder Street.

The Group’s IFS series in China is progressing at full speed as planned. It will strengthen the Group’s recurrent income base upon completion. With a view to replicate the success of the remarkable Harbour City in Hong Kong and Chengdu IFS, Chongqing IFS and Changsha IFS will open in 2017 to capitalise on the Group’s management expertise and experience in operating some of the most productive retail-cum-office developments.

The Outlets sector also presents growth opportunities in China. The Group is currently running two outlet malls in China namely Chengdu Times Outlet and Changsha Times Outlet with the former being one of the most productive outlet malls in the Mainland.

Development Properties ("DP") in China achieved record contracted sales in 2016 of RMB31.4 billion, 31% above target. Net order book increased to RMB27.4 billion for 1.2 million square metres at year-end. As the Group continues its selective land purchase strategy, with a focus on first-tier and top second-tier cities, DP land bank is at 4.2 million square metres spanning 15 cities.

Wharf Hotels owns a fast expanding hotel network in Asia, spearheaded by a prominent collection of “contemporary, urban, chic” Niccolo hotels which redefine luxury experiences, styles and tastes for global travellers. The Murray, a conversion of Murray Building in Central, Hong Kong, into a Niccolo hotel is scheduled for opening in late 2017. Wharf Hotels operates and develops 19 Marco Polo and Niccolo hotels in the Asia Pacific region, six of which are owned by the Group. The exciting expansion of this portfolio continues with a solid pipeline of new hotels over the next few years.

"Building for Tomorrow" also extends to Wharf's "Business-in-Community" pursuit. In addition to the flagship school improvement programme "Project *WeCan*", the Wharf Hong Kong Secondary School Art Competition and Wharf Architectural Design Internship have gained traction over the years. Backed by 1,000 staff volunteers, the Group has also supported a series of "Business-in-Community" initiatives benefitting different segments of society. The Group was named a constituent member of the "Hang Seng Corporate Sustainability Index" in 2015, an index that covers the top 30 leaders in corporate sustainability in Hong Kong, in recognition of the Group's sound performance in corporate social responsibility.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Stephen T H Ng, *Chairman & Managing Director*
Mr Andrew O K Chow, *Deputy Chairman*
Ms Doreen Y F Lee, *Vice Chairman*
Mr Paul Y C Tsui, *Vice Chairman & Group Chief Financial Officer*
Ms Y T Leng
Mr K P Chan

Independent Non-Executive Directors

Mr Alexander S K Au, *OBE*
Professor Edward K Y Chen, *GBS, CBE, JP*
Mr Vincent K Fang, *GBS, JP*
Mr Hans Michael Jebsen, *BBS*
Mr David Muir Turnbull
Professor E K Yeoh, *GBS, OBE, JP*

COMPANY SECRETARY

Mr Kevin C Y Hui, *FCCA, CPA*

AUDITORS

KPMG, Certified Public Accountants

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

REGISTRARS

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

REGISTERED OFFICE

16th Floor, Ocean Centre, Harbour City,
Canton Road, Kowloon, Hong Kong
Telephone: (852) 2118 8118
Fax: (852) 2118 8018
Website: www.wharfholdings.com

SHAREHOLDER INFORMATION

LISTING

Ordinary Shares
The Stock Exchange of Hong Kong Limited
Stock Code: 4

As at 31 December 2016	
Number of issued shares	3,032,127,327
Market capitalisation (Approx.)	HK$156 billion

FINANCIAL CALENDAR

Payment of 2016 1st Interim Dividend	14 Sep 2016
2016 Final Results Announcement	9 Mar 2017
Closure of Register of Members (Shareholders' entitlement to 2nd Interim Dividend)	30–31 Mar 2017 (both days inclusive)
Record Date for 2nd Interim Dividend	30 Mar 2017
Payment of 2016 2nd Interim Dividend	25 Apr 2017
Closure of Register of Members (Shareholders' rights to attend and vote at AGM)	4–10 May 2017 (both days inclusive)
Annual General Meeting	10 May 2017

CONTACTS

Investor enquiries: ir@wharfholdings.com
Shareholder enquiries: sh@wharfholdings.com
Media enquiries: pr@wharfholdings.com

GROUP BUSINESS STRUCTURE

WHARF
Established 1886

Stephen Ng
Chairman & Managing Director

- Andrew Chow
  Deputy Chairman
  - DEVELOPMENT PROPERTIES (CHINA)
    - WHARF China Development
      - KP Chan
        Executive Director
- Doreen Lee
  Vice Chairman
  - INVESTMENT PROPERTIES (HK/CHINA)
    - WHARF Estates
      - YT Leng
        Executive Director
        - HARBOUR CITY 海港城
        - 時代廣場 Hong Kong Times Square
        - 荷里活廣場 PLAZA HOLLYWOOD
    - WHARF China Estates
      - IFS
      - WHEELOCK SQUARE 会德丰国际广场
      - TIMES SQUARE
- HOTELS & TRANSPORT
  - WHARF Hotels
    - NICCOLO
    - THE MURRAY HONG KONG
    - MARCO POLO HOTELS
  - WHARF Transport
    - Modern Terminals
    - 天星小輪 The "Star" Ferry
- Paul Tsui
  Vice Chairman & Group CFO

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

GENERAL ECONOMY

Major geopolitical surprises marked the year 2016. Protectionism, populism and de-globalization sentiments spread across the globe to cast a long shadow over international trade and global collaboration.

Economic growth stayed subdued around the world. Before China could complete its economic rebalancing, the threat of a Sino-U.S. economic or even military confrontation started to raise its head. In the event the adversary escalates, Hong Kong will not be able to escape the crossfire. Furthermore, currency instability, sustained U.S. dollar/Hong Kong dollar strength, interest rate hike, Brexit, a much more nationalistic and protectionist U.S. administration, monetary policy divergence as well as refugee and terrorist issues around the world, cast elevated levels of uncertainty over the global outlook.

Nevertheless, China remains a crucial driver of growth and economic restructuring continues in full swing. While China's GDP growth rate cooled further to 6.7% in 2016, it remained among the fastest in the world. Adjustment to a "new normal" of slower but higher-quality growth continued. Services and consumption are now contributing more to growth than investment. The housing market heated up for most of 2016 and the government introduced new measures late in the year to dampen further overheating. That raised new uncertainty over trading conditions. Furthermore, Renminbi devaluation reduced the appeal of onshore assets and fueled offshore investment. On the other hand, it also stimulated higher domestic consumption and lower overseas consumption.

Hong Kong's economy grew by a modest 1.9% in 2016. The strong local currency, pegged to the U.S. dollar, continued to drive both locals and visitors to other overseas destinations. Total visitor arrivals declined by 4.5% to 56.7 million and total retail sales by 8.1% to HK$436.6 billion. The overall situation, however, appeared to have started to stabilize since mid-2016. That said, uncertainty over the retail and hospitality sectors remains.

BUSINESS PERFORMANCE - PROPERTIES GROWTH CONTINUES

Properties contributed to 92% of Group core profit (2015: 88%). Contribution from Hong Kong exceeded HK$10 billion, representing a growth rate of 35%, while that from the Mainland increased by 16% to HK$2.6 billion, despite the translation impact arising from Renminbi devaluation.

Performance of Investment Properties ("IP"), our largest contributor, remained solid and steady. High occupancy and positive rental reversion in our unique IP portfolio drove a 6% rise in IP core profit to nearly HK$9 billion.

Management and execution capabilities become increasingly crucial in today's retail environment. Our iconic retail landmarks in Hong Kong (led by Harbour City and Times Square) exhibited solid rental growth despite a retreat in overall retail sales amidst market softness. Critical mass, showcase effect, best-positioned destination retail and unrivalled productivity underpinned our malls' success. The value of our malls has been further underlined with a host of enhancement initiatives and innovative marketing programmes. Office performance continued to offer pleasant surprises.

Harbour City retains its position as one of the most compelling destinations and a global showcase for best-in-class retailers. Its critical mass underscores an unmatched competitive advantage. The two million square feet of contiguous mall space with a 550-yard retail frontage on Canton Road in Tsim Sha Tsui's most dynamic retail area makes it the most productive retail complex in Hong Kong and one of the most productive in the world. It anchors the six-million-square-foot "Greater Harbour City" cluster of the golden square mile covering high-traffic shopping, entertainment, dining and lifestyle. With a comprehensive range of retail selection across a finely-calibrated price point matrix (480 retailers), the iconic landmark provides unique and captivating "shoppertainment" experiences for its patrons. Harbour City remains the most preferred location for the world's best brands, as manifested in the consistently solid retailers' demand, even in a soft market. The introduction of a spate of differentiating, aspirational brands, as well as exquisite culinary offerings, extends the appeal to a wider range of customers. The upcoming 4-storey extension building at Ocean Terminal, coupled with other value-accretive initiatives underway, are set to throw a new spotlight on Harbour City and to strengthen the pole position of the destination retail landmark.

Times Square, among the most successful vertical malls globally, is even better-positioned upon completion of a value-accretive revamp in end-2015. The creation of a lifestyle hub on the 9th-10th floors and a kids zone on 13A floor pique shoppers' interests and drive repeated visits. Proactive measures including constant trade mix refinement and tenants reshuffling with new images opportunely tapped into shoppers' evolving demand, staying abreast of the latest trends in fashion and dining.

The Mainland IP portfolio is poised for growth with a pipeline of IFS developments. Against the backdrop of an over-expansion of brands, abundant new supply of malls and the advent of e-commerce to pose additional threats to traditional brick-and-mortar retail as well as a wave of consolidation in the industry, the overall retail market in China is immensely competitive.

Our Chengdu IFS, however, has outshone the competition with its location, critical mass and management. In particular, it has promptly positioned itself as a global showcase in the Western China metropolis for the world's coveted brands. The 200,000-square-metre destination mall houses an impressive portfolio of 300 global premium brands including over 100 debuts in Western China. Presence at Chengdu IFS has become a "must" for celebrated international retailers. Capitalizing on its most prime location at the busiest intersection in the city's busiest pedestrian shopping area (comparable to a combination of Hong Kong's Central CBD, Causeway Bay and Tsim Sha Tsui), Chengdu IFS achieved robust retail sales growth of 17% to RMB3.85 billion in 2016 . Raising the bar for commercial developments in the city, it won the most prestigious global award "VIVA Best-of-the-Best Design and Development Award" presented by the International Council of Shopping Centers in 2016, the first shopping mall in China receiving such global acclaim. Niccolo Chengdu, our first "Niccolo" hotel, has also rapidly emerged as the market leader for room yield in just one year since opening.

CHAIRMAN'S STATEMENT

The performance of Chengdu IFS sets a good model for other future IFS developments and creates synergy. The upcoming retail-oriented IFS complexes in Chongqing and Changsha are set to mirror the success of Chengdu IFS, as evidenced by their promising retail pre-leasing status. Currently, over 90% and 85% of the respective retail floor plates at Chongqing IFS and Changsha IFS are either committed or nearly committed to key tenants. The fact that our tenants come with us to these new markets bear testimony to their confidence in our value creation capability. Targeted for opening in 2017, the new mega malls in Chongqing and Changsha will tap the huge experience-based consumption markets in the regions.

Changsha Times Outlet, aiming to replicate the success of its 'sister' in Chengdu, celebrated its grand opening in November 2016.

Core profit from Development Properties ("DP") in 2016 nearly tripled to approach HK$4 billion, thanks to record sales in Hong Kong and the Mainland of HK$40 billion and record revenue recognition of HK$37 billion.

In China, favourable market conditions helped to lift the Group's attributable share in contracted sales to a record RMB31.4 billion, 21% over 2015 and 31% above target. A disciplined approach to land bank replenishment continued to be practised, focusing on first-tier and top second-tier cities.

Back to Hong Kong, the Group's prestigious Mount Nicholson nestled on the Peak met with excellent demand. A total of 7 villas and 19 luxurious apartments, out of 19 villas and 48 apartments in total, were sold for combined proceeds of HK$11.6 billion or an average of HK$80,400 per square foot year-to-date. In particular, two adjoining apartments and one villa were sold at over HK$100,000 per square foot each, breaking the record price for Asian homes on a per unit basis.

A strategic review started in early 2016 led to the conclusion to exit the Communications, Media & Entertainment segment completely. Our entire equity interest in Wharf T&T was disposed in November 2016 at a consideration of HK$9.5 billion. No agreement to dispose of i-CABLE has been entered into and the current funding commitment would be neither increased nor extended upon expiry.

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

FINANCIAL RESULTS

Group core profit increased by 25% to HK$13.8 billion, thanks to a robust 31% growth from properties. Taking into account the net surplus from IP revaluation and other exceptional items including the HK$7.3 billion gain arising from the Wharf T&T disposal, profit attributable to Shareholders was HK$21.4 billion and earnings per share were HK$7.07. With the acquisition of Wheelock House in Central and further Mainland completions, IP assets expanded by 3% to HK$319.3 billion, driving total assets to HK$443.8 billion. Book net asset value increased to HK$316.8 billion (or HK$104.48 per share) net of decreases in exchange and investment reserves.

Net debt at year-end decreased by HK$23.4 billion to HK$23.8 billion. Gearing ratio further dropped to 7.3% (2015: 14.9%). Net cash inflow on and off balance sheet totaled HK$31 billion, after dividends but before financing activities and the acquisition of Wheelock House for HK$6.2 billion.

In 2016, Wharf became the first Hong Kong property developer to have obtained approval to issue panda bonds on the Mainland, with an aggregate amount not exceeding RMB20 billion. The first tranche of RMB4 billion 3-year medium term note was issued in October with an oversubscription of three times.

In lieu of a final dividend, a second interim dividend of HK$1.57 per share (2015: HK$1.35) has been declared to bring the total dividend for the year to HK$2.15 per share (2015: HK$1.90).

BUSINESS-IN-COMMUNITY

The Group's long-standing mission of "Building for Tomorrow" extends to Wharf's "Business-in-Community" pursuit.

Project *WeCan*, our flagship school improvement programme launched in 2011, has scaled up to 51 deserving schools, supporting over 43,000 students who are disadvantaged in learning in Hong Kong. A number of enrichment activities including company visits and job tasting have been arranged to widen student's exposure, nurture their confidence and facilitate personal fulfillment. The "Young Innovators Bazaar" at Plaza Hollywood has become an annual gala occasion and is gearing upwith over 1,000 students from 41 Project *WeCan* participating schools taking the lead to run the vast assortment of stalls in this fair in 2016.

The Group continued to support Hong Kong Ocean Day 2016 in October to participate in an underwater clean-up dive around Sharp Island in Sai Kung with professional divers. Also, about 200 Project *WeCan* students joined the eco-tour and scuba-diving that raised their awareness of marine and coastal conservation.

These achievements would not have been possible without the support of our corporate partners and our staff volunteers from various business units. Here, I wish to convey my warmest gratitude for their generous contribution and gift of time to serve the community.

The Wharf Hong Kong Secondary School Art Competition and Wharf Architectural Design Internship Programme have gained traction over the years. Wharf held the Art Competition annually to boost young people's creativity and interests in the aspect, with an ultimate goal of promoting local art development and nurturing young art talents. The top 18 finalists are eligible to apply for The Wharf Art Scholarship, which supports students financially in undertaking art-related bachelor programmes in local or overseas institutions. Currently, 11 students have been awarded scholarships to study creative arts and related subjects in renowned institutions around the world.

The Wharf Architectural Design Internship Programme provides local students with placement opportunities in renowned architectural firms in different countries including France, Germany, Japan, Switzerland and the United Kingdom. 12 outstanding architectural postgraduates have benefitted from the scheme since 2011.

We also published our second standalone CSR Report with an expanded scope of our stakeholder engagement in accordance with the Global Reporting Initiative (GRI) G4 sustainability reporting guidelines.

CHAIRMAN'S STATEMENT

OUTLOOK

2017 is set to be a year of riding out global economic and political shocks as the geopolitical surprises in 2016 continue to unfold. In particular, Sino-U.S. relations, including the heightened trade tension and South China Sea conflicts, will be a critical issue for Hong Kong in the coming months. Various external risks further cloud the outlook for 2017. These include currency volatility, the extent of Brexit and European instability, various general elections in Europe, the new U.S. administration, the prospect of U.S. interest rate rises, volatile fund flows caused by monetary policy divergence, and capital outflows from China exacerbated by RMB devaluation.

Against this backdrop, Asia may need to overcome diverse pressure from a stronger U.S. dollar and greater capital outflow. "Competitive devaluation" will be another potential development to watch. Looking forward, more fiscal stimulus that the world needs would certainly help.

China is on course to gradually shift to more consumer-oriented and services-led. Although the rising trade tension and a possible trade war may pose a new challenge for the country, the world's second largest economy on our doorstep is still a global powerhouse and will continue to buttress Hong Kong. GDP growth is on track to meeting an annual target of at least 6.5% until 2020. This, together with the commitment to double per-capita income by 2020 over 2010 levels, is still of primary importance. It will not only accelerate the pace of economic restructuring, urbanisation and wealth accumulation but also generate immense property and consumption demand for decades to come. Furthermore, the Belt and Road Initiative may present tremendous new potential, though new risks are inevitable in exploring new markets. We must open our minds to welcome the boundless opportunities that this exciting new era may bring us.

Hong Kong, being the world's leading super service platform, is best positioned to meet the enormous demand stemming from China's urbanization, service sector intensification and consumerism. Our city, however, is set to see its fair share of uncertainties in 2017 including possibly higher interest rates, political and economic tensions as well as a new Chief Executive administration. The local economy is projected to expand by 3% per annum from 2018 to 2021.

The retail and hospitality industries, despite signs of stabilisation in recent months, may remain soft. The government has stepped up efforts in achieving a more balanced inbound visitor portfolio to resuscitate the industries. That initiative has proved effective and may help shape the visitor trend. Moreover, construction of the Hong Kong-Zhuhai-Macau Bridge and the Guangzhou-Shenzhen-Hong Kong Express Rail Link is underway, which may facilitate the social and economic interactions with the metropolitan cities across the country, capturing new opportunities for our retail and personal services platform.

The volatile Yen and the constant devaluation of the Euro and pound in recent years are drags on the retail sector in town. Price harmonization of international brands continues, which may help mitigate the adverse impacts.

Last but not least, we have remarkable assets in prime locations. Our proven management and execution track record has earned trust and confidence of tenants, shoppers and investors in our destination retail properties with unique showcase effects and productivity. This is underscored by the consistently solid tenant demand and positive lease renewals, which buttress business resilience and continued growth.

On behalf of all Shareholders and my fellow directors, I wish to express my sincere gratitude to all customers and business partners for their unwavering support, and to all Staff for their professional competence, commitment and dedication throughout the year.

Wharf weathered plenty of ups and downs with its sturdy foundation in the past. With the macro uncertainties ahead, I, together with the seasoned management team, have full confidence in steering the Group towards riding over the challenges in a changing world.

Stephen T H Ng
Chairman and Managing Director
Hong Kong

9 March 2017

FINANCIAL HIGHLIGHTS

	2016	2015	
	HK$ Million	*HK$ Million*	*Change*
Results			
Revenue	**46,627**	40,875	+14%
Operating profit	**17,065**	14,853	+15%
Core profit (note a)	**13,754**	10,969	+25%
Profit before property revaluation surplus	**20,534**	9,793	+110%
Profit attributable to equity shareholders	**21,440**	16,024	+34%
Total dividend for the year	**6,518**	5,759	+13%
Earnings per share			
Core profit	**HK$4.54**	HK$3.62	+25%
Before property revaluation surplus	**HK$6.77**	HK$3.23	+110%
Attributable to equity shareholders	**HK$7.07**	HK$5.29	+34%
Dividend per share			
First interim	**HK$0.58**	HK$0.55	+5%
Second interim	**HK$1.57**	HK$1.35	+16%
Total for the year	**HK$2.15**	HK$1.90	+13%
Financial Position			
Total assets	**443,827**	443,916	–
Total business assets (note b)	**403,000**	414,770	-3%
Investment properties	**319,298**	310,177	+3%
Net debt	**23,837**	47,197	-49%
Shareholders' equity	**316,794**	307,728	+3%
Total equity	**325,406**	317,180	+3%
Number of issued shares (in millions)	**3,032**	3,031	–
Net asset value per share	**HK$104.48**	HK$101.53	+3%
Net debt to total equity	**7.3%**	14.9%	-7.6% pt

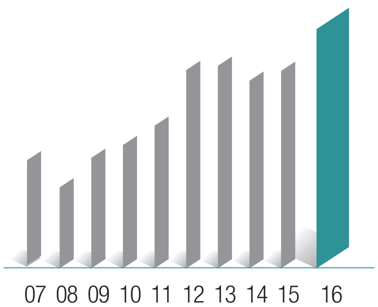
Notes:

(a) Core profit excludes investment property revaluation surplus, net mark-to-market difference on certain financial instruments and non-current items including gain from disposal of Wharf T&T in 2016, loss arising from the deemed disposal of Greentown interest on reclassification as financial investment and gain from disposal of 50% interest in Taicang container port in 2015.

(b) Business assets exclude corporate assets mainly comprising financial investments, deferred tax assets and bank deposits and cash.

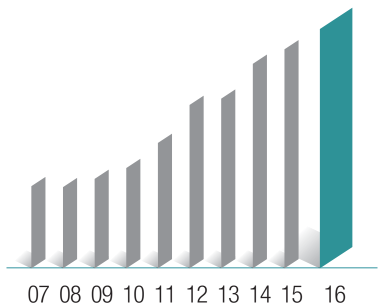
CORE PROFIT
(HK$ Million)

13,754



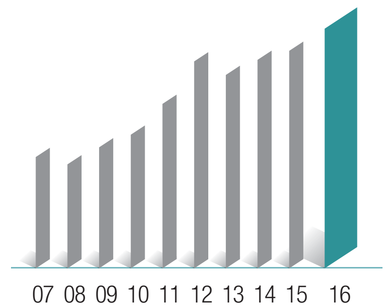
REVENUE
(HK$ Million)

46,627



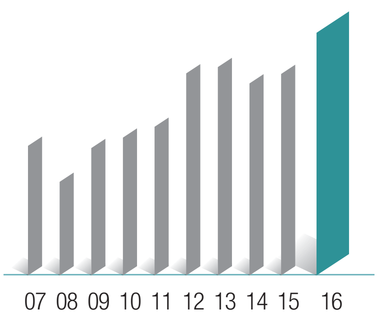
OPERATING PROFIT
(HK$ Million)

17,065



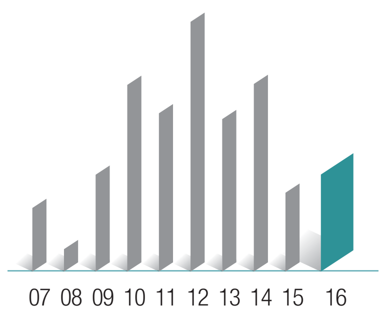
EARNINGS PER SHARE CORE PROFIT
(HK$)

4.54



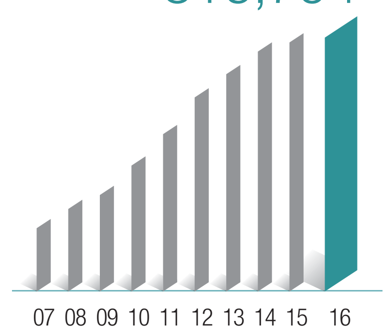
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS
(HK$ Million)

21,440



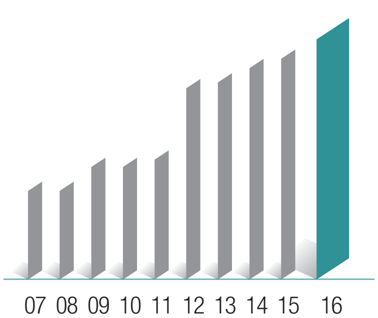
SHAREHOLDERS' EQUITY
(HK$ Million)

316,794



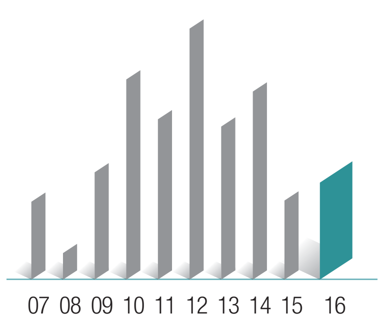
DIVIDEND PER SHARE
(HK$)

2.15



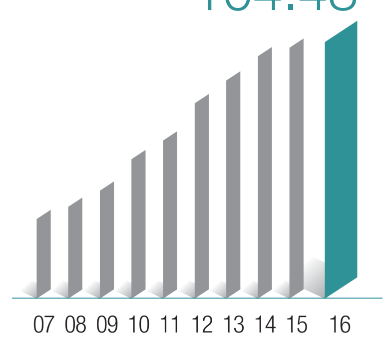
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY SHAREHOLDERS
(HK$)

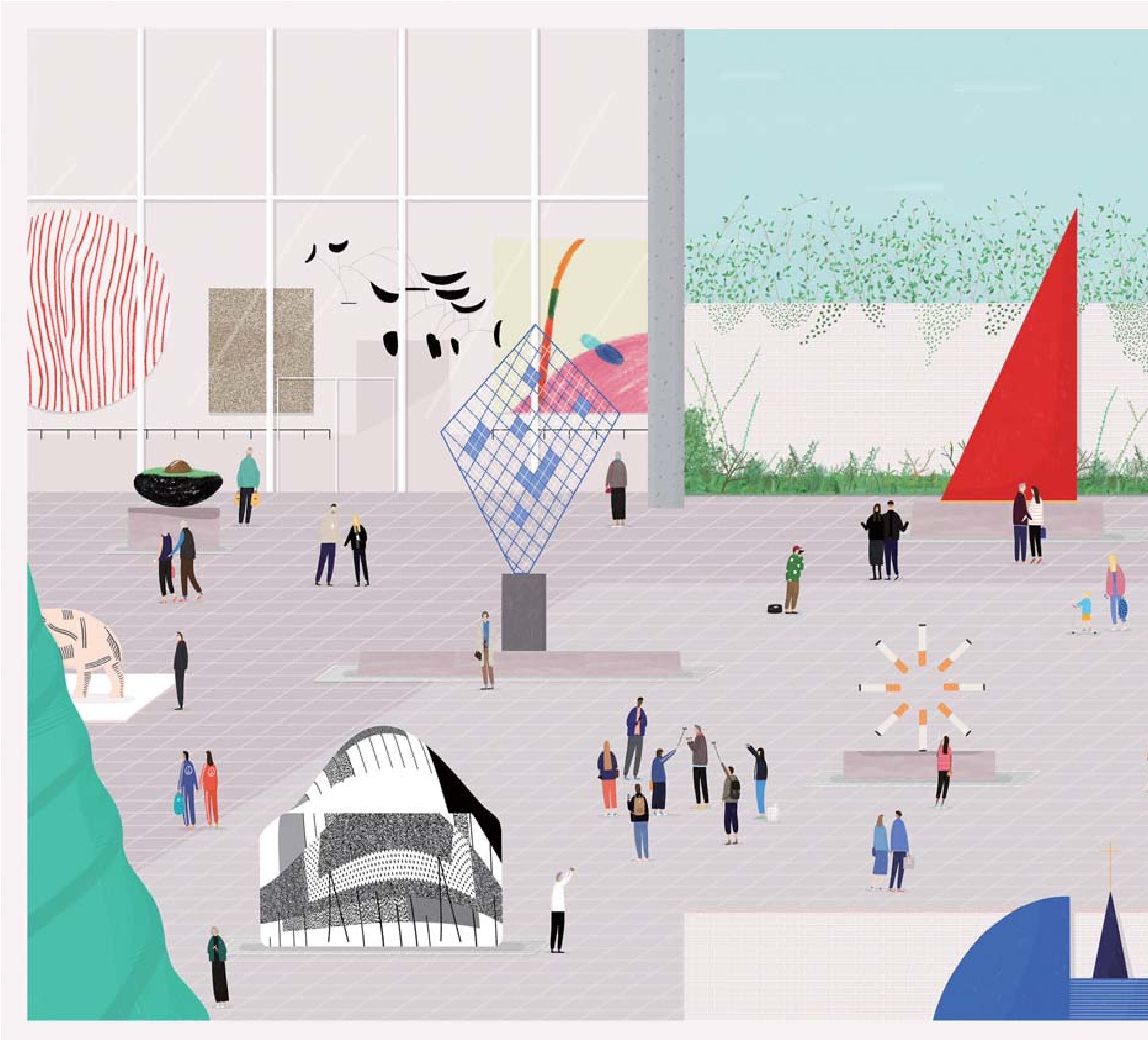
7.07

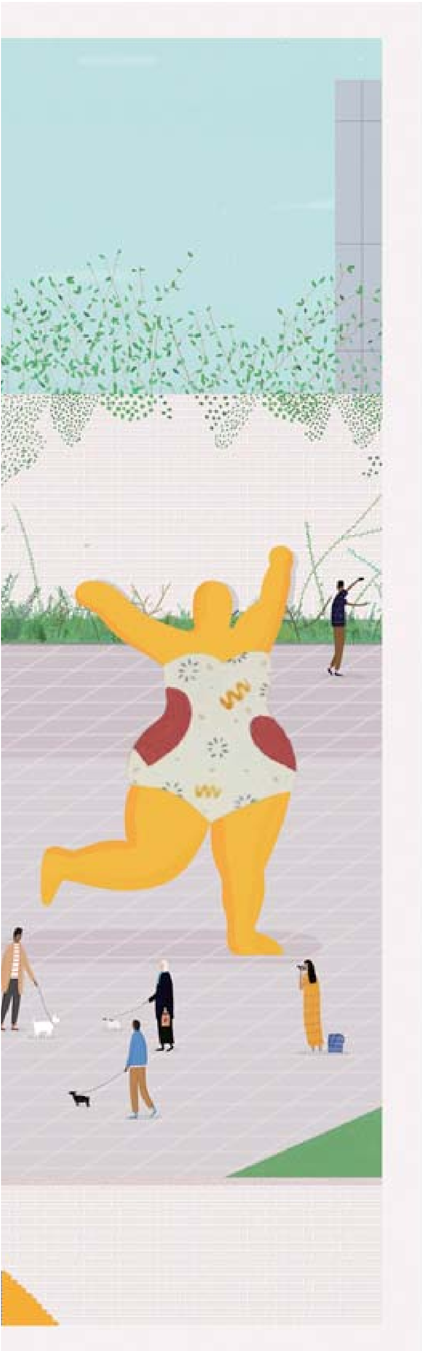


NET ASSET VALUE PER SHARE
(HK$)

104.48







BUSINESS REVIEW

PROPERTIES GROWTH CONTINUES

- Core profit from properties increased by 31% to HK$12.7 billion (2015: HK$9.7 billion) and accounted for 92% (2015: 88%) of Group total. That from Hong Kong properties increased by 35% to HK$10.1 billion and that from Mainland properties increased by 16% to HK$2.6 billion notwithstanding the devaluation of Renminbi.

- IP contributed HK$8.8 billion of core profit, on the back of high occupancy and favourable rental reversion, for an increase of 6%.

- Proactive management and execution capabilities continued to underpin the solid performance of IP through constant asset enhancement and value-accretive initiatives. Total revenue of HK IP increased by 6% to HK$12,939 million and operating profit increased by 7% to HK$11,288 million.

- DP sales and revenue, inclusive of joint ventures and associates on an attributable basis, both surpassed previous records to reach HK$40 billion and HK$37 billion respectively, while core profit nearly tripled to approach HK$4 billion.

HARBOUR CITY

CANTON ROAD, HONG KONG

BUSINESS ASSETS
172,854
HK$ million

GROSS REVENUE	OPERATING PROFIT
10,246	8,182
HK$ million	HK$ million

HARBOUR CITY

Performance remained solid notwithstanding a soft market. Overall revenue (including hotels) increased by 4% to HK$10,246 million and operating profit increased by 4% to HK$8,182 million.

Retail

Revenue increased by 4% to HK$6,207 million. Occupancy rate eased to 96% following Page One's strategic exit from Hong Kong. Tenants' sales dropped by 9.9% to HK$27.7 billion, with noticeable improvements in the second half. Stabilizing retail sales enhanced rental visibility with positive and sustainable rental reversion. Foot traffic reported moderate growth.

Harbour City, an anchor of the six-million-square-foot "Greater Harbour City" cluster of the golden square mile in Tsim Sha Tsui, remains one of the most coveted addresses and a global showcase for the world's best brands, as manifested in the constantly firm retailers' demand. Critical mass, comprehensive offering and unrivalled productivity put it in the best position to brace for market weakness.

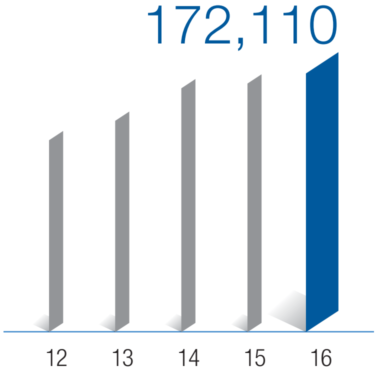
New additions including Brooks Brothers, CK Performance, Claudie Pierlot, Frey Wille, IRO, Market Liberty, Pearly Gates, Marella, Nespresso, SkinCeuticals, Sandro Men and Vilebrequin, freshen up the mall. Tenant mix has been further refined with a spate of Hong Kong or Kowloon debuts which include Aromatherapy Associates, Atelier Cologne, Bora Aksu, Cha Ling, Diptyque, Isabel Marant, J. Crew, Marcelo Burlon, MO&Co., The History of Whoo, Theory, Patrizia Pepe, PortsPURE, and Whistles. An Adidas flagship was opened to ride the athleisure wave while China Tang made its Kowloon debut to bring compelling flavours to Harbour City.

Incremental retail spaces will embody fresh new concepts in 2017. The Cheesecake Factory's debut in Hong Kong is targeted for mid-2017 and holds great appeal for customers.

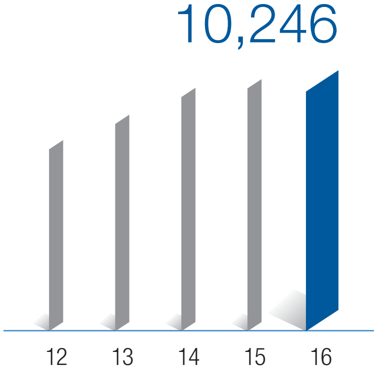
The new extension at Ocean Terminal is targeted for opening in the third quarter of 2017. With a stunning harbour view, it is set to captivate crowds with exciting culinary and retail offerings and to become a new icon in town with an overall enhancement effect to Harbour City.

Harbour City remains a global showcase for the world's most coveted brands.

PROPERTY VALUE
(HK$ Million)



GROSS REVENUE
(HK$ Million)



HARBOUR CITY

BUSINESS ASSETS

As at 31 December	**2016 HK$ Million**	2015 HK$ Million	Change
Properties (at valuation)	**164,540**	163,300	+1%
Hotel and club* (at valuation)	**7,570**	8,020	-6%
Other assets	**744**	972	-23%
Total business assets	**172,854**	172,292	–

* Hotel and Club are stated at cost less depreciation in the financial statements.

GROSS REVENUE

	2016 HK$ Million	2015 HK$ Million	Change
Retail	**6,207**	5,949	+4%
Office	**2,437**	2,317	+5%
Serviced Apartments	**316**	301	+5%
Hotel and Club	**1,286**	1,315	-2%
Total gross revenue	**10,246**	9,882	+4%

OPERATING PROFIT

	2016 HK$ Million	2015 HK$ Million	Change
Retail	**5,491**	5,312	+3%
Office	**2,148**	1,977	+9%
Serviced Apartments	**208**	195	+7%
Hotel and Club	**335**	362	-7%
Total operating profit	**8,182**	7,846	+4%

PORTFOLIO INFORMATION

	Gross Floor Area (sq ft)	Revenue (HK$ Million)	Average Occupancy (%)	Year-end Valuation (HK$ Million)
Retail	2,049,000	6,207	97	96,001
Office	4,263,000	2,437	97	58,259
Serviced Apartments	670,000	316	73	10,280
Hotel and Club	1,368,000	1,286	83	7,570

Office

Positive rental reversion drove revenue up by 5% to HK$2,437 million despite the sizable new supply in non-core districts. Solid demand from strategic sectors helped to stabilise rents for new commitments. Occupancy rate was maintained at 97% at year end. Lease renewal retention rate was 69%.

HARBOUR CITY

RETAIL TENANT MIX (by Rental, Area and Sales)

	% by Rental	% by Area	% by Sales
Fashion	38.8	27.1	25.3
Leather Goods – Shoes, Bags & Related Trade	21.4	12.5	24.3
Jewellery, Beauty and Accessories	20.5	7.7	21.9
Department Store, Confectionery Products	6.7	23.8	13.2
Restaurant, Fast Food, F&B, Entertainment	3.7	15.5	4.7
Children's Wear, Toy & Related Trades	3.1	4.9	2.8
Sports Wear	2.2	3.0	2.1
Electrical & Audio-visual Equipment	1.9	1.6	5.0
Others	1.7	3.9	0.7
Total	100	100	100

Total GFA

8.35 MILLION SQUARE FEET

with an annual footfall of

~80 MILLION

High fashion retail frontage

1/3 MILE

equivalent to the most prime section of Ginza, Tokyo; Avenue Montaigne, Paris; and Fifth Avenue, New York

Total retail sales

HK$ 27.7 BILLION

Valuation

HK$ 172.1 BILLION

Effective marketing initiatives secured shoppers flow. In July, the “We’re All Smurfs!” exhibition became the first stop for an Asian Art Tour of the all-time favourite cartoon characters. In September, Hong Kong’s largest-ever BE@RBRICK fashion-art group exhibition was held at Harbour City. The theme for Christmas was “Christmas Together”, where over 150 “Snowie” in different designs joined the party at the Ocean Terminal Forecourt. The Christmas ambience was also created inside the mall with the display of “Santa is Everywhere” designed by Finnish illustrator Rami Niemi.

TIMES SQUARE

CAUSEWAY BAY, HONG KONG

BUSINESS ASSETS

54,534
HK$ million

GROSS REVENUE	OPERATING PROFIT
2,838 HK$ million	2,533 HK$ million

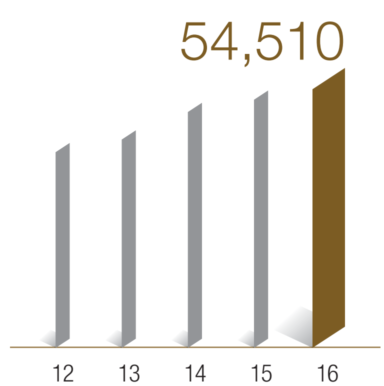

CHANEL
連

TIMES SQUARE

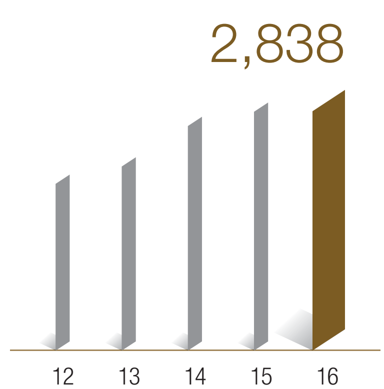
Revenue increased by 6% to HK$2,838 million and operating profit by 8% to HK$2,533 million.

Times Square is among the most successful vertical malls in the world.

PROPERTY VALUE
(HK$ Million)



GROSS REVENUE
(HK$ Million)



Retail

Revenue increased by 6% to HK$2,137 million. Occupancy rate remained at 99%. Tenants' sales dropped by 11% to HK$8.1 billion but showed signs of stabilization in the second half with healthy foot traffic.

Times Square, among the most successful vertical malls globally, continues to receive robust demand for openings or expansion from celebrated retailers. The 17-level shopping landmark remained the core of a "Greater Times Square" cluster in Causeway Bay.

Value creation initiatives are essential in shaping the mall's success. Constant tenant mix refinement helped to accommodate evolving consumer preferences. The establishment of the "Kids Square" on 13A floor and the conversion of the 9th and part of the 10th floor into a lifestyle hub further uplift the one-stop lifestyle experience. Retail offerings were enhanced with the addition of established brands including Adidas Originals, Aldo, amika:, AMOREPACIFIC (HK debut), Calzedonia, Cole Haan, Caudalie, Dior, Givenchy, Stuart Weitzman, Sandro, Brooks Brothers, GERMAIN/ LANCASTER, iDecorateshop.com, K-style Lab (HK debut store run by several Korean designers), Lacoste, Liquid Gold, Oysho by Inditex (debut on Island side), Porter International, Rockport, Sanrio Gift Gate, Shiseido Beauty Centre, Smiggle, Tresor Rare, Trussardi Jeans and TSL.

TIMES SQUARE

BUSINESS ASSETS

As at 31 December	**2016 HK$ Million**	2015 HK$ Million	Change
Properties (at valuation)	**54,510**	54,070	+1%
Other assets	**24**	44	-45%
Total business assets	**54,534**	54,114	+1%

GROSS REVENUE

	2016 HK$ Million	2015 HK$ Million	Change
Retail	**2,137**	2,017	+6%
Office	**701**	670	+5%
Total gross revenue	**2,838**	2,687	+6%

OPERATING PROFIT

	2016 HK$ Million	2015 HK$ Million	Change
Retail	**1,917**	1,775	+8%
Office	**616**	571	+8%
Total operating profit	**2,533**	2,346	+8%

RETAIL TENANT MIX (by Rental, Area and Sales)

	% by Rental	% by Area	% by Sales
Fashion	34.0	22.9	24.5
Jewellery, Beauty, Healthcare and Accessories	33.7	16.2	26.3
Department Stores, Confectionery Products	13.6	21.7	25.0
Restaurant, Fast Food, F&B & Entertainment	7.4	26.5	8.8
Electrical & Audio-visual Equipment	5.1	5.1	10.9
Sports Wear	4.2	3.4	3.8
Others	2.0	4.2	0.7
Total	100	100	100

TIMES SQUARE

A diverse collection of delectable dining options from across the globe were introduced to delight diners' palate. Mad For Garlic, a Korean chain offering garlic-specialized Italian cuisine and an exquisite selection of wines, made its debut in Hong Kong. Other interesting additions included Joe & The Juice from Denmark to appeal to health-conscious customers, Hong Kong's first Selfie Café dedicated to "selfie lovers", gelato dessert café Petite House and Spanish frozen yogurt brand llaollao.

Innovative marketing events and various cultural enrichment initiatives for the community were lined up. These included popular manga "Saint Seiya" 30th anniversary exhibition, "The Times Square Snow Chamber" to celebrate the festive season and "Walking in the Art with Cheng Kok Kong" Exhibition, marking the 45th anniversary of Mr. Cheng becoming a lyricist. The Picasso and Jacqueline Exhibition with 13 precious and famous works of the Master flown in all the way from Museu Picasso de Barcelona was staged with overwhelming response.

Office

Revenue increased by 5% to HK$701 million reflecting positive rental reversion. Occupancy rate remained at 97%. Lease renewal retention rate was 86%.

PORTFOLIO INFORMATION

	Gross Floor Area (sq ft)	Revenue (HK$ Million)	Average Occupancy (%)	Year-end Valuation (HK$ Million)
Retail	936,000	2,137	98	38,655
Office	1,033,000	701	96	15,855

Total GFA

1.97 MILLION SQUARE FEET

With an annual footfall

~65 MILLION

Total retail sales

HK$ 8.1 BILLION

Valuation

HK$ 54.5 BILLION

PLAZA HOLLYWOOD

KOWLOON EAST, HONG KONG

BUSINESS ASSETS
9,551
HK$ million

GROSS REVENUE
546
HK$ million

OPERATING PROFIT
413
HK$ million

PLAZA HOLLYWOOD

Revenue increased by 3% to HK$546 million and operating profit by 4% to HK$413 million. Occupancy rate was 96% at year-end.

Plaza Hollywood, a leading shopping mall in Kowloon East, is well positioned to exploit the growth opportunities in the vibrant and alternative CBD in the making. The 259 retail outlets, 25 restaurants, and a purpose-built stadium housing six-screen cinema multiplex with 1,614 seats that tops the box office chart in Kowloon East, form an unmatched critical mass for shoppers and retailers. Its highly efficient layout (65% of GFA is lettable), and a deliberate design without towers overhead, will greatly enhance future planning flexibility.

Relentless tenant mix optimization and effective marketing strategies underline future growth potential.

Total retail sales

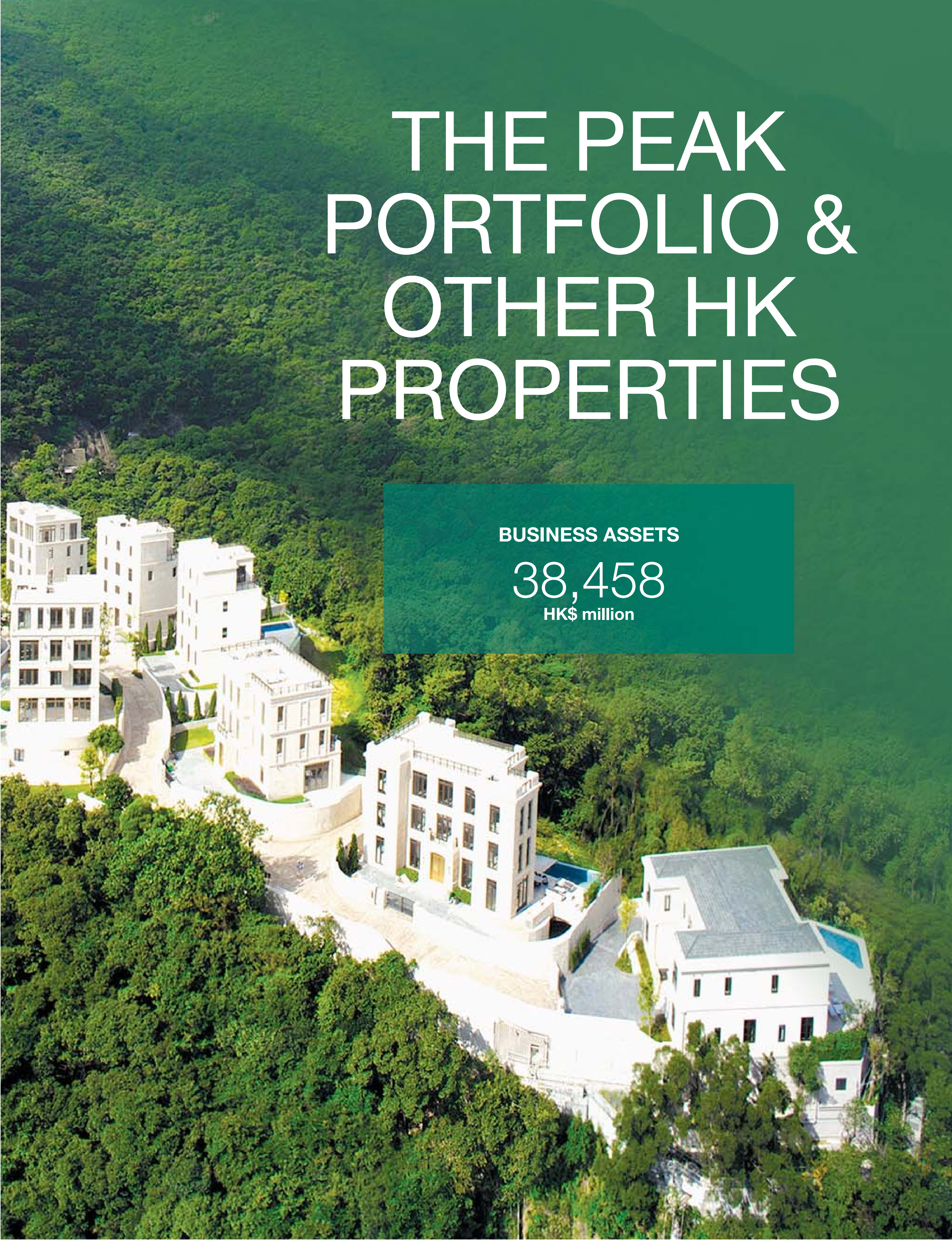
HK$ 2.4 BILLION

Annual footfall

~20 MILLION

RETAIL TENANT MIX (by Rental, Area and Sales)

	% by Rental	% by Area	% by Sales
Restaurant, Fast Food, F&B & Entertainment	21.1	31.2	22.2
Jewellery, Beauty and Accessories	20.9	12.0	16.4
Fashion	19.1	22.9	15.2
Department Store, Healthcare & Confectionery Products	15.8	13.7	16.4
Travel, Telecommunication & Other Services	8.5	5.5	8.5
Electrical & Audio-visual Equipment	6.7	6.0	14.5
Sports Wear	5.3	4.8	4.5
Others	2.6	3.9	2.3
Total	100	100	100



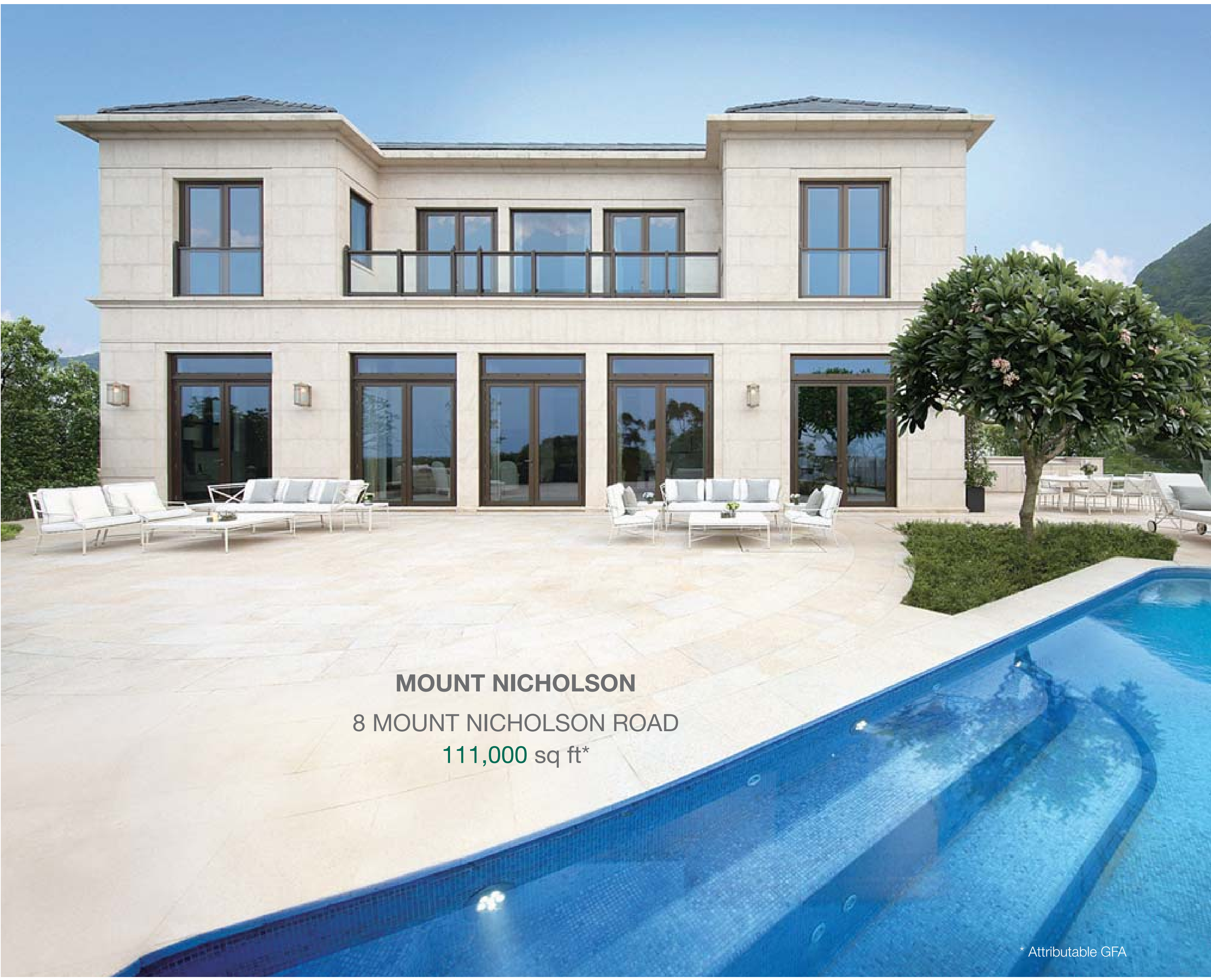
THE PEAK PORTFOLIO & OTHER HK PROPERTIES

BUSINESS ASSETS

38,458

HK$ million

THE PEAK PORTFOLIO



MOUNT NICHOLSON

8 MOUNT NICHOLSON ROAD

111,000 sq ft*

* Attributable GFA

The Peak Portfolio

Wharf's Peak Portfolio showcases an exquisite collection of the most prestigious and exclusive residences for the most discerning residents nestled on the Peak. These superb developments set a new bar for luxury living and surpass benchmarks of excellence. Superstructure/foundation works for the re-development of the Peak Portfolio including 1 Plantation Road (20 houses), 11 Plantation Road (7 houses) and 77 Peak Road (8 houses) are progressing to plan.

Mount Nicholson, a 50:50 joint venture development with Nan Fung Group (project's total attributable GFA: 162,000 square feet) completed in 2016, offers ultra-luxury residences with an enchanting uninterrupted view over Victoria Harbour. Since its launch on a targeted basis in February 2016, seven villas and 19 apartments have been sold for combined proceeds of HK$11.6 billion or an average of HK$80,400 per square foot (villas: HK$5.1 billion or an average of HK$85,600 per square foot; apartments: HK$6.5 billion or an average of HK$76,700 per square foot).

Attributable GFA
346,200
square feet

1 PLANTATION ROAD
91,000 sq ft

11 PLANTATION ROAD
46,000 sq ft

CHELSEA COURT
43,000 sq ft

77 PEAK ROAD
42,200 sq ft

STRAWBERRY HILL
13,000 sq ft

THE PEAK PORTFOLIO & OTHER HONG KONG PROPERTIES BUSINESS ASSETS

As at 31 December	**2016 HK$ Million**	2015 HK$ Million	Change
Properties	**32,325**	25,514	+27%
Interest in associates/joint ventures	**5,713**	3,838	+49%
Property inventory and development	**6**	1,194	-99%
Other assets	**414**	772	-46%
Total business assets	**38,458**	31,318	+23%

OTHER HK PROPERTIES

WHEELOCK HOUSE

CENTRAL HONG KONG

	Retail	Office	Residential	Attributable GFA (sq ft)
Central, Hong Kong				
Crawford House	•	•		189,000
Wheelock House *(acquired in March 2016)*	•	•		204,000
Kowloon East				
8 Bay East (former Wharf T&T Square) *(under development)*	•	•		534,000
Kowloon Godown *(planning for re-development)*	•		•	829,000
Peninsula East	•			42,600
Yau Tong JV Project *(planning for re-development)*	•		•	596,000

CRAWFORD HOUSE

CENTRAL HONG KONG

WHEELOCK HOUSE AND CRAWFORD HOUSE

The Group's presence in Central was augmented by the acquisition of the office tower and a prime shop in Wheelock House for HK$6.2 billion. Crawford House had earlier been acquired in 2014. Both properties performed steadily with positive rental reversions. The offices were nearly fully let, and the retail spaces (including Zara's largest flagship in Hong Kong) were 100% occupied.

KOWLOON EAST

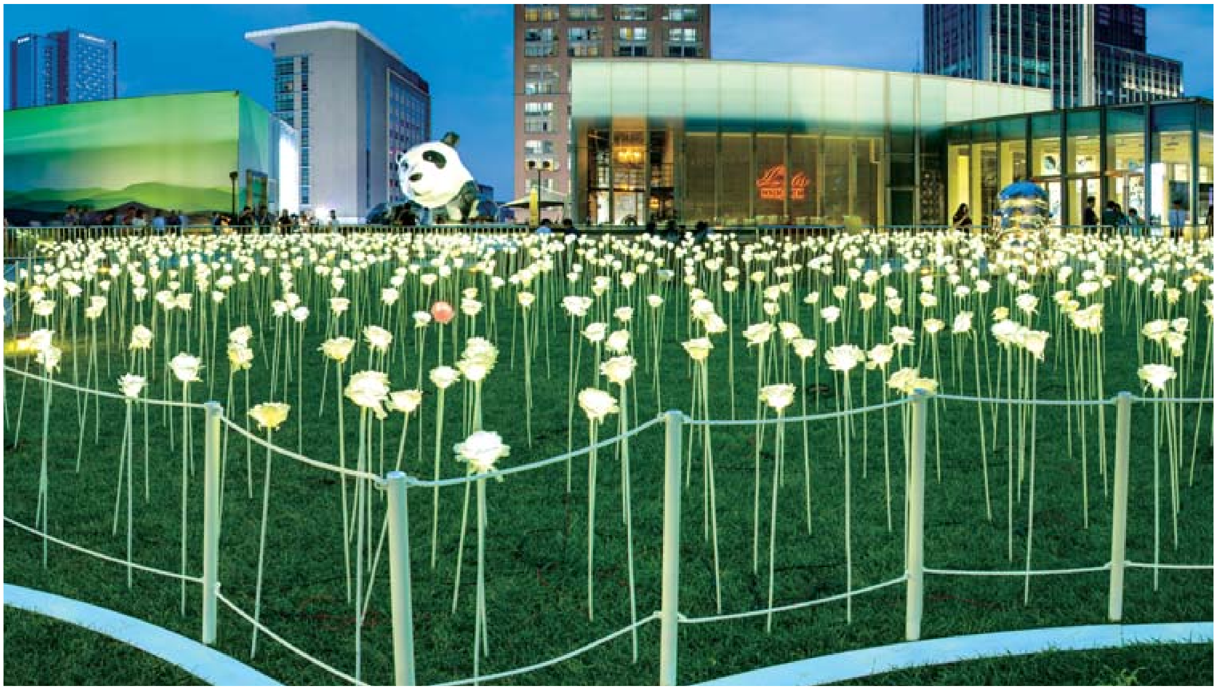
The Group's powerful "Kowloon East Waterfront Portfolio" of new developments, spanning a 500-metre coastline and boasting a stunning Harbour view, is poised to fully tap the enormous potential of the emerging vibrant CBD2. This portfolio features an impressive collection of 8 Bay East (a 534,000-square-feet re-development of the former Wharf T&T Square), Kowloon Godown (pending re-development) and parent company Wheelock's One Bay East (comprising two office towers already sold to and occupied by Manulife and Citigroup respectively). Foundation works for 8 Bay East is underway.

All 256 residential units at Peninsula East in close proximity to Yau Tong MTR station have been pre-sold earlier and were completed in 2016, generating proceeds of HK$2.0 billion. The latest general building plan of the 15%-owned Yau Tong joint venture project has been submitted in late 2016.

CHINA INVESTMENT PROPERTIES

CHINA INVESTMENT PROPERTIES

With the adverse impact of currency movements, revenue increased by 2% to HK$2,350 million and operating profit by 1% to HK$1,253 million on translation to Hong Kong dollars.



CHENGDU IFS

The award-winning Chengdu International Finance Square ("IFS") continued to outshine the competition. Revenue increased by 10% to HK$887 million and operating profit by 22% to HK$383 million. Its retail performance particularly exceeded expectation. Serviced apartments, IFS Residences, opened in the second half of 2016 to complete the offering.

Retail

Revenue increased by 11% to RMB633 million. Occupancy rate was 98% at year-end. Tenants' sales increased by a robust 17% to RMB3.85 billion while foot traffic grew by 19%.

Opened in 2014, the Chengdu IFS mall has promptly positioned itself as a trendsetting landmark in the western China metropolis with its unrivalled location, critical mass and top-notch management. The mega mall boasts an exquisite collection of 300 global premium brands, with over 100 debuts in China West, as well as appealing entertainment offerings including an IMAX movie theatre and an ice skating rink. The 15-metre-tall outdoor giant panda art installation and the 7,700-square-metre Sculpture Garden also emerged as must-see attractions of the city.

CHINA INVESTMENT PROPERTIES

New additions including Alice and Olivia, Didier Dubot, Love Moschino, Philipp Plein, TASAKI, Versus, Vera Wang and Yanjiyou further optimised the tenant mix and enhanced one-stop lifestyle experience. Inspirational marketing campaigns continued to attract phenomenal patronage. These included "Light Rose Garden", a gorgeous mass art installation featuring 25,000 LED roses, as well as B.Duck "Be Here For You" Christmas Campaign. The mall also organized the first VIK (Very Important Kids) Digital Art Event, "The Monster Works", with Shanghai-based digital art organization Draw Together, and Sport-VR Campaign with VR game booths which combined sports with Virtual Reality technology.

In recognition of its distinguished positioning, Chengdu IFS has earned a host of reputable accolades including "VIVA Best-of-the-Best Design and Development Award" (VIVA for Vision, Innovation, Value, Achievement) presented by International Council of Shopping Centers in 2016, signifying the first Hong Kong developer and China's first-ever commercial project winning this prestigious global title.

Office

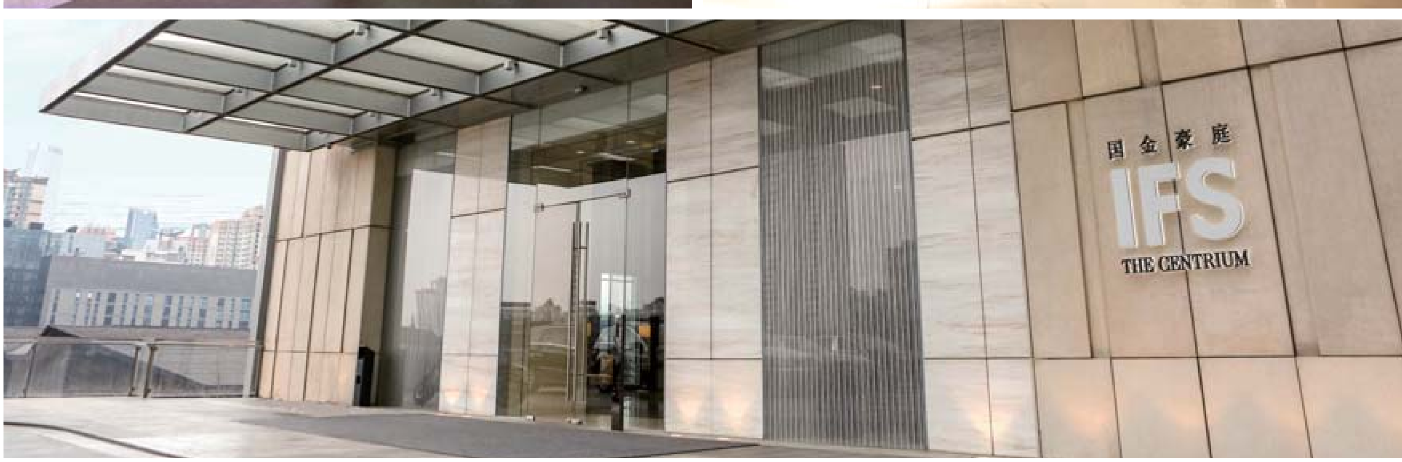
The three premium Grade A office towers mark the ultimate 21st Century workplace and the most compelling location for multinationals, financial institutions and major corporations in western China. Raising the benchmark for future offices, they create an optimal marketplace for tenants to conduct seamless business interaction. Demand from renowned tenants remained solid. Nearly 110,000 square metres (40% of total GFA) have been leased, with rental rates achieved among the highest in the city.


IFS
HERE
ALL IN
HERE


言几又
YAN JI YOU MAKE LIFE DIFFERENT


PART II


Lane Crawford


国金豪庭
IFS
THE CENTRIUM

CHINA INVESTMENT PROPERTIES

SHANGHAI WHEELOCK SQUARE

The tallest 270-metre skyscraper in Puxi remains one of the top choices for multinationals and major corporations. It is not only right opposite to Jing'an Temple Metro Station from where frequent trains commute to Pudong International Airport and adjacent to the Yan'an elevated expressway, but it also sits between the Bund and Zhongshan Xi Road with Hongqiao International Airport further to the west. Its prime location with excellent transport connections provides unmatched accessibility. Occupancy rate was 96% at year-end. Lease renewal retention rate was maintained at 51%, with solid rental reversion.

In recognition of its provision of world-class service and management to tenants, Shanghai Wheelock Square was honoured with many accolades. These included "Luxury Attitude Award 2016" and "Quality 5C Award 2016" by Golden Key International Alliance, as well as "Shanghai Commercial Innovative Service Excellence Corporation" and "Shanghai Commercial Service Brand" by Shanghai Commercial Association.

SHANGHAI TIMES SQUARE

Conveniently located in the exclusive shopping, entertainment and business hub of Huaihai Zhong Road, this prominent retail destination is home to the largest Lane Crawford store in the Mainland and a mega lifestyle specialty store CitySuper. It remained virtually 100% occupied at year-end. Various family-friendly events were hosted to bolster engagement of families and to drive patronage and sales. These included "Junior Master Chef" cooking competition collaborated with F&B outlets, Children's fashion show at handmade floral garden on piazza and "QQ Icy Wonderland" mascot meet-and-greet in celebration of Christmas and New Year with families.

The offices were 92% let. Lease renewal retention rate was 81%.


WHEELOCK SQUARE
NANJING XI ROAD
SHANGHAI

CHINA INVESTMENT PROPERTIES

TIMES OUTLET

SHUANGLIU CHENGDU

The 63,000-square-metre Chengdu Times Outlet remains one of the most visited outlet mall destinations in all of China. The mall, offering over 250 international brands, achieved an 18% growth in unit sales in 2016 benefiting from the rapid emergence of Chinese middle class.

TIMES OUTLET

JINZHOU NEW DISTRICT CHANGSHA

Mirroring the success of Chengdu Times Outlet, the Group opened a 72,000-square-metre outlet mall in Changsha in September 2016. It is served by an excellent transportation network, with convenient access to multiple major motorways (including metro and high-speed expressway) that link Changsha to various popular national tourist attractions, including Zhangjiajie and Dongting Lake. Occupancy rate was 66% at year-end.

UNDER DEVELOPMENT

A pipeline of IFS project is progressing at full speed to strengthen the Group's recurrent income base. Targeting to replicate the success of the remarkable Harbour City in Hong Kong and IFS in Chengdu, Chongqing IFS and Changsha IFS will capitalize on the Group's management expertise and experience in operating some of the most productive retail-cum-office developments. The retail-led complexes located at the heart of their respective core CBDs will be best positioned to tap the experience-oriented consumption markets in the western and central China metropolis in the years to come.

CHONGQING IFS

The 50%-owned Chongqing IFS will comprise an iconic 300-metre landmark tower and four other towers atop a 114,000-square-metre retail podium, forming the most massive mixed-use complex in Jiangbei District (Chongqing's new CBD). Grade A offices and the second upscale Niccolo hotel will help to position the development as a boutique-sized Harbour City. Currently, over 90% of the retail floor plates are under offer to or in advanced discussion with key anchors and various major tenants. 80% of office Tower Two and Three was sold. The mall and Niccolo Chongqing are scheduled to open in the third quarter of 2017.

CHANGSHA IFS

Changsha IFS, inclusive of a massive 254,000-square-metre mall, will be the ultimate shopping, dining, lifestyle and leisure destination in Hunan province and the most coveted destination for a wide assortment of celebrated retailers. Over 85% of total retail areas were under offer to tenants or in advanced discussion, a good testament to retailers' trust and confidence in the Group's management execution capabilities and the untapped potential of the city. The mall is scheduled to open in late 2017.

Raising the bar for tomorrow's office, the top-notch office towers will represent the most preferred workplace for financial institutions and major corporations based in the region. Handover to tenants is scheduled to commence by the third quarter of 2017.

The third Niccolo hotel in the Mainland is scheduled to open at Changsha IFS in the first quarter of 2018.

Full completion of the project is scheduled for 2018.

SUZHOU IFS

Prominently located in the new CBD overlooking Jinji Lake, the 80%-owned Suzhou IFS will comprise Grade A offices, sky residences, and a 133-room luxury Niccolo hotel. Adjacent to Xinghu Street MTR Station, the 450-metre landmark development (GFA: 299,000 square metres) is slated for full completion in 2018.

CHINA INVESTMENT PROPERTIES


IFS
CHANGSHA


IFS
SUZHOU

CHINA DEVELOPMENT PROPERTIES


HUANGPUJIANG PROJECT, PUDONG, SHANGHAI

Inclusive of joint ventures and associates on an attributable basis, revenue increased by 12% to HK$30,676 million and operating profit by 22% to HK$5,133 million. 1,697,000 square metres of GFA were completed and recognized in 2016 (2015: 1,587,000 square metres).

Despite a wave of new cooling measures implemented late in the year, favourable market sentiments for most of 2016 drove up the Group's attributable interest in contracted sales by 21% to RMB31.4 billion, 31% above target. The net order book increased to RMB27.4 billion for 1.2 million square metres at year-end.

In China East, various projects in Shanghai, Suzhou, Hangzhou and Wuxi drew favourable responses. Shanghai Pudong E18 and Zhoupu sold in aggregate 282 units for RMB6.1 billion in 2016. In Suzhou, Times City, Ambassador Villa and Bellagio sold in aggregate 1,403 units for RMB5.0 billion. In Hangzhou, Palazzo Pitti, The Exquisite Palace and Royal Seal sold in aggregate 244 units for RMB1.8 billion. Greentown Wharf Qiantang Bright Moon and Greentown Zhijiang No. 1 sold 798 units for RMB2.4 billion on an attributable basis. In Wuxi, River Pitti and Times City sold in aggregate 1,618 units for RMB2.2 billion. Demand for the projects on sale in other regions of China also strengthened. In particular, The Scenery Bay in Tianjin sold 401 units for RMB1.2 billion on an attributable basis.

In 2016, the Group acquired three sites in Beijing, Hangzhou and Shenzhen for RMB3.7 billion (GFA: 116,500 square metres) on an attributable basis. Currently, the DP land bank was maintained at 4.2 million square metres.

The Group will continue its selective land purchase strategy focusing on first-tier and top second-tier cities.

CHINA CONTRACTED SALES BREAKDOWN BY REGION

	No. of projects on sale	Contracted Sales (%)	GFA Sold (%)
Eastern China			
Changzhou, Hangzhou, Ningbo, Shanghai, Suzhou & Wuxi	31	76	63
Western China			
Chengdu & Chongqing	10	11	21
Southern China			
Foshan & Guangzhou	7	4	7
Northern China and Other Regions			
Beijing, Tianjin, Dalian & Wuhan	8	9	9

CHINA DEVELOPMENT PROPERTIES

MAJOR CHINA DEVELOPMENT PROPERTIES LIST

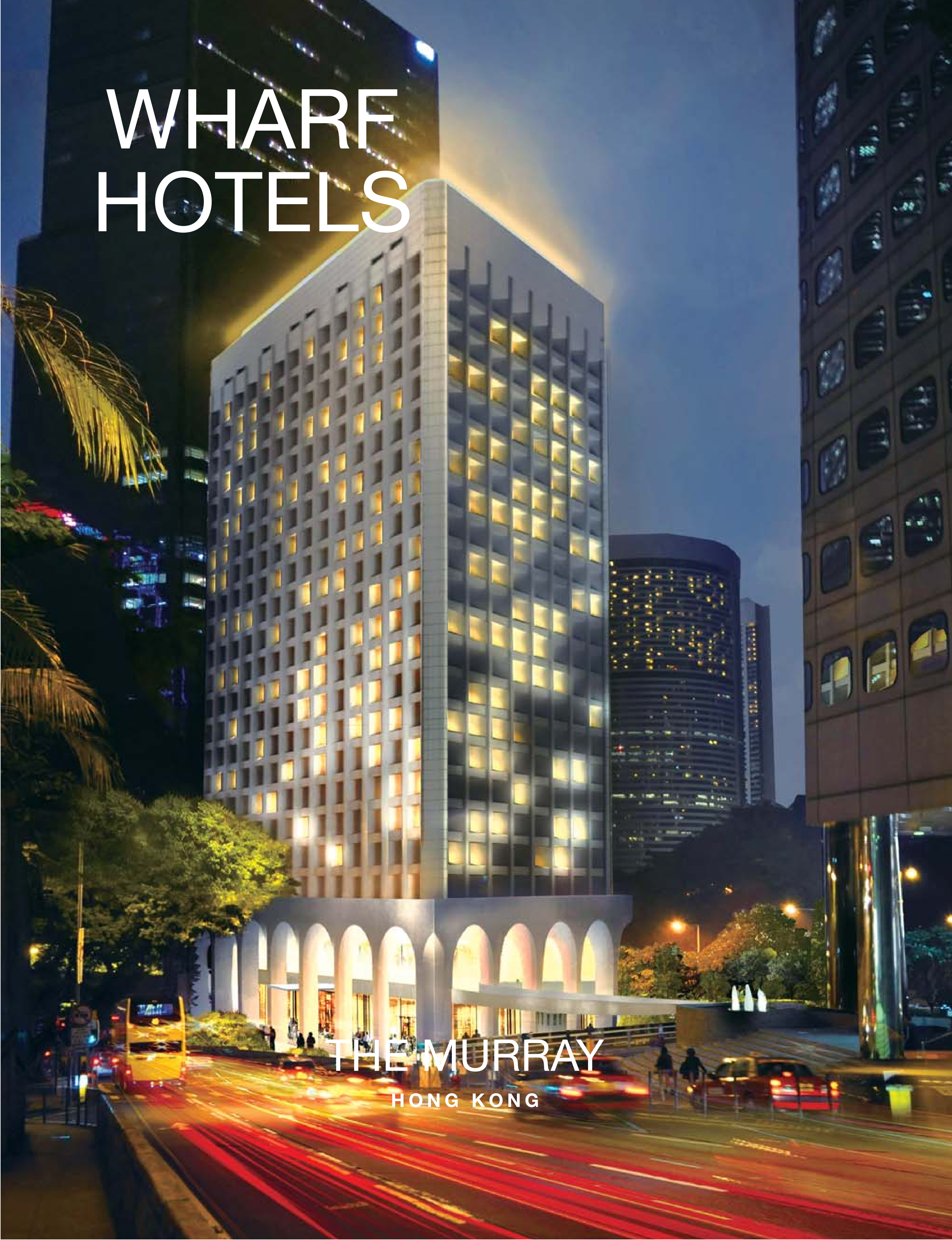
		Attributable GFA (sqm)
Eastern China		
Changzhou	Changzhou Feng Huang Hu	177,000
	Feng Huang Hu Shu	143,000
Hangzhou	Junting	124,000
	Greentown Zhijiang No.1	72,000
	Greentown Wharf Qian Tang Bright Moon	94,000
	Park Mansion	62,000
	Longxi (Site GS05-R21-A01 & 14)	95,000
Shanghai	Pudong Huangpujiang Project	136,000
	Shanghai South Station	121,000
	Jingan Garden	71,000
Suzhou	Suzhou Times City	271,000
	Bellagio	184,000
Wuxi	River Pitti	230,000
	Wuxi Times City	189,000
	Wuxi Glory of Time	147,000
Western China		
Chengdu	Times Town	353,000
	Chengdu ICC	333,000
	Chengdu Times City	173,000
Chongqing	International Community	239,000
	The Throne	158,000
Southern China		
Guangzhou	Evian Capital, Foshan	59,000
	Evian Kingbay, Foshan	59,000
Shenzhen	Qianhai Apartment Project, Shenzhen	51,000

Attributable GFA (sqm)

Northern China and Other Regions		
Beijing	Chaoyang Qu Jiu Xian Qiao Liang Ma K Project	48,000
Dalian	Garden Valley	112,000
Tianjin	Scenery Bay	48,000

For further details, please refer to Schedule of Principal Properties on page 200 to 209.

WHARF HOTELS



WHARF HOTELS

Currently, the Group operates and develops 19 hotels in the Asia Pacific region through Marco Polo Hotels and the new luxury brand Niccolo, six of which are owned by the Group and five are under development.

The exciting expansion of this portfolio continues with a solid pipeline of new hotels over the next few years. These new hotels include a prominent collection of contemporary urban chic 'Niccolo' hotels which redefine luxury experiences, styles and tastes for global travelers. They truly represent an elevated level of understated luxury, exquisite design and impeccable hospitality.

In Hong Kong, the Group is in full swing to convert the former landmark Murray Building into The Murray, a 336-room Niccolo hotel in Central. As a prominent part of the Government's Conserving Central initiative, this sophisticated urban chic hotel will breathe new life into the historic building and is scheduled to open in late 2017. It will become an iconic luxury hotel befitting the city's most prestigious visitors, serving the business community, and establishing the new epicenter for events and celebrations.

WHARF HOTELS

NICCOLO

Niccolo Chengdu, which opened at Chengdu IFS in 2015, signaled the start of a new era of the hotel group's brand extension. This first Niccolo rapidly emerged as the city's market leader for room yield in just a year since opening. It has clinched a host of coveted distinctions, including "Best Business Hotel in Southwest China" at the 9th TTG China Travel Awards, affirming the success of the brand evolution.

Niccolo Chengdu sets a good model for the three Niccolo hotels under development at the IFS complexes in Chongqing, Changsha and Suzhou, which are progressing to plan.

Niccolo Changsha* (2017)	The Murray, Hong Kong* (2017)
Niccolo, Chengdu	
Niccolo Chongqing* (2017)	
Niccolo Suzhou* (2018)	* under development

MARCO POLO

Outside China, Marco Polo Ortigas, Manila, earned the prestigious honour of Forbes Five-Star Hotel for its solid hospitality excellence, becoming one of the first recipients since Forbes opened its doors to Manila hotels.

Hong Kong
Marco Polo Hongkong Hotel
Gateway Hotel
Prince Hotel

The Philippines
Marco Polo Plaza, Cebu
Marco Polo Davao
Marco Polo Ortigas, Manila

China
Marco Polo Parkside, Beijing
Marco Polo Changsha* (2019)
Marco Polo Changzhou
Marco Polo Lingnan Tiandi, Foshan
Marco Polo Jinjiang
Marco Polo Shenzhen
Marco Polo Wuhan
Marco Polo Xiamen

* under development

MODERN TERMINALS

HONG KONG

BUSINESS ASSETS	THROUGHPUT (ATTRIBUTABLE TOTAL)
16,727 HK$ million	7.8 Million TEU

MODERN TERMINALS

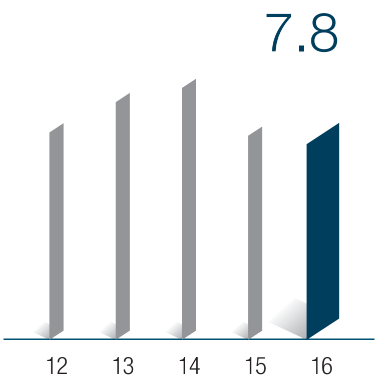
Modern Terminals' contracted throughput in Hong Kong outpaced the weak market and increased by 15% to 5.2 million TEUs.

BUSINESS ASSETS

As at 31 December	**2016 HK$ Million**	2015 HK$ Million	Change
Fixed assets	**11,134**	11,526	-3%
Interest in associates/joint ventures	**4,995**	5,075	-2%
Goodwill	**297**	297	–
Other assets	**301**	347	-13%
Total business assets	**16,727**	17,245	-3%

THROUGHPUT (ATTRIBUTABLE TOTAL)

(Million TEUS)



The anemic state of the economy in both Europe and the U.S. led to a continued retreat in global trade flows. South China's container throughput declined by 1%, while Shenzhen's and Kwai Tsing's throughput decreased by 1% and 2% respectively. Market shares of Shenzhen and Kwai Tsing were 60% and 40% respectively.

Modern Terminals' contracted throughput in Hong Kong outpaced the weak market and increased by 15% to 5.2 million TEUs. In the Mainland, throughput at DaChan Bay in Shenzhen grew by 8% to 1.3 million TEUs, while that at Taicang International Gateway in Suzhou remained at 2.2 million TEUs. Throughput at Shekou Container Terminals in Shenzhen, in which Modern Terminals holds a 20% stake, fell by 2% to 5.1 million TEUs. Chiwan Container Terminal in Shenzhen, in which Modern Terminals holds an 8% attributable stake, handled 2.5 million TEUs.

Consolidated revenue declined by 4% to HK$2,635 million, partly due to the reclassification of the Taicang investment from subsidiary to associated company status following a partial disposal in the middle of 2015. Operating profit increased to HK$710 million.

Global economic uncertainties including the U.S. trade policy and the prospect of Brexit may further weigh on trade flow in the near future. Modern Terminals has consistently implemented various measures to enhance operational efficiency to capture new opportunities in this challenging market.

AWARDS & RECOGNITIONS

HARBOUR CITY

- "Double Happiness" - "Excellent Communications Design - Event" in German Design Award Special 2017
- "Swimming by the Harbour" - Gold Award (Public Relations and Events) in 2016 ICSC Asia Pacific Shopping Center Awards
- "Where's Wally?" - Gold Award (Sales Promotion / Traffic Activation) in 2016 ICSC Asia Pacific Shopping Center Awards

TIMES SQUARE

- "The Living Room Museum" – Shopping Center of the Year Award in the Golden Globe Tigers 2016
- "Times Square Music Room" – Gold Award (Best Use of Venue) in the Marketing Event Awards 2016
- "The Living Room Museum" – Gold Award (Best Exhibition Event) in the Marketing Event Awards 2016

PLAZA HOLLYWOOD

- Grand Award (My Favourite Integrated Travel Information Centre) in U Travel Awards 2016
- Grand Award, Smart Parents' Choice – Brand Awards 2016
- Named "Top 25 My Favourite Shopping Mall Events" in Hong Kong Economic Times – Shopping Mall Awards 2016-2017

SHANGHAI WHEELOCK SQUARE

- Luxury Attitude Award and 5C Quality Award by the Golden Key International Alliance
- Top Shanghai Commercial Complex with Service Excellence Shanghai Federation of Commerce

CHENGDU IFS

- 2016 VIVA Best-of-the-Best Design and Development Award by International Council of Shopping Center
- Grand Award (Building Outside Hong Kong, Non-Residential Category) in Quality Building Awards 2016
- The Retail Mall with Best Special Experience, Annual Top Ten Retail Corporation, and the Most Devoted Award in Building Shopping Paradise by Chengdu Retailers Association
- 2015/16 Outstanding Operator of Commercial Property in China, by winshang.com and 21st Commercial Real Estate Institute

AWARDS & RECOGNITIONS

WHARF HOTELS

- Marco Polo Hotels – BMW Asia Hotelier Awards
  - The APAC Corporate Hotelier of the Year – Jennifer Cronin, PhD, President, Niccolo & Marco Polo Hotels
  - Sales Hotelier of the Year – Simon Wang, Director of Sales & Marketing, Niccolo Chengdu
  - CSR Hotelier of the Year – Rolf Jaeggi, Group Executive Chef, Marco Polo Hotels
  - Owner Representative of the Year – Norma Yan, Owner Representative & Deputy General Manager, Marco Polo Shenzhen
  - General Manager of the Year – Frank Reichenbach, General Manager, Marco Polo Ortigas Manila
- Niccolo Chengdu – "Best Business Hotel in Chengdu", 25th annual Business Traveller Awards
- Marco Polo Ortigas, Manila – Five-Star rating by Forbes Travel Guide

PACIFIC CLUB

- Excellent Attitude Award – Bernard Chan and Progressive Performance Award – Edison Chu in Let Dream Come True Recognition Scheme
- 18 Districts Caring Employers 2016 Award – Special Award for more than five consecutive years

GATEWAY APARTMENTS

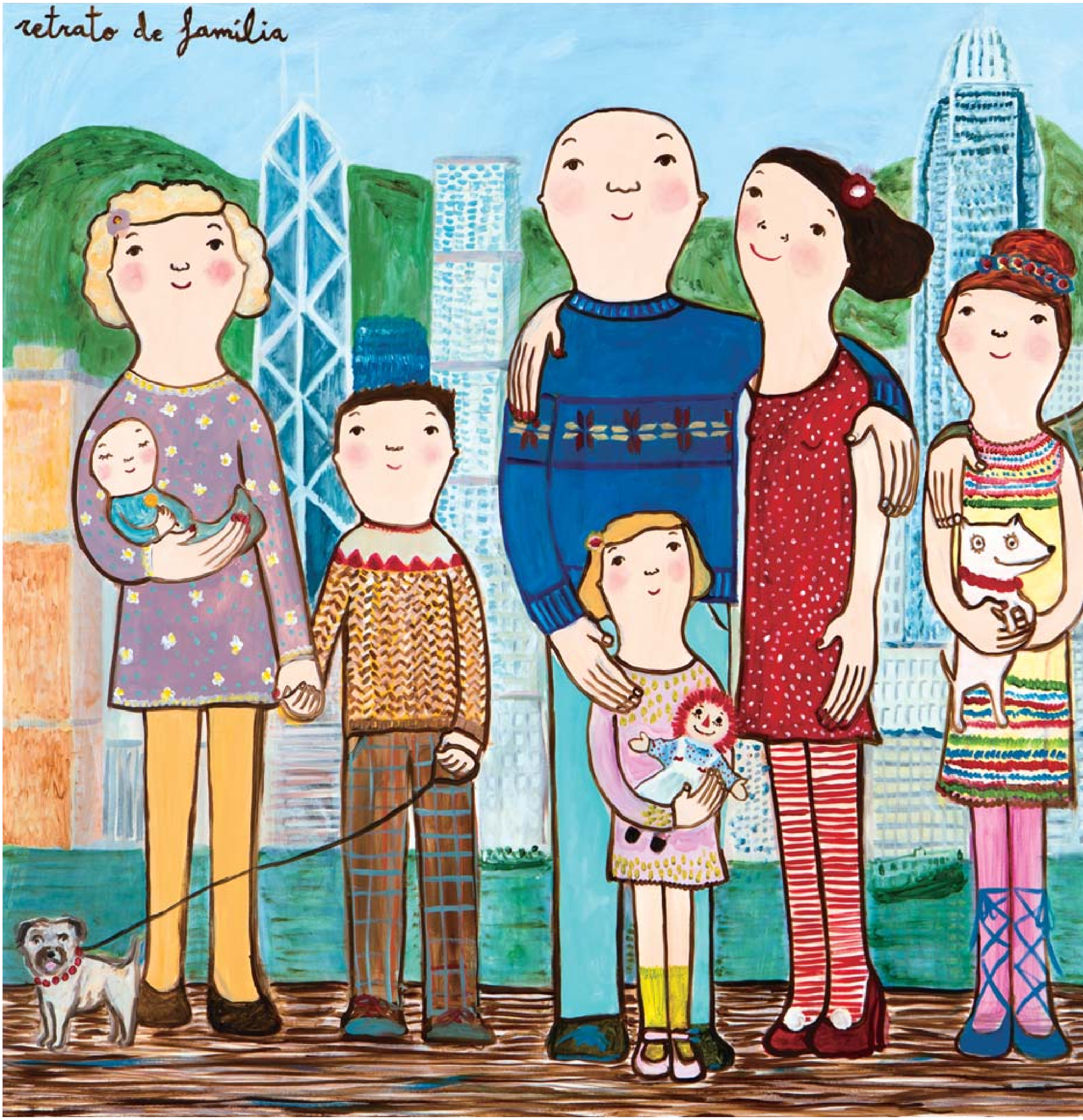
- The Best Serviced Apartment Award (six consecutive years) and The Best Eco-Friendly Service Apartment Award, Best of the Best Awards 2016 by Squarefoot
- Best Service Award 2016 (Serviced Apartment category) by Capital Weekly for five consecutive years
- Best Real Estate Mobile Website, MobileWebAwards 2016 by Web Marketing Association

STAR FERRY

- Certificate of Excellence 2016 by TripAdvisor
- Social Capital Builder Logo Awards 2016 by Community Investment & Inclusion Fund, Labour and Welfare Bureau

MODERN TERMINALS

- Office of the Government Chief Information Officer - Website Stream-Silver Award, Web Accessibility Recognition Scheme


retrato de família

CORPORATE SOCIAL RESPONSIBILITY

Building a sustainable community for our future generations

CORPORATE SOCIAL RESPONSIBILITY

OUR CSR APPROACH

Sustainability is an integral part of our business planning. We aim to achieve excellent corporate governance, maximise economic and social value to the community, as well as reduce our impact on the environment. Under the guidance of our long-standing mission, "Building for Tomorrow", the Group manages its operations by taking investors' interests, the overall development of society and the well-being of the environment into consideration.

CSR STRUCTURE

The Wharf CSR Steering Committee, chaired by the Group's Chairman, formulates the overall CSR strategy of the Group and aligns CSR goals and commitments with business development.

WHARF CSR STEERING COMMITTEE

↓

CROSS-BUSINESS UNIT CSR GROUP

↓

CSR GOVERNANCE BODIES OF EACH BUSINESS UNIT

* Duties and responsibilities of each business unit may differ based on corresponding business nature

The Group dedicates its resources to five focus areas: Business Development, Business-in-Community, Environment, People, and Products and Services.

BUSINESS DEVELOPMENT

We recognise the importance of a robust governance structure, sound risk management, and internal control systems, as well as high standards of ethics and integrity to the success of our business. Detailed discussion can be found in the Corporate Governance Report on Pages 87 to 102 of the Group's Annual Report 2016.

BUSINESS-IN-COMMUNITY

We believe that helping the community grow is as important as the success of our business. In addition to the financial support of various community programmes, we encourage our employees to promote our "care-for-others" spirit by volunteering their time and efforts.

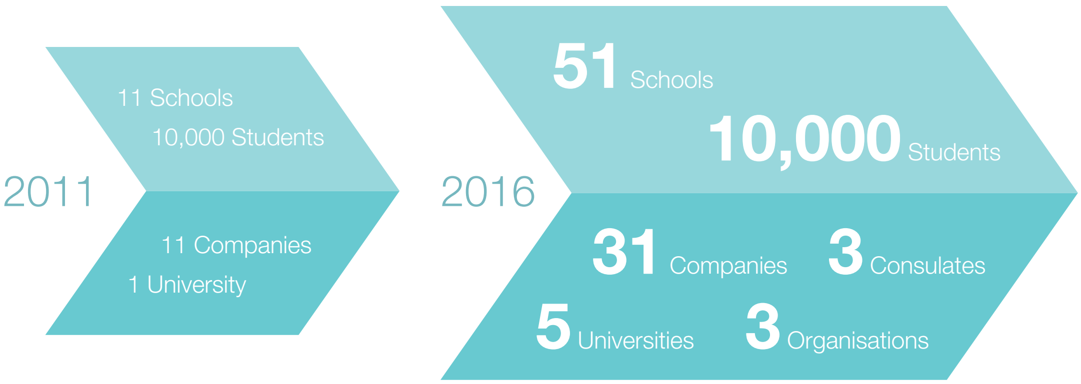
Project *WeCan*

Project *WeCan* ("PWC") is a Business-in-Community initiative launched by Wharf in 2011. It is a pioneering multi-faceted school improvement project that aims at empowering local secondary school students with disadvantaged backgrounds through learning opportunities. In 2016, seven new partners joined this open platform to provide financial and volunteer support, benefiting a total of 43,000 students.


WeCan Scholarship Presentation Ceremony

CORPORATE SOCIAL RESPONSIBILITY

Number of PWC schools, students beneficiary and partners (2011, 2016)



To enable more students in PWC schools to overcome financial difficulties and pursue their higher education goals, the WeCan Scholarship Scheme, set up in 2015, continues its mission and to date empowered 131 PWC students to study in local universities.

A signature event of PWC, the Young Innovators Bazaar 2016 attracted over 1,000 students from 41 schools to participate. With support and advice from schools and corporate volunteers, students were mentored on a wide range of skill sets including leadership, entrepreneurship, project management, communication, collaboration, and sales and marketing.

Number of schools and participants in Young Innovators Bazaar 2013-2016

	2016	2015	2014	2013
Schools	**41**	25	14	11
Students	**Over 1,000**	900	200	200

Youth development

In 2011, the Architectural Design Internship Programme was established to identify and support exceptional architectural postgraduate scholars. 20 deserving students have been awarded the opportunity to gain exposure to international practices at leading architecture firms worldwide since then.

Art and culture

The Group believes art and culture brings diverse benefits to our society. Each year the Wharf Hong Kong Secondary School Art Competition receives overwhelming participation from the territory's young artists. Besides cash prizes and book vouchers, the top 18 finalists are entitled to join an enriching overseas arts and culture exchange. They are also eligible to apply for the Wharf Art Scholarship to pursue a fully subsidised bachelor programme on art related disciplines at a tertiary institution of their choice.


THE WHARF HONG KONG SECONDARY SCHOOL
ART COMPETITION

CORPORATE SOCIAL RESPONSIBILITY

OUR ENVIRONMENT

With the extensive reach of our business, the Group is devoted to making a positive impact in the face of climate change. Across our business units, we act responsibly by reducing and managing waste and carbon emissions from our operations. The Group is among the first to disclose its GHG emissions on the Carbon Footprint Repository for Listed Companies in Hong Kong[1].

Strengthening our resilience and using sustainable resources are intertwined with our business, therefore, we go beyond compliance with legislation and adopt international standards in managing the use of water, energy, as well as protecting the environment.

Environmental initiatives are well in place in our business units commensurating with their scale and operations. For instance, upgrading the lighting and air-conditioning system, changing conventional water taps to automatic sensor faucets, organising waste recycling and collection programmes, and raising awareness and fostering behavioural change among employees.

15 years+ 商界展關懷 caring company Awarded by The Hong Kong Council of Social Service 香港社會服務聯會頒發

CSR PLUS HKQAA CSR INDEX

Hang Seng Corporate Sustainability Index Series Member 2016-2017

Carbon Audit 碳審計 綠色機構 Green Partner

WWF Double Diamond Member 雙鑽石會員 2016/17 HONG KONG

CISPROS 2015 - 2017 Certificate No.: CISPROS/135(15)

Modern Terminals

LLOYD'S REGISTER LRQA ISO 14001: 2015 UKAS MANAGEMENT SYSTEMS 001

[1] More details are on the website of the Environmental Protection Department, HKSAR Government, http://www.carbon-footprint.hk/PDF/CFR00004-15-1.pdf


WHARF
"All Involved" Volunteering Team
齊心義工隊


WHARF
1018


AGE 0-3


中電「環保節能機構」嘉許計劃 2016
CLP


馬屎洲特別地區


LEED
PLATINUM
2015
CHENGDU BUILDING GRADE RATING COMMITTEE
超甲级
商务写字楼
2016

CORPORATE SOCIAL RESPONSIBILITY

OUR PEOPLE

Employees are the most valuable asset for the Group. The Group aims to remain an employer of choice by executing a fair and transparent recruitment process, compensating employees with welfare packages commensurate to their qualifications and experience, and promoting a safe and friendly workplace.

Training and development

To enhance the competence of our talent, the Group and our business units offer training programmes covering a wide spectrum of topics such as skills enhancement, professional development, occupational health and safety, anti-corruption and other relevant legislation. The Wharf Institute of Service Excellence (WISE) provides service training to our frontline staff at shopping malls, including image and grooming, service skills, complaint handling, and telephone manner.

Staff engagement and wellbeing

We value employees' feedback and suggestions regarding our business operations and other specific issues. Engagement channels such as staff newsletters, staff surveys, town hall meetings and the Intranet platform are used to communicate with our employees across the business units. The Management reviews and provides solutions to address concerns.

At the group level, the Wharf Staff Recreation Committee regularly organises recreational activities to foster the holistic wellbeing of our employees.

1,100+ VOLUNTEERS

12,000+ VOLUNTEER HOURS


凝心聚力 创建明天


LONG SERVICE AWARD PRESE TATION 2015


WHARF
"All Involved" Volunteering Team
窩心義工隊
HOLLYWOOD
海港城
HARRIMAN


上海国际垂直登高大奖赛
会德丰国际广场
59层
总高270米
1462阶台阶
W2005

CORPORATE SOCIAL RESPONSIBILITY

OUR PRODUCTS AND SERVICES

The Group benchmarks against international best practice and complies with relevant laws in guiding its decisions and day-to-day management.

The Group observes a high standard of business ethics in our marketing campaigns by providing transparent and fair information to enable customers to make informed decisions. To protect customers' personal information, the Group follows a standard procedure in handling customers' information. Customers' information is only accessible by authorised personnel, and all staff are prohibited from disclosing any customers' information to third parties without customers' consent.

Supplier management

The Group and most of our business units work with suppliers who share our CSR values. Vendor management systems are in place to assess the suppliers' social, environmental and technical capabilities. Their performance is evaluated against a set of KPIs to ensure alignment with legislation and our requirements.

CSR REPORTING

In the second half of 2017, the Group will present its third standalone CSR Report in accordance with the Global Reporting Initiative (GRI) framework. The reporting scope this year covers major Hong Kong operations for the period of 1 January to 31 December 2016[2]. The Company aims to extend it to include Mainland China operations in the future. Wharf has been selected as a constituent in the Hang Seng Corporate Sustainability Benchmark Index since 2011 and was listed on the Hang Seng Corporate Sustainability Index in 2015 and 2016, an index that covers the top 30 leaders in corporate sustainability in Hong Kong.

[2] Reporting period for Wharf T&T is from 1 January to 9 November 2016.


香港公益金


香港公益金
THE COMMUNITY CHEST
二零一五/一六年度商業及僱員募捐計劃
COMMUNITY CHEST
$ 2,000,000
The Wharf (Holdings) Limited


公益金會德豐百萬泳2016


2016
CHINA
CHARITY


Modern Terminals
現代貨箱碼頭有限公司


KNITTING FOR THE ELDERLY
港威豪庭「織」出愛送暖活動

FINANCIAL REVIEW

(I) REVIEW OF 2016 RESULTS

The Group attained several records for its financial results with the core profit rising by 25% from the year 2015 to a new high at HK$13,754 million (2015: HK$10,969 million). The increase was sustained by IP gaining 6% core profit growth to record high at HK$8,839 million and DP gaining 185% growth to record high at HK$3,822 million.

Profit attributable to shareholders increased by 34% to HK$21,440 million (2015: HK$16,024 million), including a gain of HK$7,260 million from disposal of the entire equity interests in Wharf T&T Limited ("Wharf T&T"), though with a lower IP revaluation surplus from year end revaluation.

Revenue and Operating Profit

IP revenue and operating profit continued growing by 6% to HK$15,289 million (2015: HK$14,470 million) and 7% to HK$12,541 million (2015: HK$11,759 million), respectively. Hong Kong revenue and operating profit increased by 6% and 7%, respectively, benefitting from firm retail base rent and stable positive office rental reversion for both Harbour City and Times Square. Mainland revenue and operating profit increased moderately by 2% and 1%, respectively, or up by 9% and 7% in term of RMB, which depreciated by 6% in 2016.

DP recognised 29% higher property sales to HK$23,275 million (2015: HK$18,018 million) and operating profit by 63% to HK$3,650 million (2015: HK$2,241 million). The growth was attributable to the completion of Peninsula East in Hong Kong and more projects in the Mainland. Hong Kong revenue and operating profit were HK$1,985 million (2015: Nil) and HK$387 million (2015: loss of HK$25 million), while Mainland rose by 18% and 44%, respectively. Together with joint venture projects on an attributable basis, DP core profit rose by 185% to a record high at HK$3,822 million (2015: HK$1,340 million).

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

Logistics revenue decreased by 4% to HK$2,748 million (2015: HK$2,848 million) but operating profit rose by 4% to HK$719 million (2015: HK$689 million) resulting from lower operating costs from Modern Terminals.

CME revenue dropped by 10% to HK$3,145 million (2015: HK$3,501 million) and operating profit by 47% to HK$59 million (2015: HK$112 million). i-CABLE revenue decreased by 7% and operating loss widened to HK$313 million. The Group disposed Wharf T&T in November 2016, making its contributed revenue reducing by 13% while operating profit increasing only by 3%.

Investment and others revenue rose by 12% to HK$878 million (2015: HK$787 million). Operating profit fell by 2% to HK$455 million (2015: HK$464 million) chiefly due to decrease in dividend income.

Consolidated revenue and operating profit rose by 14% and 15% to HK$46,627 million and HK$17,065 million, respectively.

DP Sales

Total DP contracted sales, inclusive of joint venture projects on an attributable basis, surged by 21% to a record high at HK$40,104 million (2015: HK$33,064 million).

Mainland contracted sales increased by 21% to RMB31,420 million (2015: RMB26,044 million), sales recognition by 12% to HK$30,676 million (2015: HK$27,404 million) and operating profit by 22% to HK$5,133 million (2015: HK$4,200 million). Net order book increased to RMB27,436 million (December 2015: RMB24,635 million).

Hong Kong contracted sales, mainly attributable to Mount Nicholson joint-venture, amounted to HK$4,980 million (2015: HK$1,978 million). Sales recognition, including Mount Nicholson and Peninsula East, amounted to HK$6,419 million (2015: Nil), which contributed an operating profit of HK$2,400 million (2015: loss of HK$82 million).

Fair Value Gain of Investment Properties

The book value of the Group's IP portfolio as at 31 December 2016 increased to HK$319.3 billion (2015: HK$310.2 billion) with HK$302.6 billion thereof stated at fair value based on independent valuation, which produced a revaluation gain of HK$910 million for the year (2015: HK$6,729 million). The attributable net revaluation gain of HK$906 million (2015: HK$6,231 million), after taking into account the related deferred tax and non-controlling interests, was credited to the consolidated income statement.

IP under development in the amount of HK$16.7 billion is carried at cost and will not be carried at fair value until the earlier of their fair values first becoming reliably measurable or the dates of completion.

Other Net Income/(Charge)

Other net income of HK$6,252 million (2015: charge of HK$460 million) primarily included a gain of HK$7,260 million arising from the Group's disposal of the entire equity interests in Wharf T&T.

Included in the net charge for 2015 was a non-recurrent accounting loss of HK$1,620 million arising from the deemed disposal of the Group's 24.3% interest in Greentown China Holdings Limited ("Greentown") upon reclassification of such interest as financial investment instead of an associate and a gain of HK$908 million arising from Modern Terminals' partial disposal of its equity interests in Taicang container port businesses.

Finance Costs

Finance costs charged to the consolidated income statement amounted to HK$1,361 million (2015: HK$1,879 million), including an unrealised mark-to-market gain of HK$237 million (2015: loss of HK$406 million) on the cross currency and interest rate swaps in accordance with prevailing accounting standards.

The Group's effective borrowing rate for the year was 3.2% (2015: 2.8%). Excluding the unrealised mark-to-market gain, finance costs before capitalisation were HK$2,163 million (2015: HK$2,151 million), representing an increase of HK$12 million. Finance costs after capitalisation were HK$1,598 million (2015: HK$1,473 million), representing an increase of HK$125 million.

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

Attributable profit from associates decreased by 20% to HK$923 million (2015: HK$1,156 million) with lower profit contributions from Mainland DP.

Joint ventures increased profit significantly to HK$1,983 million (2015: HK$236 million) attributable to Mount Nicholson in Hong Kong and more completed Mainland DP projects.

Income Tax

Taxation charge for the year was HK$4,107 million (2015: HK$3,829 million), which included deferred taxation of HK$23 million (2015: HK$488 million) provided for the current year's revaluation gain attributable to investment properties in the Mainland.

Excluding the above deferred tax, the tax charge increased by 22% to HK$4,084 million (2015: HK$3,341 million) mainly due to higher profits from IP and China DP segments.

Non-controlling Interests

Group profit attributable to non-controlling interests decreased to HK$225 million (2015: HK$782 million), reflecting the decrease in net profits of certain non-wholly-owned subsidiaries.

Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders for the year amounted to HK$21,440 million (2015: HK$16,024 million), representing an increase of 34%. Basic earnings per share were HK$7.07, based on weighted average of 3,031 million shares (2015: HK$5.29 based on 3,031 million shares).

Excluding the net IP revaluation gain of HK$906 million (2015: HK$6,231 million), Group profit attributable to shareholders for the year increased by 110% to HK$20,534 million (2015: HK$9,793 million), including a gain of HK$7,260 million from disposal of Wharf T&T.

Group core profit rose by 25% to HK$13,754 million (2015: HK$10,969 million), of which 64% was attributable to IP and 28% to DP. Core earnings per share were HK$4.54 (2015: HK$3.62).

Core profit is a performance indicator of the Group's major business segments and arrived at after excluding mainly net IP revaluation gain, disposal gain of Wharf T&T of HK$7,260 million (2015: Nil) and other non-recurrent items. A loss of HK$1,620 million from the deemed disposal of Greentown and attributable gain of HK$613 million from Modern Terminals' disposal of its interest in Taicang were also excluded in last year.

Early adoption of HKFRS 9 "Financial Instruments"

The Group has early adopted the complete version of HKFRS 9 "Financial Instruments" in its consolidated financial statements with effect from 1 January 2016. As a result, the investments in equity securities of HK$5,723 million that were previously classified as available-for-sale investments under HKAS 39 have been re-designated as equity investments measured at fair value through other comprehensive income. Accordingly, HK$14 million of gain on disposal of equity securities in the year was recognised through other comprehensive income instead of the income statement as previously accounted for (2015: HK$178 million profit through the income statement).

(II) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL COMMITMENTS

Shareholders' and Total Equity

As at 31 December 2016, shareholders' equity increased by HK$9.1 billion to HK$316.8 billion (2015: HK$307.7 billion), equivalent to HK$104.48 per share based on 3,032 million issued shares (2015: HK$101.53 per share based on 3,031 million issued shares), which had been partly impacted by a net exchange deficit of HK$5.9 billion arising from translation of RMB net assets in the midst of 6% depreciation in RMB in 2016.

The Group's total equity including non-controlling interests increased by HK$8.2 billion to HK$325.4 billion (2015: HK$317.2 billion).

Assets and Liabilities

The Group's total assets as at 31 December 2016 stood at HK$443.8 billion (2015: HK$443.9 billion). Total business assets, excluding bank deposit and cash, financial and deferred tax assets, slightly decreased to HK$403.0 billion (2015: HK$414.8 billion), mainly due to selling down of DP but mitigating by IP increase.

Geographically, the Mainland business assets, mainly comprising properties and terminals, decreased to HK$121.0 billion (2015: HK$139.8 billion), representing 30% (2015: 34%) of the Group's total business assets.

Investment properties

Included in the Group's total assets is the IP portfolio of HK$319.3 billion, representing 79% of total business assets. Core assets in this portfolio are Harbour City and Times Square in Hong Kong, which were valued at HK$164.5 billion (excluding the three hotels) and HK$54.5 billion, respectively, together representing 69% of the IP portfolio. Mainland IP amounted to HK$58.5 billion, mainly including Chengdu IFS and Shanghai Wheelock Square, as well as Changsha IFS and Suzhou IFS which were under development and stated at cost of HK$16.7 billion.

During the year, the Group acquired the entire office tower and a prime shop in Wheelock House, Central, Hong Kong, for HK$6.2 billion, to further expand the IP portfolio.

Properties for sale

DP assets dropped to HK$23.9 billion (2015: HK$37.8 billion), mainly reflecting the selling down of Mainland DP portfolio during the year.

Interests in associates and joint ventures

Interests in associates and joint ventures amounted to HK$31.1 billion (2015: HK$35.4 billion), mainly representing various joint-venture DP projects undertaken in the Mainland and Hong Kong.

Deposits from sale of properties

Deposits from sale of properties amounted to HK$18.9 billion (2015: HK$18.9 million), representing contracted sales in Mainland China pending revenue recognition in the coming years.

Debts and Gearing

The Group's net debt as at 31 December 2016 was reduced drastically by 50% to HK$23.8 billion (2015: HK$47.2 billion), resulting from the Group's strong recurrent operating cash inflow, record DP sales and disposal of Wharf T&T. The net debt was made up of HK$60.8 billion in debts and HK$37.0 billion in bank deposits and cash. Included in the net debt were HK$7.1 billion (2015: HK$7.3 billion) attributable to Modern Terminals, HCDL and other subsidiaries, which are without recourse to the Company and its other subsidiaries. Excluding these non-recourse debts, the Group's net debt was HK$16.7 billion (2015: HK$39.9 billion). An analysis of the net debt is as below:

Net debt/(cash)	**31 December 2016 *HK$ Million***	31 December 2015 *HK$ Million*
Wharf (excluding below subsidiaries)	**16,755**	39,863
Modern Terminals	**8,502**	8,763
HCDL	**(1,904)**	(1,647)
i-CABLE	**484**	218
	23,837	47,197

As at 31 December 2016, the ratio of net debt to total equity declined to 7.3% (2015: 14.9%).

Finance and Availability of Facilities

The Group's total available loan facilities and issued debt securities as at 31 December 2016 amounting to HK$77.7 billion, of which HK$60.8 billion was utilised, are analysed as below:

	31 December 2016		
	Available Facility *HK$ Billion*	Total Debts *HK$ Billion*	Undrawn Facility *HK$ Billion*
Company/wholly-owned subsidiaries			
Committed bank facilities	27.9	15.6	12.3
Debt securities	32.6	32.6	–
	60.5	48.2	12.3
Non-wholly-owned subsidiaries			
Committed and uncommitted			
— Modern Terminals	11.4	8.7	2.7
— HCDL	4.9	3.3	1.6
— i-CABLE	0.9	0.6	0.3
	77.7	60.8	16.9

Of the above debts, HK$6.7 billion (2015: HK$4.0 billion) was secured by mortgages over certain IP, DP and property, plant and equipment with total carrying value of HK$17.7 billion (2015: HK$24.3 billion).

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

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

The Group continued to maintain a strong financial position with ample surplus cash denominated principally in RMB, HKD and USD and undrawn committed facilities to facilitate the Group's business and investment activities. In addition, the Group also maintained a portfolio of equity investments with an aggregate market value of HK$5.7 billion (2015: HK$8.1 billion), which is immediately available for liquidation for the Group's use when in need.

Cash Flows for the Group's Operating and Investing Activities

For the year under review, the Group recorded net cash inflows before changes in working capital of HK$18.0 billion (2015: HK$16.0 billion). The changes in working capital increased the net cash inflow from operating activities to HK$29.1 billion (2015: HK$24.1 billion), resulting from increase in China DP sales. For investing activities, the Group recorded a net cash outflow of HK$2.5 billion (2015: HK$7.3 billion), mainly attributing to the acquisition of Wheelock House at HK$6.2 billion and construction costs for Mainland IP but partly compensating by the net proceeds from disposal of Wharf T&T of HK$9.4 billion.

Major Capital and Development Expenditure and Commitments

The Group's major capital and development expenditure incurred in 2016 is analysed as follows:

A. *Major capital and development expenditure*

		Hong Kong *HK$ Million*	Mainland China *HK$ Million*	Total *HK$ Million*
Properties	IP	**7,942**	**4,465**	**12,407**
	DP	**219**	**12,356**	**12,575**
		8,161	**16,821**	**24,982**
Others	Hotels	**981**	**40**	**1,021**
	Modern Terminals	**359**	**72**	**431**
	Wharf T&T	**258**	**1**	**259**
	i-CABLE	**238**	**–**	**238**
		1,836	**113**	**1,949**
Group total		**9,997**	**16,934**	**26,931**

i. IP expenditure was mainly for the acquisition of Wheelock House and construction costs of the Mainland IFS projects.

ii. DP expenditure included HK$6.4 billion for DP projects undertaken by associates and joint ventures.

iii. Modern Terminals' capital expenditure was mainly for terminal equipment while those of Wharf T&T and i-CABLE were incurred substantially for facilities and equipment.

B. *Commitments to capital and development expenditure*

As at 31 December 2016, the Group's major commitments to capital and development expenditure that are to be incurred in the forthcoming years was estimated at HK$34.8 billion, of which HK$14.6 billion was committed. By segment, the commitments are analysed as below:

		As at 31 December 2016		
		Committed *HK$ Million*	Uncommitted *HK$ Million*	Total *HK$ Million*
IP	Hong Kong	**990**	**429**	**1,419**
	Mainland China	**4,035**	**6,301**	**10,336**
		5,025	**6,730**	**11,755**
DP	Hong Kong	**–**	**–**	**–**
	Mainland China	**7,959**	**12,729**	**20,688**
		7,959	**12,729**	**20,688**
Others	Hotels	**1,379**	**412**	**1,791**
	Modern Terminals	**247**	**126**	**373**
	i-CABLE	**18**	**211**	**229**
		1,644	**749**	**2,393**
Group total		**14,628**	**20,208**	**34,836**

Properties commitments are mainly for construction cost, inclusive of attributable commitments to associates and joint ventures, to be incurred by stages.

The commitments and planned expenditure will be funded by Group's internal financial resources including its surplus cash, cash flows from operations, as well as bank and other borrowings and pre-sale proceeds. Other available resources include equity investments available for sale.

(III) HUMAN RESOURCES

The Group had approximately 13,500 employees as at 31 December 2016, including about 2,300 employed by managed operations. Employees are remunerated according to their job responsibilities and the market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the respective group's achievement and results.

(IV) BUSINESS MODEL

Select investment properties form the backbone of Wharf's business model. The total value they offer combines rental yield stability and growth with capital value appreciation. The recurrent cash flow they generate underpins a stable and rising dividend to shareholders. The conservatively leveraged equity cushion offers ample financial capacity to seize new investment opportunities in a timely and selective manner.

Including capital value appreciation, the investment properties in operation offered a total return of HK$11 billion in 2016 on an asset base of HK$303 billion at the beginning of the year.

Harbour City and Times Square in Hong Kong together contributed over 85% of that total return (with HK$9.4 billion), from an asset base of HK$227 billion. With a combined GFA of over 10 million square feet, they generated HK$13.1 billion of revenue and HK$10.7 billion of operating cash flow in 2016.

New growth in the Mainland are spearheaded by International Finance Square (IFS) in the very heart of Chengdu and Changsha, at a combined development cost of HK$40 billion and comparable to Harbour City in critical mass and dominance in their respective markets. At Chengdu IFS, a retail mall and three office towers, including a new hotel Niccolo Chengdu and serviced apartments, have already been completed. Changsha IFS is scheduled to open in phases from 2017.

Development properties represented the next largest contributor to Group profit in 2016. On an attributable basis, combined sales in Hong Kong and the Mainland totalled HK$40 billion and revenue recognition amounted to HK$37 billion.

Mount Nicholson is the flagship project in Hong Kong. It is a joint venture co-led by fellow subsidiary Wheelock Properties and set new benchmarks for luxury residential properties.

On the Mainland, Wharf has built itself into one of the most active Hong Kong developers although market conditions have diminished its land bank. Contracted sales in 2016 totalled RMB31.4 billion to exceed all past years. Current portfolio of development properties in the Mainland totals 4.2 million square metres with a book value of RMB44 billion.

Outside of properties, main business interests include hotels and ports, which together combined to contribute less than 10% of the Group's core profit in 2016.

(V) BUSINESS STRATEGY

The Group endeavours to continuously enhance its competitiveness and drive sustainable growth through:

1. Continuous product leadership for existing and new investment properties from site selection, planning, design, tenancy management and marketing to maximise the value of the portfolio;

2. Replicating the success of Harbour City and Times Square, location advantage, and strong professional relationship with leading tenants to expand the portfolio of investment properties selectively to create substantial new value;

3. Applying core competencies in site selection and acquisition, development planning and design, construction, premium branding and marketing to operate a property development business in the Mainland to dovetail with the urbanisation programme;

4. Continuous development of sustainable and localised organisations with local market know-how and international standards and execution expertise; and

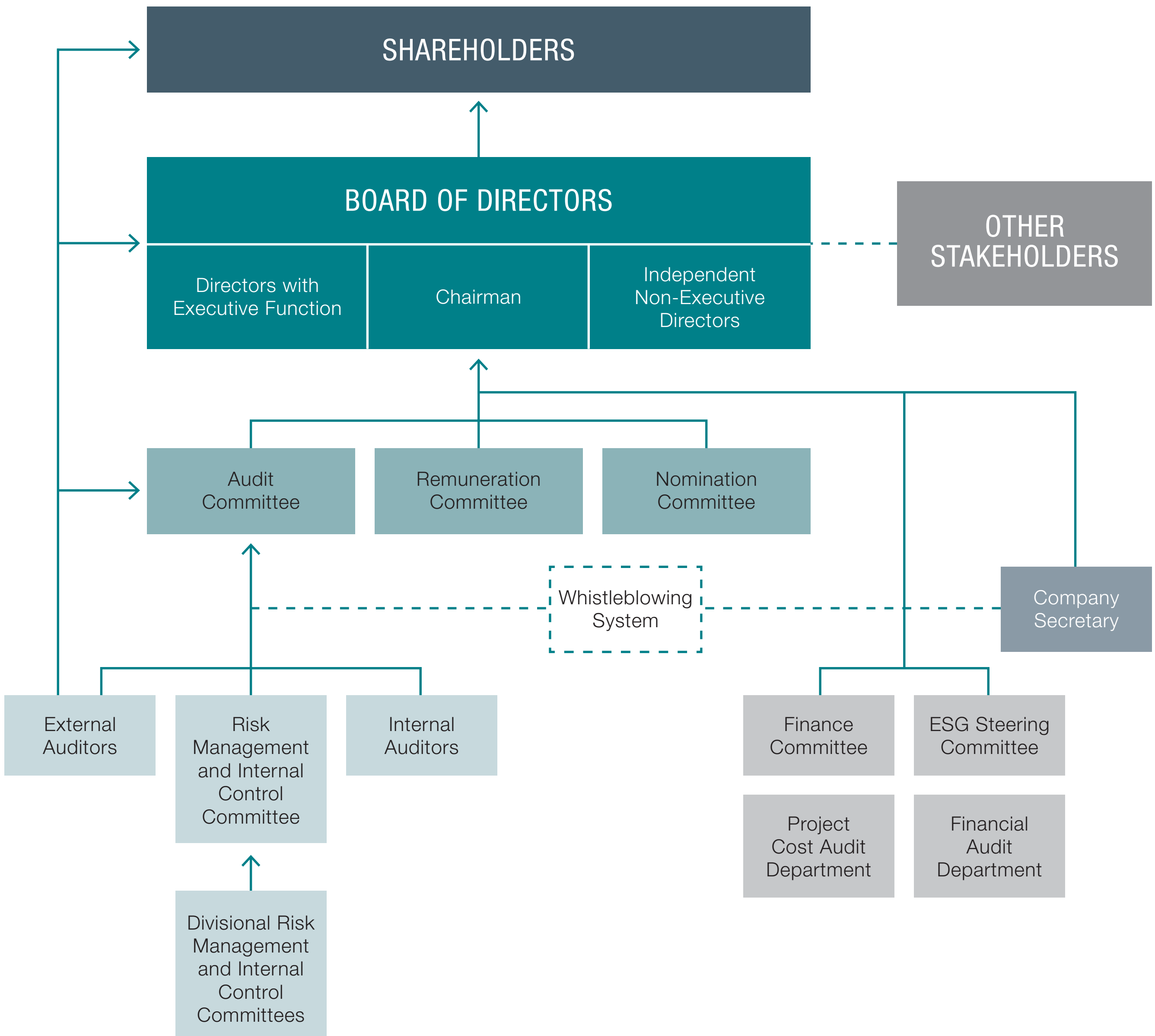
5. Exercising prudent and disciplined financial management to ensure sustainability at all times.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRINCIPLES AND STRUCTURE

The Group endeavours to maintain high standards of corporate governance as we believe good corporate governance is essential for sustainable development of the Group.

The Board of Directors (the "Board") is the core of our corporate governance structure embracing supports across the Group-wide spectrum on foundation of an efficient and accountable framework with commitments to promote the Group's sustainability in discharge of its duties of safeguarding the interests of the Group, its shareholders as well as all other stakeholders, including investing public, regulators, banks, bondholders, creditors, customers and employees. The Group's corporate governance structure can be visualized as below:



CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the financial year ended 31 December 2016, the Company has complied with all the code provisions of the Corporate Governance Code contained in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), with one exception as follows:

Code Provision A.2.1 (Separation of the roles of Chairman and Chief Executive)
Mr Stephen T H Ng serves as the Chairman as well as the Managing Director of the Company. Such deviation is deemed appropriate as it is considered to be more efficient to have one single person to be the Chairman of the Company as well as to discharge the executive functions of a chief executive thereby enabling more effective planning and better execution of long-term strategies. The Board believes that the balance of power and authority is adequately ensured by the operations and governance of the Board which comprises experienced and high calibre individuals, with half of them being Independent Non-Executive Directors (the "INEDs").

The Company is committed to maintain high standards of corporate governance to exceed the Listing Rules requirements and code provisions and adopts, where appropriate, the recommended best practices, which are to be elaborated further in this corporate governance report.

BOARD OF DIRECTORS

Roles and Responsibilities

The overall management of the Company's business is vested in the Board and the Directors of the Company (the "Directors") are collectively responsible for promoting the success of the Company. The Board directly, and indirectly through the Board Committees, provides effective oversight and strategic guidance on the Group's strategies and affairs, leading the achievement of strategic plans to enhance shareholders' value.

Governance and Social Responsibility

- Setting goals and commitments for Corporate Social Responsibilities
- Developing the corporate governance policies and oversight on relevant compliance

Strategic Planning

- Review of Business Strategy
- Trending on latest developments on macro operating environment
- Review of major expenditure plans

Risk Management

- Review of principal risks and uncertainties
- Overall responsibility on the Risk Management and Internal Control System

Performance Review

- Annual, interim and quarterly results
- Monthly management reports
- Quarterly business review

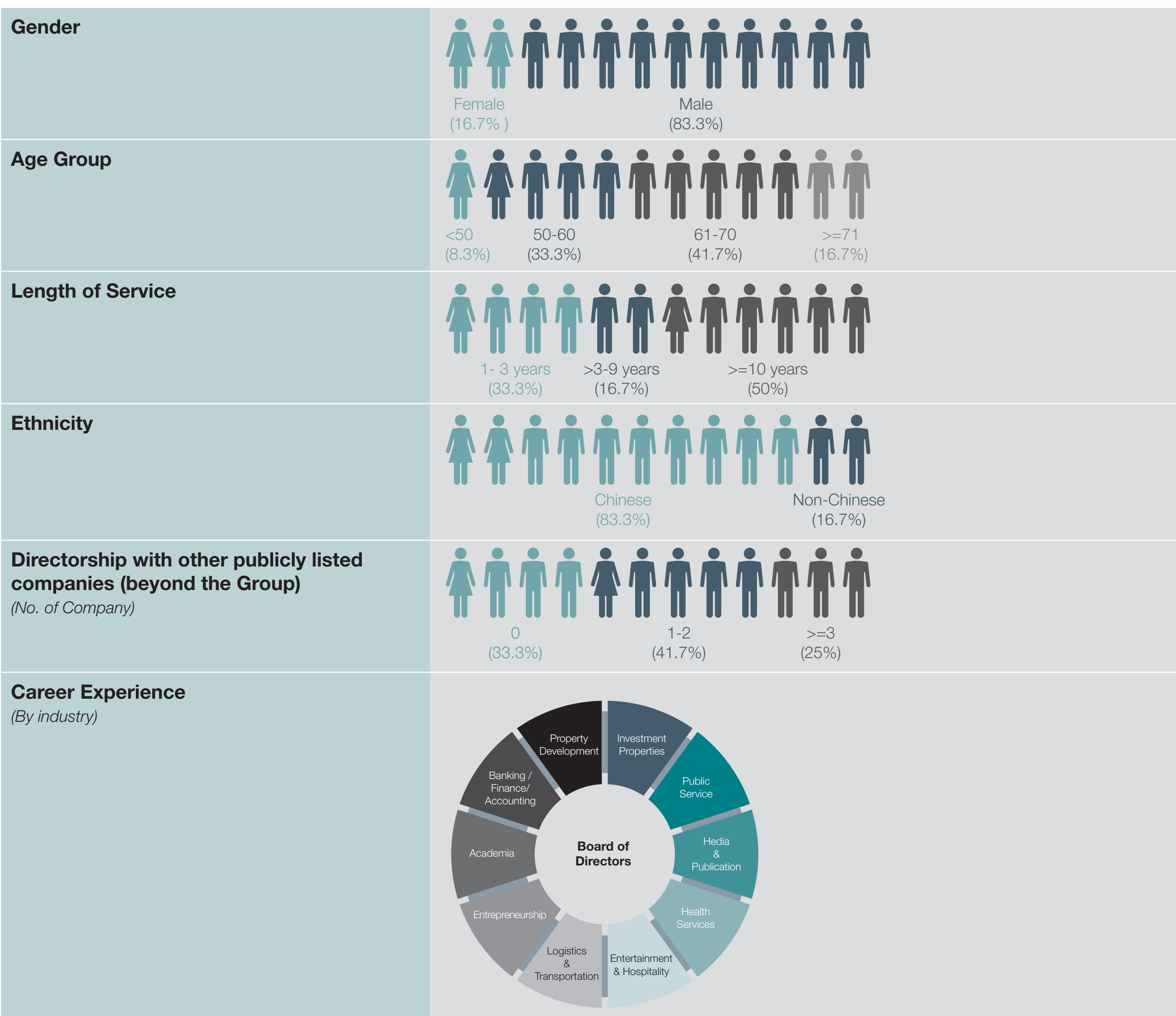
Board Composition and Diversity Policy

As of the date of this report, the Board consists of a total of twelve members, including six Directors with executive functions and six INEDs.

The Directors' biographical details are set out in "(A) Biographical Details of Directors and Senior Managers" on pages 106 to 109. A list setting out the names of the Directors and their roles and functions is posted on the respective websites of the Company and the Stock Exchange. All Directors, including INEDs, are also identified as such in all corporate communications that disclose the names of Directors.

The Board has adopted a Board Diversity Policy in 2014. Under the Policy, the Company recognises and embraces the benefits of having a diverse Board towards enhancement of its overall performance. With a vision to achieving a sustainable and balanced development, the Company regards increasing diversity at the Board level as an essential element of its strategic goals. Appointments of Directors are made on merits having due regard for a range of diversity objectives, including but not limited to gender, age, cultural and educational backgrounds, length of service, knowledge of the Group's business and a board range of individual attributes, interests and values. The Board considers the current Board composition has provided the Company with a good balance and diversity of skills and experience appropriate to the requirements of its business.

The following chart shows the diversity profile of the Board as at 31 December 2016:



Appointment and Election of Directors

In accordance with the articles of association of the Company, all Directors are subject to retirement by rotation at an annual general meeting at least once every three year. Any new Directors appointed by the Board either to fill a casual vacancy or as an addition to the Board are subject to re-election by shareholders of the Company (the "Shareholder") at the next general meeting of the Company. At each annual general meeting, at least one-third of the Directors for the time being shall retire from office and the retiring Directors shall be eligible for re-election.

The Board, with support of the Nomination Committee, is responsible for developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment of Directors and assessing the independence of INEDs.

Mr Stephen T H Ng, Ms Doreen Y F Lee, Mr Vincent K Fang and Mr David Muir Turnbull will retire at the annual general meeting (the "AGM") to be held on 10 May 2017. The retiring Directors, being eligible, offer themselves for re-election. There is no cumulative voting in Director elections. The election of each candidate is done through a separate resolution. Details with respect to the candidates standing for election as Directors are set out in the AGM circular to Shareholders.

Independent Directors

Six out of twelve Directors are INEDs, a sufficient number to ensure their views to carry weight and implanting a strong independence element into the Board.

The Company has received written annual confirmation from each of the INEDs concerning their independence pursuant to Rule 3.13 of the Listing Rules, and considers that all INEDs are independent and meet the independence guidelines set out thereunder.

All INEDs have their respective terms of appointment coming to an end normally three years after their appointment to the Board or their last re-election as Directors. The re-election of any INEDs who has served on the Board for more than nine years is subject to (1) a separate resolution to be approved by Shareholders; and (2) further information to be sent out in the circular to Shareholders the reasons why the Board believes the relevant INED is still independent and should be re-elected.

Professor Edward K Y Chen, Mr Vincent K Fang and Mr Hans Michael Jebsen have served as INEDs for more than nine years. The Board is of the opinion that they remain independent, notwithstanding the length of their tenure. All of them have confirmed to meet the criteria set out in the independence guideline of Rule 3.13 under the Listing Rules. They continue to demonstrate the attributes of INEDs and there is no evidence that their tenure has any impact on their independence. The Board believes that their profound knowledge and experience of the Group's business and their external experience continue to be of significant benefits to the Company, and that they remain independent.

Remuneration of Directors and Senior Management

The remuneration payable to Directors and Senior Management of the Company is determined with reference to calibres, experiences, job responsibilities, performance and profitability of the Group, and the remuneration benchmarks normally paid by listed companies in Hong Kong and overseas for ensuring a fair and competitive remuneration package in the market. The basis of determining the fee payable to the Board during the financial year ended 31 December 2016 is as follows:

Fee payable to:	**At the rate of HK$'000 per annum**
The Chairman of the Board	225
Director *(other than Chairman)*	150
Member of the Audit Committee	75

Proposed resolutions for the revisions of annual fees payable to Directors with retroactive effect from 1 January 2017 will be voted by Shareholders in the forthcoming AGM as detailed in the annual general meeting notice and circular.

In respect of the remuneration payable to the Directors and Senior Management of the Company, the details have been set out in Note 2(b) and 2(c) to the financial statements on pages 139 and 140 respectively.

Directors' Trainings

Newly appointed Directors receive briefings and orientation on legal responsibilities as a Director and the role of the Board. The Company Secretary also provides latest information of the business development, market changes and updates in the Listing Rules and relevant legal and regulatory requirements to the Directors in a timely manner in order to make an informed decision and discharge their duties and responsibilities.

The Company has also arranged for Directors to attend training sessions and forums which place emphasis on the roles, functions and duties of a listed company director, as well as the development of regulatory updates and issues. All Directors have been required to provide training records undertaken which are maintained by the Company Secretary.

All the current Directors have, during the financial year under review, pursued continuous professional development and the details are set out below:

Directors	**Types of Trainings (See Remarks)**
Executive Directors	
Mr Stephen T H Ng, *Chairman & Managing Director*	A, B
Mr Andrew O K Chow, *Deputy Chairman*	A, B
Ms Doreen Y F Lee, *Vice Chairman*	A, B
Mr Paul Y C Tsui, *Vice Chairman & Group Chief Financial Officer*	A, B
Directors	
Ms Y T Leng	A, B
Mr K P Chan	A, B
Independent Non-executive Directors	
Mr Alexander S K Au	A, B
Professor Edward K Y Chen	A, B
Mr Vincent K Fang	A, B
Mr Hans Michael Jebsen	A, B
Mr David Muir Turnbull	A, B
Professor E K Yeoh	A, B

Remarks:
A: attending seminars and/or conferences and/or forums
B: reading journals, updates, articles and/or materials, etc

Directors' Securities Transactions

The Company adopts its own set of code of conduct regarding Directors' securities transactions (the "Company's Code") with terms thereof being no less exacting than the required standard set out in the Model Code in Appendix 10 of the Listing Rules. Indeed, the Company's Code has a higher standard than the Model Code in the extent that the absolute prohibitions under paragraphs A.1 and A.3 of the Model Code, viz. forbidding Directors from securities dealings at any time in possession of price-sensitive information and during the relevant blackout periods preceding publication of financial results, shall apply not only to the listed securities of the Company itself but also of its subsidiaries and associates.

The Company has made specific enquiry of all Directors and all Directors have complied with the required standard set out in the Model Code and/or the Company's Code during the financial year.

CORPORATE GOVERNANCE REPORT

BOARD EFFECTIVENESS

Division of Responsibilities

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

CHAIRMAN AND MANAGING DIRECTOR

Mr Stephen T H Ng

- responsibility for Group strategies and Board issues
- lead the Board and manage the affairs of the Board to ensure its effective functioning
- facilitate and encourage active engagement of Directors, fully drawing on their skills, experience and knowledge
- ensure cohesive working relationship among members of the Board and the Management
- assume overall responsibility on corporate governance practices and procedures
- in his capacity as Managing Director, directly has executive responsibilities in certain major business and corporate units of the Group

DIRECTORS WITH EXECUTIVE FUNCTIONS

Development Properties (China)
Mr Andrew O K Chow *(Deputy Chairman)*
Mr K P Chan
Investment Properties (HK/China)
Ms Doreen Y F Lee *(Vice Chairman)*
Ms Y T Leng
Group Finance
Mr Paul Y C Tsui
(Vice Chairman & Group Chief Financial Officer)

- full executive responsibilities over business directions and operational efficiency of the business and corporate units under their respective management (Please refer to Group Business Structure as set out on page 6 of this annual report for more details.)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Alexander S K Au
Professor Edward K Y Chen
Mr Vincent K Fang
Mr Hans Michael Jebsen
Mr David Muir Turnbull
Professor E K Yeoh

- contribute diversified views and exercise independent judgment in the Board's decision making process
- act as check-and-balance, particularly in situations where potential conflicts of interests may arise

Company Secretary

The Company Secretary, Mr Kevin C Y Hui, is a seasoned employee of the Company and is very familiar with the Company's state of affairs. He reports to the Chairman and the Board of Directors directly. The main responsibility of the Company Secretary is supervision of the Company's compliances with laws and regulations, for instances, the Listing Rules, the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong), the Companies Ordinance (Cap 622 of the laws of Hong Kong) and the Codes on Takeovers and Mergers and Share Buy-back.

All Directors have access to the advices and services of the Company Secretary to ensure that Board procedures, and all applicable law, rules and regulations, are obligated. The Company Secretary has also played the role of coordinator for arranging Directors' participant in the training sessions organised by the external auditors.

The Company Secretary confirmed that he had taken no less than 15 hours of relevant professional training during the financial year.

Directors' Meeting Attendance in 2016

Individual attendance records of our Directors at Board meetings, Board Committees meetings and Annual General Meeting during the financial year ended 31 December 2016 are set out below:

	2016 Meetings Attended / Held			
	Board	Audit Committee	Remuneration Committee	Annual General Meeting
Executive Directors				
Mr Stephen T H Ng, *Chairman & Managing Director*	4/4	N/A	2/2	1/1
Mr Andrew O K Chow, *Deputy Chairman*	3/4	N/A	N/A	1/1
Ms Doreen Y F Lee, *Vice Chairman*	4/4	N/A	N/A	1/1
Mr Paul Y C Tsui, *Vice Chairman & Group Chief Financial Officer*	4/4	N/A	N/A	1/1
Directors				
Ms Y T Leng	4/4	N/A	N/A	1/1
Mr K P Chan	4/4	N/A	N/A	1/1
Independent Non-executive Directors				
Mr Alexander S K Au	4/4	4/4	N/A	1/1
Professor Edward K Y Chen	4/4	N/A	N/A	1/1
Mr Vincent K Fang	3/4	3/4	N/A	0/1
Mr Hans Michael Jebsen	2/4	0/4	2/2	1/1
Mr David Muir Turnbull	3/4	N/A	2/2	1/1
Professor E K Yeoh	4/4	4/4	N/A	1/1
Total Number of Meeting	**4**	**4**	**2**	**1**

Note: The Chairman of the Company, the Chairmen of the Board Committees attended the 2016 AGM, with exception that Mr Vincent K Fang being the chairman of the Audit Committee was absent due to other important engagement but represented by other three Audit Committee members.

Board Process

Key Features of Board Process in 2016

Regular Meetings	• The Board held four regular meetings in 2016. Directors' attendance record for 2016 is disclosed on page 93 of this report. • Directors may attend meetings in person, by phone or through other means of electronic communication in accordance with the Company's Articles of Association.
Meeting Notice	• One-month formal notice would be given before each regular meeting and reasonable notices are given for all other ad hoc meetings.
Meeting Agenda	• All Directors are consulted as to whether they may want to include any matter in the agenda for each Board meeting. • Board papers are circulated not less than three days before Board meetings to enable the Directors to make informed decisions on matters to be raised at Board meetings.
Important Decisions	• Important matters are decided by Directors at Directors' meetings, or on some exceptional occasions, dealt with by way of written resolutions so that all Directors (including INEDs) can note and comment, as appropriate, the matters before approval is granted.
Board and Board Committee Minutes / Written Resolutions	• The Company Secretary prepares minutes and written resolutions and records matters discussed and decisions resolved by the Board and Board Committees. • Board and Board Committee meeting minutes are sent to all Directors and Board Committee members respectively for comments and record, and final version thereof are put on record within a reasonable time after each Board and Board Committee meeting. • Board and Board Committee minutes and resolutions are available for inspection by all Directors/ Board Committee members. • Minutes record in sufficient detail of the matters considered by the Board/Board Committees and decisions reached.
Supply of and Access to Information	• The Company Secretary and the Group Financial Controller attend all regular Board meetings to advise on corporate governance, statutory compliance, and accounting and financial matters, as appropriate. • Communications between Directors on the one hand, and the Company Secretary, who acts as co-ordinator for the business units of the Group on the other, is a dynamic and interactive process to ensure that queries raised and clarification sought by the Directors are dealt with and that further supporting information is provided if appropriate.
Independent Professional Advice	• The Company Secretary can arrange independent professional advice at the expense of the Company should such advice be considered necessary by any Director.
Conflicts of Interests	• Directors are required to declare their direct/indirect interests, if any, in any proposed transaction, arrangement or contract to be considered by the Board pursuant to the Companies Ordinance (Cap 622 of the laws of Hong Kong) and the Company's Articles of Associations and, where appropriate, Directors who are interested are required to abstain from voting on the proposed transaction, arrangement or contract.
Indemnification and Insurance	• The Company has arranged appropriate insurance cover of Directors' and Officers' liability.

Board Committees

The Company has established three Board Committees, namely Audit Committee, Remuneration Committee and Nomination Committee. The terms of reference of our Board Committees are reviewed and updated regularly to ensure that they are aligned with prevailing governance practices. The terms of reference and membership of all our Board Committees are disclosed in full on the respective websites of the Company and the Stock Exchange.

Board Committees report to the Board of their decisions and recommendations on specific area under their respective delegated responsibilities.

BOARD OF DIRECTORS

AUDIT COMMITTEE

Four members
(All being INEDs):

- Mr Vincent K Fang (Chairman)
- Mr Alexander S K Au
- Mr Hans Michael Jebsen
- Professor E K Yeoh

Roles:
To monitor and review the Company's financial information and oversee the financial reporting mechanism, risk management and internal control systems, as well as corporate governance matters. To communicate with external auditors for ensuring their independence and audit effectiveness.

REMUNERATION COMMITTEE

Three members
(Majority being INEDs):

- Mr Hans Michael Jebsen (Chairman)
- Mr David Muir Turnbull
- Mr Stephen T H Ng

Roles:
To make recommendations to the Board on the Company's policy and structure for the remuneration of Directors and Senior Management, and review the specific remuneration packages of all Executive Directors and Senior Management by reference to corporate goals and objectives resolved by the Board from time to time.

NOMINATION COMMITTEE

Three members
(Majority being INEDs):

- Mr Stephen T H Ng (Chairman)
- Mr Hans Michael Jebsen
- Mr David Muir Turnbull

Roles:
To provide recommendations to the Board in respect of the board composition, nomination of candidates for directorship, appointment and re-appointment of directors, assessment of the independence.

The roles, authorities and procedures of the Board Committees are set out in their respective terms of reference which are available at the websites of the Company and the Stock Exchange.

Summary of Works Performed by the Board Committees in 2016

Audit Committee

- Four Audit Committee meetings was held in 2016 with attendance records as disclosed on page 93 of this report
- Review of the annual audit plan of External Auditors
- Approval of the remuneration and terms of engagement of External Auditors
- Review of the External Auditors' independence and objectivity and the effectiveness of audit process in accordance with applicable standards
- Review of the quarterly, interim and annual financial statements before submission to the Board, with particular consideration of the duties of the Audit Committee
- Review of the audit programme of and work done by the Internal Auditors
- Review on the effectiveness of the Group's financial controls, risk management and internal control systems with the support of Risk Management and Internal Control Committee and Internal Auditors
- Meeting with the External Auditors without presence of executive Board members or the management
- Review of the whistle-blowing cases and relevant investigation results
- Review of the corporate governance matters and the relevant reports of the Group
- Review of and monitoring the Group's compliance with legal and regulatory requirements
- Recommendation to the Board for the reappointment of External Auditors

Remuneration Committee

- Two Remuneration Committee meetings was held in 2016 with attendance as disclosed on page 93 of this report
- Remuneration Committee has the following delegated authorities and responsibilities
- Review of the Company's policy and structure for all remuneration of Directors and Senior Management
- Consideration and approval of the emoluments for all Directors and Senior Management
- Review of the level of fees for Directors and Audit Committee members
- Review of the list of emoluments for Directors to be disclosed in annual report

Nomination Committee

- No Nomination Committee meeting and no nomination of new Director in 2016

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board acknowledges its responsibilities for overseeing the preparation of financial statements for the financial year, which shall give a true and fair view of the financial position of the Group and of the Group's financial performance and cash flows for the relevant periods, and in compliance with all the relevant statutory requirements, Listing Rules requirements and applicable accounting standards. The Board is committed to present a clear, balanced and understandable assessment of the Group's performance and financial positions in all its financial reporting and to ensure relevant publications in a timely manner.

Below principles are strictly observed in preparation of the financial statements of the Group:

- appropriate accounting policies are selected, applied consistently and in accordance with the Hong Kong Financial Reporting Standards;
- appropriate and reasonable judgments and estimates are made; and
- reasons for any significant departure from applicable accounting standards, if any, is clearly stated.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern as referred to in C.1.3 of the Corporate Governance Code.

The Directors are satisfied with the Group's performance on the basis that the Company generates or preserves value over the longer term and delivers the Company's objectives through its business model as discussed under Financial Review on page 86.

External Auditors

The Company has engaged KPMG as its Auditors for the financial year. The Audit Committee reviews and monitors the Auditors' independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards. KPMG has confirmed its independence as the Company's Auditors having regard to its policies, professional rules and relevant statutory requirements.

Meeting between the Audit Committee and the Auditors was held for reviewing the audit plan whereby the nature and scope of audit and reporting obligations were discussed with and approved by the Audit Committee before commencing the audit works for the financial year.

Under the engagement letter of the financial year, KPMG provided the following services:

1. Audit services of the Company and its subsidiaries (both incorporated in Hong Kong and other jurisdictions);

2. Checking the accuracy of extraction of the financial information in the preliminary announcement of annual results;

3. Attendance of 2017 AGM; and

4. Reporting on continuing connected transactions.

The remuneration paid / payable to the Auditors of the Company in respect of audit services and non-audit services for the financial year ended 31 December 2016 are set out below:

	Fee paid/payable (HK$ Million)	
Type of Services:	**2016**	2015
Audit services	**24**	23
Non-audit services	**1**	2
Total	**25**	25

The Audit Committee was satisfied with KPMG's work and recommended to the Board that, subject to Shareholders' approval at the forthcoming AGM, KPMG be re-appointed as the Company's Auditors for 2017.

The statement by the Auditors regarding its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 123 to 127.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Risk Governance Structure

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

Reporting to the Board, the Audit Committee is delegated with the authority and responsibility for ongoing monitoring and evaluation of the effectiveness of the relevant systems, with assistance of the Risk Management and Internal Control Committee.

Risk Management and Internal Control Committee ("RMICC")

RMICC plays a central role in the on-going management of the Group's risk management and internal control systems, with the following features:

Objective	Assist the Audit Committee in discharge of its oversight responsibility over risk management and internal control system of the Group
Composition	Chaired by the Vice Chairman & Group Chief Financial Officer Three other members comprising two Directors with executive functions and the Company Secretary
Structure	Accountable to the Audit Committee on all matters relating to risk management and internal control Supervision on Divisional Risk Management and Internal Control Committees ("DRMICCs") which in turn are responsible for the identification and reporting of functional risks, and the ongoing supervision and monitoring of the risk management and internal control systems of all the respective business and corporate untis of the Group
Scope & Duties	Assist the Audit Committee to conduct periodical reviews of the effectiveness of the risk management and internal control systems of the Group based on the certification procedure as further explained below Report to the Audit Committee on identified risks, relevant evaluations and risk management strategy Direct and monitor the proper functioning of DRMICC and report to the Audit Committee on any major internal control issues from time to time Assume an advisory role on objective settings, formulation of internal control framework, policies and procedures

Internal Control Functions

Internal control functions are inbuilt at every level of the Group's organisation to entrench safeguards against material errors and deficiencies. Below sets the major constituents with control functions monitoring key operations across the Group:

DRMICCs	• set up at the level of business and corporate units as divisional advisory bodies with composition of the respective key management staff together with those charged with the internal control functions • responsible for the identification and reporting of functional risk, and the ongoing supervision and monitoring of the risk management and internal control systems • entrusted with implementation of the Group's control policies and on-going assessment of control activities in the relevant business units
Finance Committee	establish financing strategy and policies with reference to risk assessment formulate externally and internally and cash flow placing as well as the centralised treasury functions
Internal Audit Department	monitoring compliance with group policies and standards, and review of the effectiveness of internal control measures of business and corporate units
Financial Audit Department	scrutiny on leasing activities and expenditure proposals
Project Cost Audit Department	auditing on tendering and contracts relating to construction works
CSR Steering Committee	alignment of business development with Corporate Social Responsibility goals and commitments

Practices and Processes

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

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

Whistleblowing System

The Group has adopted the recommended best practice of establishing a whistleblowing system as an open channel which enable employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence without fear of retribution, about any suspect misconduct or malpractice within the Group. The Whistleblowing Policy and Procedures are available for download under the Corporate Governance section of the Company's corporate website. Well-defined procedures are put in place for independent investigations and follow-up actions. With delegated authority and responsibility, the Audit Committee conducts periodical review on reports of whistleblowing cases submitted from the Internal Audit Department.

Periodical Reviews

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

Setting of business objectives → **Identify risk factors** → **Assess likelihood of each risk factor** → **Examine control activities** → **Evaluation and conclusion**

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

Annual Confirmation

During the financial year ended 31 December 2016, the Audit Committee, with assistance of RMICC and DRMICCs, has conducted a review of the effectiveness of the Group's risk management and internal control systems and procedures covering all controls, including financial, operational and compliance and risk management, and the adequacy of, *inter alia*, resources, qualifications, experience and training of staff of the Company's accounting, internal audit and financial reporting function. Confirmations in the form of certification that risk management and internal control procedures are functioning effectively to meet the respective financial reporting, operational and compliance needs, are submitted by business and corporate unit heads to RMICC for consolidation and reporting to the Audit Committee.

Based on the result of the review as reported by the Audit Committee, in respect of the financial year ended 31 December 2016, the Directors considered that the risk management and internal control systems and procedures of the Group were effective and adequate, and the Group has duly complied with the requirements under the Corporate Governance Code relating to the risk management and internal control.

A discussion on the principal risks and uncertainties encountered by the Group are set out on pages 119 to 121 in the Directors' Report.

Inside Information Policy

The Company recognises the significance of consistent practices of fair disclosure with the aim of disclosing inside information in a timely and accurate manner.

The Company has a policy with regard to the principles and procedures for handling and disseminating the Company's inside information in compliance with the requirements under Part XIVA of the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong) and the Listing Rules, and such policy has been communicated to the relevant senior executives of the Group. The Company Secretary works closely with the senior executives in identifying potential inside information and assess the materiality thereof, and where appropriate, to escalate such information for the attention of the Board to resolve on further action(s) complying with the applicable laws and regulations.

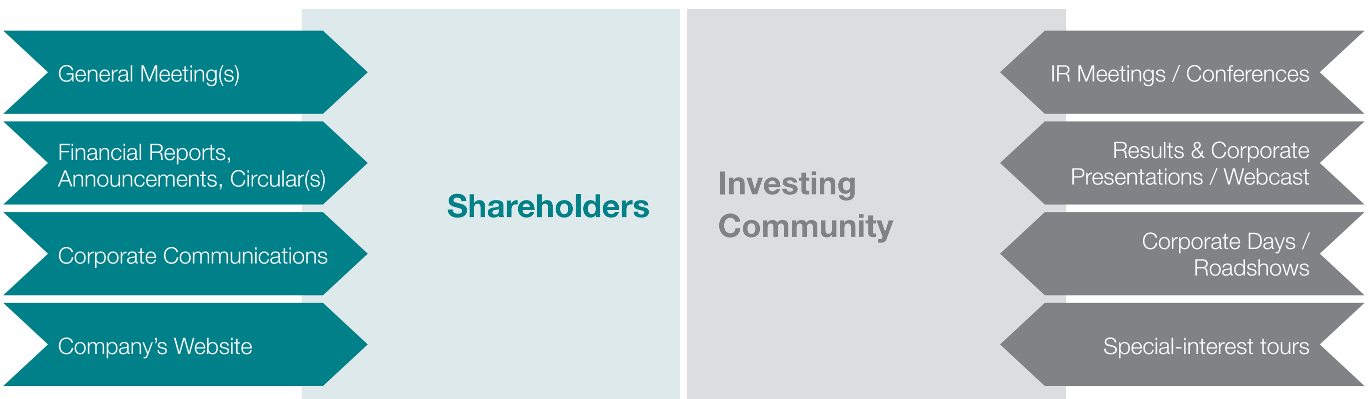
In prevention of premature leakage of inside information, the Company has taken all reasonable measures from time to time to ensure proper preservation of confidentiality of inside information until disclosure to the general public, including *inter alia*:

- restrictive access to inside information to a limited number of employees on a need-to-know basis
- appropriate confidentiality agreements are put in place when entering into any significant negotiations
- inclusion of a strict prohibition on the unauthorized use or disclosure of inside information in Employee Code of Conduct
- An Insider Dealing Circular is issued to all employees annually reminding their duties and obligations in respect of any dealings in the listed securities of the Company as well as its subsidiaries and associated corporations

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of constructive and transparent communication with Shareholders and investors and believes that Shareholders' value can be enhanced by continuous and effective dialogue with its stakeholders. The Company is committed to a fair and timely disclosure of key information of the Group to facilitate Shareholders and investment community to make investment decisions. Corporate information including but not limited to annual and interim reports, announcements, presentation materials and press releases are available on the websites of the Stock Exchange and/or the Company.

A Shareholders Communication Policy has been adopted by the Company to ensure balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile) are readily available to Shareholders.



2016 Annual General Meeting

The 2016 AGM was held on 11 May 2016 in the Centenary Room, Ground Floor, The Marco Polo Hongkong Hotel, 3 Canton Road, Kowloon, Hong Kong, with attendance by a large majority of the Directors, details of which are set out on the table of Directors' attendance on page 93. The Auditors of the Company, Messrs KPMG, attended the 2016 AGM, during which its representative was available to answer questions raised by the shareholders. Details of voting results were disclosed in the announcement of the Company dated 11 May 2016 posted on the websites of the Stock Exchange and the Company.

2017 Annual General Meeting

The forthcoming AGM will be held on 10 May 2017. All Shareholders are encouraged to attend and to vote on all resolutions to be proposed at the AGM. Details of resolutions to be proposed at the 2017 AGM are set out in the circular which will be dispatched together with this annual report. Relevant notice of AGM and proxy form will be available on the websites of the Stock Exchange and the Company.

Voting

The Company has the following procedures to Shareholders to vote by poll:

(a) All resolutions put to Shareholders in general meetings are voted by a poll demanded by the Chairman at the beginning of the meetings. The circulars and notices of the general meetings express the Chairman's intention to call for voting by poll.
(b) The Chairman or the Company Secretary explains the procedures for voting by poll to Shareholders and answer any questions from Shareholders before a poll is required to be conducted at the meetings.
(c) The Company ensures that votes cast are properly counted and recorded. Independent scrutineer, the Company's Share Registrar, is appointed to count the number of votes cast at general meetings.
(d) Poll results are announced on the same day and also published on the Company's website not later than the business day following the general meetings.

Shareholders' Rights

(a) Convene an Extraordinary General Meeting

Pursuant to Section 566 of the Companies Ordinance (Cap 622 of the laws of Hong Kong) (the "CO"), on written requisition by Shareholders representing at least 5% of the total voting rights of all Shareholders having a right to vote at general meetings, the Directors must convene an extraordinary general meeting.

(b) Send Enquiries to the Board

Shareholders may at any time address their enquiries to Board through the Company's email address (for enquiry purpose only), postal address, fax number and telephone number, which are set out on pages 4 to 5 of this annual report and the Company's corporate website (www.wharfholdings.com).

(c) Make Proposals at General Meetings

(i) The procedures for proposing candidate(s) for election as Director(s) at a Shareholders' meeting are set out in the Corporate Governance section of the Company's corporate website.

(ii) The procedure for proposing resolution(s) to be moved at the Company's AGM(s) are as follows:

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

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

The relevant written requisition must:

(a) identify the resolution of which notice is to be given;

(b) be authenticated by the Shareholder(s) making it; and

(c) be received by the Company not later than 6 weeks before the relevant AGM to which the requests relate, or if later, the time at which notice is given of that meeting.

Any written requisitions from Shareholders to the Company pursuant to Sections 566 and 615 of the CO must be deposited at the Company's registered office at 16th Floor, Ocean Centre, Harbour City, Canton Road, Kowloon, Hong Kong.

Constitutional Documents

Shareholders' rights are also set out in the Articles of Association of the Company which is available on the Company's website. There is no significant change in the Company's Articles of Association during the financial year ended 31 December 2016.

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on pages 194 to 199.

BUSINESS REVIEW

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

— Corporate Profile (pages 1 to 2)
— Chairman's Statement (pages 7 to 13)
— Business Review (pages 16 to 63)
— Financial Highlights (pages 14 to 15) and Financial Review (pages 80 to 86)
— Principal Risks and Uncertainties (pages 119 to 121)
— Events after the reporting period — Note 31 to the consolidated financial statements (page 176)

In addition, the Group's policies and performance in the area of environmental, social and governance, and compliance with relevant laws and regulations are discussed in the sub-section headed "(L) Environmental, Social and Governance" on page 121.

RESULTS AND APPROPRIATIONS

The results of the Group for the financial year ended 31 December 2016 are set out in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income on pages 128 to 129.

Appropriations of profits during the financial year are set out in the Consolidated Statement of Changes in Equity on page 131.

DIVIDENDS

A first interim dividend of HK$0.58 per share was paid on 14 September 2016. In lieu of a final dividend, a second interim dividend of HK$1.57 per share will be paid on 25 April 2017 to Shareholders on record as at 30 March 2017. Total distribution for the year 2016 will amount to HK$2.15 (2015: HK$1.90) per share.

DONATIONS

The Group made donations during the financial year totalling HK$36 million.

SHARE CAPITAL

During the financial year, 1,100,000 ordinary shares of the Company were issued at the subscription price of HK$46.90 per share for a total consideration of HK$51,590,000 on the exercise of options granted under the Company's Share Option Scheme (the "Scheme").

Details of movement in share capital of the Company during the financial year are set out in Note 24(a) to the Financial Statements on page 168.

DIRECTORS' REPORT

EQUITY-LINKED AGREEMENT

No equity-linked agreement which may result in the Company issuing shares was entered into or existed during the financial year, save for the share option scheme of the Company as disclosed on pages 114 to 116 and any outstanding options granted thereunder.

DIRECTORS

The Directors of the Company during the financial year and up to the date of this report were Mr Stephen T H Ng, Mr Andrew O K Chow, Ms Doreen Y F Lee, Mr Paul Y C Tsui, Ms Y T Leng, Mr K P Chan, Mr Alexander S K Au, Professor Edward K Y Chen, Mr Vincent K Fang, Mr Hans Michael Jebsen, Mr David Muir Turnbull and Professor E K Yeoh.

Mr Stephen T H Ng, Ms Doreen Y F Lee, Mr Vincent K Fang and Mr David Muir Turnbull will retire from the Board in accordance with Article 106(A) of the Company's Articles of Association, at the forthcoming Annual General Meeting ("AGM"). The retiring Directors, being eligible, offer themselves for re-election. None of the retiring Directors proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

A list of persons who served as directors of the Company's subsidiaries during the financial year and up to the date of this report is set out in the sub-section headed "(M) Directors of Subsidiaries" on page 122.

INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

MANAGEMENT CONTRACTS

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

Under the respective rules of the two schemes (such rules being subject to the relevant laws and rules applicable from time to time), shares of the Company and/or Wheelock would be issued at such respective prices as being not less than the highest of (a) the indicative price as specified in the written offer; (b) the closing price on the Stock Exchange on the date of grant of the options; and (c) the average closing price on the Stock Exchange for the five trading days immediately preceding the date of grant; and the relevant options would be exercisable during such periods, not being beyond the expiration of 10 years from the date of grant of relevant options, as determined by the boards of directors of the Company and/or Wheelock respectively.

During the financial year, a total of 1,100,000 shares of the Company were allotted and issued to Ms Doreen Y F Lee, Ms Y T Leng and Mr Paul Y C Tsui (all being Directors of the Company) on their exercise of options under the Scheme, and 300,000 shares of Wheelock were allotted and issued to Mr Paul Y C Tsui on his exercise of options under Wheelock's share option scheme.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, every Director is entitled to be indemnified out of the assets of the Company against all costs, expenses, losses or liabilities, which he/she may sustain or incur in or about the execution and discharge of the duties of his/her office, to the extent as permitted by laws.

The Company has, together with its holding company (Wheelock) and two listed subsidiaries (Harbour Centre Development Limited and i-CABLE Communications Limited), maintained directors' liability insurance which has been in force throughout the financial year and up to the date of this report to provide appropriate insurance cover for directors of their respective group companies, including *inter alia* the Directors.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

AUDITORS

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

OTHER CORPORATE INFORMATION

Other corporate information supplementary to this Directors' Report are set out on pages 106 to 122.

By Order of the Board
Kevin C Y Hui
Company Secretary

Hong Kong, 9 March 2017

DIRECTORS' REPORT

OTHER CORPORATE INFORMATION

(A) Biographical Details of Directors and Senior Managers

(i) Directors

Mr Stephen Tin Hoi Ng, *Chairman & Managing Director* (Age: 64)
Mr Ng joined the Company in 1981. He has been Managing Director of the Company since 1989 and became Chairman in 2015. He also serves as chairman of the Nomination Committee and a member of the Remuneration Committee.

He is deputy chairman of Wheelock and Company Limited ("Wheelock"), holding company of the Company. Among various subsidiaries of the Company of which he serves as a director, he is chairman of Harbour Centre Development Limited ("HCDL") and i-CABLE Communications Limited ("i-CABLE"), both publicly listed in Hong Kong. Furthermore, he is non-executive chairman of Joyce Boutique Holdings Limited ("JBHL"), chairman of Wheelock Properties (Singapore) Limited ("WPSL") (a subsidiary of Wheelock), as well as a non-executive director of Hotel Properties Limited (an associate of Wheelock), 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 ("Greentown").

Mr Ng was born in Hong Kong in 1952 and grew up in Hong Kong. He attended Ripon College in Ripon, Wisconsin, U.S.A. and the University of Bonn, Germany, from 1971 to 1975, and graduated with a major in mathematics. He is chairman of Project *WeCan* Committee, chairman of the Hong Kong General Chamber of Commerce, a council member of Employers' Federation of Hong Kong and Hong Kong Trade Development Council respectively.

Under the existing service contract between the Group and Mr Ng, his basic salary and various allowances for the year 2017, calculated on an annualised basis, would be approximately HK$8.06 million (2016: HK$7.82 million) per annum.

Mr Andrew On Kiu Chow, *Deputy Chairman* (Age: 66)
Mr Chow has been a Director of the Company since July 2011 and become Deputy Chairman in May 2015. Among various other subsidiaries of the Company of which he serves as a director, he is chairman of Wharf China Development Limited with responsibility to oversee the Group's development property business in Mainland China. He joined the Group in 2006.

Mr Chow has extensive experience in the finance and property sectors in Hong Kong and Mainland China, and formerly held senior executive positions in Tian An China Investment Limited and Next Media Limited. He is a graduate of The University of Hong Kong where he obtained his bachelor's degree in Social Sciences. He is also an independent non-executive director of Hong Kong Economic Times Holdings Limited, publicly listed in Hong Kong. He was formerly a non-executive director and vice chairman of Greentown from March 2015 to July 2015.

Under the existing service contract between the Group and Mr Chow, his basic salary and various allowances for the year 2017, calculated on an annualised basis, would be approximately HK$5.67 million (2016: HK$5.66 million) per annum.

Ms Doreen Yuk Fong Lee, *Vice Chairman* (Age: 60)
Ms Lee has been a Director of the Company since 2003 and became a Vice Chairman in May 2015. Among various other subsidiaries of the Company of which she serves as a director, she is chairman and senior managing director of Wharf Estates Limited and Wharf China Estates Limited with responsibility to oversee the Group's portfolio of investment properties in Hong Kong and Mainland China. She was formerly a director of HCDL (a publicly listed subsidiary of the Company) from July 2010 to July 2012.

Ms Lee is a graduate of The University of Hong Kong where she obtained her bachelor's degree in Arts (Hon). She is also a director of JBHL, publicly listed in Hong Kong.

Under the existing service contract between the Group and Ms Lee, her basic salary and various allowances for the year 2017, calculated on an annualised basis, would be approximately HK$6.15 million (2016: HK$5.96 million) per annum.

Mr Paul Yiu Cheung Tsui, *Vice Chairman & Group Chief Financial Officer* (Age: 70)
Mr Tsui, *FCCA, FCPA, FCMA, CGMA, CPA, CGA*, is a Vice Chairman & Group Chief Financial Officer of the Company and is also an executive director & group chief financial officer of Wheelock, holding company of the Company. He joined the Wheelock/Wharf group in 1996 and became a director of Wheelock in 1998. Among various other subsidiaries of the Company of which he serves as a director, he is a director of publicly listed i-CABLE. He is also a director of publicly listed JBHL, as well as vice chairman of Wheelock Properties Limited, a wholly-owned subsidiary of Wheelock. He formerly served as a director of HCDL and WPSL (a publicly listed subsidiary of Wheelock) until his resignations in August 2015; and also a non-executive director of Greentown until his resignation in July 2015. He is currently a general committee member of the Employers' Federation of Hong Kong ("EFHK") and chairman of the EFHK's "Property & Construction" functional group.

Under the existing service contract between the Group and Mr Tsui, his basic salary and various allowances for the year 2017, exclusive of the amounts which would be borne by Wheelock and/or its wholly-owned subsidiary(ies) and calculated on an annualised basis, would be approximately HK$4.2 million (2016: HK$4.08 million) per annum.

Ms Yen Thean Leng, *Director* (Age: 45)
Ms Leng, *BSc(Hons), MRICS, MHKIS, RPS*, has been a Director of the Company since April 2013. She joined the Group in 2004. Among various other subsidiaries of the Company of which she serves as a director, she is an executive director of Wharf Estates Limited with responsibility to, *inter alia*, manage the Group's core investment properties in Hong Kong, namely, Harbour City, Times Square and Plaza Hollywood. She was formerly a director of HCDL from July 2012 to April 2013. Ms Leng is a chartered surveyor and holds a Bachelor Degree in Land Management with first class honors and has extensive experience in the real estate industry.

Under the existing service contract between the Group and Ms Leng, her basic salary and various allowances for the year 2017, calculated on an annualised basis, would be approximately HK$4.01 million (2016: HK$3.88 million) per annum.

Mr Kwok Pong Chan, *Director* (Age: 56)
Mr Chan joined the Group in 1993 and has been a Director of the Company since May 2015. He has been involved in various property development projects of the Group in both China and Hong Kong. Among various other subsidiaries of the Company of which he serves as a director, he is an executive director of Wharf China Development Limited and Wharf China Estates Limited with responsibility to work on the Group's China Development Property strategy as well as to oversee the Group's massive China Investment Property construction projects. He was formerly a director of HCDL from April 2013 to May 2015.

Mr Chan graduated from The Hong Kong Polytechnic University with Associateship in Civil & Structural Engineering. He is a member of the Hong Kong Institution of Engineers as well as the Institution of Civil Engineers, UK and also a chartered engineer of the Engineering Council UK.

Under the existing service contract between the Group and Mr Chan, his basic salary and various allowances for the year 2017, calculated on an annualised basis, would be approximately HK$3.49 million (2016: HK$3.39 million) per annum.

Mr Alexander Siu Kee Au, *OBE, Director* (Age: 70)
Mr Au, *ACA, FCCA, FCPA, AAIA, FCIB, FHKIB*, has been an Independent Non-executive Director of the Company since October 2012. He also serves as a member of the Audit Committee. A banker by profession, he 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, being the manager of the publicly-listed Sunlight Real Estate Investment Trust. He is also an independent non-executive director of Henderson Investment Limited, and a non-executive director of two other companies, namely, Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited, all publicly-listed in Hong Kong. Mr Au was formerly an independent non-executive director of Wheelock, which is the Company's holding company, from September 2002 to October 2012 and of Henderson Land Development Company Limited from December 2012 to June 2015, both publicly listed in Hong Kong. Mr Au has been appointed as a member of the Finance Committee of The Independent Schools Foundation Limited with effect from 5 December 2016. 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.

Professor Edward Kwan Yiu Chen, *GBS, CBE, JP, Director* (Age: 72)
Professor Chen has been an Independent Non-executive Director of the Company since 2002. He was the president of Lingnan University in Hong Kong from September 1995 to August 2007. He is an honorary professor of the Open University of Hong Kong and a distinguished fellow of the Hong Kong Institute for the Humanities and Social Sciences at The University of Hong Kong. He is now a member of the board of director of the Hong Kong Institute for Monetary Research of the Hong Kong Monetary Authority and the Chairman of HKU SPACE. He was a member of the Legislative Council of Hong Kong from 1991 to 1992, and a member of the Executive Council of Hong Kong from 1992 to 1997. He is a director of a publicly-listed company in Hong Kong, namely, First Pacific Company Limited. He was formerly a director of publicly listed Asia Satellite Telecommunications Holdings Limited.

Professor Chen was educated at The University of Hong Kong (Bachelor of Arts and Master of Social Sciences) and Oxford University (Doctor of Philosophy). He was appointed a Justice of the Peace in 1993 and awarded a CBE in 1995. In 2003, he was awarded the Gold Bauhinia Star by the Hong Kong SAR Government.

Mr Vincent Kang Fang, *GBS, JP, Director* (Age: 73)
Mr Fang has been an Independent Non-executive Director of the Company since 1993. He also serves as chairman of the Audit Committee. He is chief executive officer of Toppy Company (Hong Kong) Limited and managing director of Fantastic Garments Limited.

Mr Fang is currently the Honorary Chairman of the Liberal Party. He is a non-official member of Commission on Strategic Development of the Hong Kong SAR Central Policy Unit and of the Commercial Properties Committee of Housing Department. He is also a director of The Federation of Hong Kong Garment Manufacturers. Mr Fang served as a member of Legislative Council representing Wholesale and Retail in Functional Constituency since 2004 until his retirement in September 2016. He also served as chairman of Hospital Governing Committee of Princess Margaret Hospital and Kwai Chung Hospital, advisor of the Quality Tourism Services Association, a functional constituency representative for retail and wholesale of Hong Kong Retail Management Association and a member of the Hospital Authority, Hong Kong Tourism Board, the Operations Review Committee of the Independent Commission Against Corruption and the Airport Authority of Hong Kong.

Mr Fang is a graduate of North Carolina State University where he obtained both his bachelor's and master's degrees in Science of Textiles Engineering. He was awarded the Silver Bauhinia Star in 2008 and the Gold Bauhinia Star in 2016 by the Hong Kong SAR Government. He is also a Justice of the Peace.

Mr Hans Michael Jebsen, *BBS, Director* (Age: 60)
Mr Jebsen has been an Independent Non-executive Director of the Company since 2001. He also serves as a member of the Audit Committee, Nomination Committee and chairman of Remuneration Committee.

He is chairman of Jebsen and Company Limited and also a non-executive director of publicly-listed Hysan Development Company Limited. He currently holds a number of public offices, namely, a trustee of World Wide Fund for Nature Hong Kong, chairman and a board member of the Asian Cultural Council Hong Kong, a member of the Advisory Council of the Business School of The Hong Kong University of Science and Technology and a member of Hong Kong-Europe Business Council of the Hong Kong Trade Development Council, Board of Trustees of Asia Society Hong Kong Center as well as Advisory Board of the Hong Kong Red Cross.

After schooling in Germany and Denmark, he received a two-year banking education in Germany and the UK and studied Business Administration at the University of St. Gallen in Switzerland from 1978 to 1981.

Mr Jebsen was awarded the Bronze Bauhinia Star by the Hong Kong SAR Government in 2001, made a Knight of the Dannebrog by receiving the Silver Cross of the Order of Dannebrog by H. M. The Queen of Denmark in 2006, was awarded the Merit Cross of the Order of the Merit of the Federal Republic of Germany in 2008 and received the title "Hofjægermester" by H. M. The Queen of Denmark in January 2011. In 2014, Mr Jebsen was awarded the Knight of 1st Class of the Order of Dannebrog, Denmark. Since 2015, he has also been a member of the Operations Review Committee of the Independent Commission Against Corruption. In 2015, Mr Jebsen was also awarded Doctor of Business Administration honoris causa of The Hong Kong University of Science & Technology.

Mr David Muir Turnbull, *Director* (Age: 61)
Mr Turnbull has been an Independent Non-executive Director of the Company since November 2013. He also serves as a member of the Nomination Committee and Remuneration Committee.

Mr Turnbull graduated from Cambridge University in 1976 with a Bachelor of Arts degree in Economics and subsequently earned a Master of Arts degree. He joined the Swire Group upon graduation and held various senior management positions with international responsibilities covering aviation, shipping and property during his 30 years' service thereof. He was appointed as a director of Cathay Pacific Airways Limited in 1994 and took up the positions of deputy managing director in 1994, managing director in 1996 and deputy chairman and chief executive in 1998 before his appointment as chairman in 2005. He is also the former chairman of Swire Pacific Limited from January 2005 to January 2006, and of Hong Kong Aircraft Engineering Company Limited from March 1995 to August 2006. He was formerly an Independent Non-executive Director of Sands China Ltd. from October 2009 to March 2016.

Mr Turnbull is currently executive chairman of Pacific Basin Shipping Limited, being publicly-listed in Hong Kong. He also serves as a non-executive director of Green Dragon Gas Limited and Greka Drilling Limited, both being companies publicly-listed on London Stock Exchange and Alternative Investment Market, a sub-market of the London Stock Exchange respectively.

Professor Eng Kiong Yeoh, *GBS, OBE, JP, Director* (Age: 70)
Professor Yeoh, *MBBS(HK), FHKAM, FHKCCM, FHKCP, FFPHM(UK), FRCP(Edin), FRCP(Lond), FRCP(Glasg), FRACMA, FRACP*, has been an Independent Non-executive Director of the Company since July 2014. He also serves as a member of the Audit Committee.

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. 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. He is involved in collaborative work with research networks such as the Association of Pacific Rim Universities World Institute and Asia Pacific Network for Health Systems Strengthening (ANHSS) in studies on health systems and training for policy. He was chairman of the ANHSS from July 2009 to June 2014, and is currently Director of the organization and also serves as Cluster Leader for Knowledge Events. He is also a member of the International Advisory Board of the National University of Singapore Initiative to improve health in Asia, which seeks to contribute to thinking and policy formulation in public health & health systems development in Asia.

Professor Yeoh served as Secretary for Health, Welfare and Food of the Government of the Hong Kong Special Administrative Region ("HK Government") between 1999 and 2004. From 1990 to 1999, he was Head of the Hong Kong Hospital Authority with responsibility for the management and transformation of the public hospital system.

As a clinician, Professor Yeoh pioneered public health programmes in the prevention of Hepatitis B and HIV/AIDS. He has held many key positions in professional bodies, both locally and internationally. He is a member of the Research Council and Co-Chairs of Grant Review Board of Research Fund Secretariat, Food and Health Bureau of the HK Government. Professor Yeoh was appointed a Justice of the Peace in 1993 and awarded an Order of the British Empire in 1997. In 2005, he was awarded the Gold Bauhinia Star Medal by the HK Government in recognition of his public service.

Note: Wheelock (of which Mr Stephen T H Ng and Mr Paul Y C Tsui are directors) has interests in the share capital of the Company discloseable to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO").

(ii) Senior Management

Various businesses of the Group are respectively under the direct responsibility of the first six Directors named under (A)(i) above, led by the Chairman & Managing Director. Only those six Directors are regarded as members of the Group's senior management.

(B) Directors' Interests in Securities

(i) Interests in Shares and Debentures

At 31 December 2016, Directors of the Company had the following beneficial interests, all being long positions, in the shares and/or debentures of the Company, Wheelock (which is the Company's parent company) and two subsidiaries of the Company, namely, i-CABLE Communications Limited ("i-CABLE") and Modern Terminals Limited ("Modern Terminals"), and another associated corporation of the Company (of which the Company is interested in more than 20% of its issued shares), namely, Greentown China Holdings Limited ("Greentown"). The percentages (where applicable) which the relevant shares represented to the number of shares in issue of the five companies respectively are also set out below:

	Quantity held (percentage, where applicable)	Nature of Interest
The Company		
Stephen T H Ng	4,445 (0.0001%)	Personal Interest
Alexander S K Au	100,000 (0.0033%)	Personal Interest
Vincent K Fang	100,000 (0.0033%)	Personal Interest
E K Yeoh	20,000 (0.0007%)	Personal Interest
Wheelock		
Stephen T H Ng	300,000 (0.0147%)	Personal Interest
i-CABLE		
Stephen T H Ng	1,265,005 (0.0629%)	Personal Interest
Modern Terminals		
Hans Michael Jebsen	3,787 (5.40%)	Corporate Interest
Greentown		
Andrew O K Chow	330,000 (0.01%)	Personal Interest

Notes:

(1) The interests in shares disclosed above do not include interests in share options of the Company and/or associated corporation(s) held by Directors as at 31 December 2016. Details of such interests in share options are separately set out below under the sub-sections headed "(ii) Interests in Share Options of the Company" and "(iii) Interests in Share Options of Wheelock".

(2) The shareholdings classified as "Corporate Interest" in which the Directors concerned were taken to be interested as stated above were interests of corporations at general meetings of which the relevant Director was either entitled to exercise (or taken under Part XV of the "SFO" to be able to exercise) or control the exercise of one-third or more of the voting power in general meetings of such corporation.

(ii) *Interests in Share Options of the Company*

Set out below are particulars of interests (all being personal interests) in options held during the financial year ended 31 December 2016 by Directors (and/or their respective associate(s)) of the Company to subscribe for ordinary shares of the Company granted/exercisable under the share option scheme of the Company:

Name of Director	Total no. as at 31 December 2016 *(percentage based on no. of shares in issue)*	Date of grant *(Day/Month/Year)*	No. of Shares under Option: As at 1 January 2016	Grant during the year	Exercised during the year	Lapsed during the year	As at 31 December 2016	Subscription Price per Share *(HK$)*
Stephen T H Ng	7,000,000 (0.23%)	04/07/2011	1,500,000	–	–	(1,500,000)	0	55.15
		05/06/2013	2,000,000	–	–	–	2,000,000	70.20(5)
		07/07/2016	–	5,000,000(1)	–	–	5,000,000	46.90(6)
Andrew O K Chow	5,000,000 (0.16%)	04/07/2011	1,500,000	–	–	(1,500,000)	0	55.15
		05/06/2013	2,000,000	–	–	–	2,000,000	70.20(5)
		07/07/2016	–	3,000,000(1)	–	–	3,000,000	46.90(6)
Doreen Y F Lee	4,400,000 (0.15%)	04/07/2011	1,320,000	–	–	(1,320,000)	0	55.15
		05/06/2013	2,000,000	–	–	–	2,000,000	70.20(5)
		07/07/2016	–	3,000,000(1)	(600,000)(2)	–	2,400,000	46.90(6)
Paul Y C Tsui	2,200,000 (0.07%)	04/07/2011	1,200,000	–	–	(1,200,000)	0	55.15
		05/06/2013	1,000,000	–	–	–	1,000,000	70.20(5)
		07/07/2016	–	1,500,000(1)	(300,000)(3)	–	1,200,000	46.90(6)
Y T Leng	1,550,000 (0.05%)	04/07/2011	500,000	–	–	(500,000)	0	55.15
		05/06/2013	750,000	–	–	–	750,000	70.20(5)
		07/07/2016	–	1,000,000(1)	(200,000)(4)	–	800,000	46.90(6)
K P Chan	1,750,000 (0.06%)	04/07/2011	500,000	–	–	(500,000)	0	55.15
		05/06/2013	750,000	–	–	–	750,000	70.20(5)
		07/07/2016	–	1,000,000(1)	–	–	1,000,000	46.90(6)

Notes:

(1) The closing price of the shares on the last trading day immediately before the share options grant on 7 July 2016 was HK$46.60 per share.

(2) The closing price of the shares of the Company immediately before the date(s) of exercise(s) of the options (all exercised on the same day) by Ms Doreen Y F Lee during the year was HK$56.00 per share.

(3) The closing price of the shares of the Company immediately before the date(s) of exercise(s) of the options (all exercised on the same day) by Mr Paul Y C Tsui during the year was HK$55.65 per share.

(4) The closing price of the shares of the Company immediately before the date(s) of exercise(s) of the options (all exercised on the same day) by Ms Y T Leng during the year was HK$57.30 per share.

(5) The options granted by the Company on 5 June 2013 (exercisable from 6 June 2013 to 5 June 2018), being outstanding as at 1 January 2016 and 31 December 2016, were/will be vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant options, i.e. exercisable to the extent of one-fifth of the relevant total number of shares and with the 1st, 2nd, 3rd, 4th and 5th tranches being exercisable from 6 June in the years 2013, 2014, 2015, 2016 and 2017 respectively.

(6) The options granted by the Company on 7 July 2016 (exercisable from 8 July 2016 to 7 July 2021), being outstanding as at both the date of grant and 31 December 2016, were/will be vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant options, i.e. exercisable to the extent of one-fifth of the relevant total number of shares and with the 1st, 2nd, 3rd, 4th and 5th tranches being exercisable from 8 July in the years 2016, 2017, 2018, 2019 and 2020 respectively, with exception that:

(i) the relevant options held by Ms Doreen Y F Lee as at 31 December 2016 are vested in four tranches, with each tranche covering options for 600,000 shares being exercisable from 8 July in the years 2017, 2018, 2019 and 2020;

(ii) the relevant options held by Mr Paul Y C Tsui as at 31 December 2016 are vested in four tranches, with each tranche covering options for 300,000 shares being exercisable from 8 July in the years 2017, 2018, 2019 and 2020; and

(iii) the relevant options held by Ms Y T Leng as at 31 December 2016 are vested in four tranches, with each tranche covering options for 200,000 shares being exercisable from 8 July in the years 2017, 2018, 2019 and 2020.

(7) Share options for a total of 6,520,000 shares of the Company that were held by Directors (and/or their associate(s)) lapsed in accordance with the terms of the Company's Share Option Scheme during the financial year.

(8) Except as disclosed above, no option of the Company held by Directors (and/or their associate(s)) lapsed or was exercised or cancelled during the financial year, and no option of the Company was granted to any Director and/or their associate(s) during the financial year.

(iii) Interests in Share Options of Wheelock

Set out below are particulars of all interests (all being personal interests) in options held during the financial year ended 31 December 2016 by Directors of the Company to subscribe for ordinary shares of Wheelock granted/exercisable under the share option scheme of Wheelock:

Name of Director	Total no. as at 31 December 2016 (percentage based on no. of shares in issue)	Date of grant *(Day/Month/Year)*	No. of Wheelock's shares under option: As at 1 January 2016	Grant during the year	Exercised during the year	As at 31 December 2016	Subscription price per Share *(HK$)*
Paul Y C Tsui	2,700,000 (0.13%)	14/06/2013	1,500,000	–	–	1,500,000	39.98
		07/07/2016	–	1,500,000	(300,000)	1,200,000	36.60

Notes:

(a) The share options of Wheelock granted on 14 June 2013 (exercisable from 15 June 2013 to 14 June 2018) outstanding as at both 1 January 2016 and 31 December 2016 were/are vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant options, i.e. exercisable to the extent of one-fifth of the relevant total number of Wheelock's shares, and with the 1st, 2nd, 3rd, 4th and 5th tranches being exercisable from 15 June in the years 2013, 2014, 2015, 2016 and 2017 respectively.

(b) The share options of Wheelock granted on 7 July 2016 (exercisable from 8 July 2017 to 7 July 2021) outstanding as at both the date of grant and 31 December 2016 were/will be vested in four tranches within a period of 4 years, with each tranche covering one-fourth of the relevant options, i.e. exercisable to the extent of one-fourth of the relevant total number of Wheelock's shares, and with the 1st, 2nd, 3rd and 4th tranches becoming exercisable from 8 July in the years 2017, 2018, 2019 and 2020 respectively.

(c) Except as disclosed above, no share option of Wheelock held by Directors of lapsed or was exercised or cancelled during the financial year and no share option of Wheelock was granted to any Director of the Company during the financial year.

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the SFO in respect of information required to be notified to the Company and the Stock Exchange by the Directors and/or Chief Executive of the Company pursuant to the SFO or the Model Code (or any other applicable code) for Securities Transactions by Directors of Listed Issuers, there were no interests, whether long or short positions, held or deemed to be interested as at 31 December 2016 by any of Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), nor had there been any rights to subscribe for any shares, underlying shares or debentures of the Company and its associated corporations held or deemed to be interested by any of them as at 31 December 2016.

(C) SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties, other than person(s) who is/are Director(s), who/which were, directly or indirectly, interested in 5% or more of any class of voting shares of the Company as at 31 December 2016, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the "Register"):

Names	**No. of Ordinary Shares (percentage based on total number of shares in issue)**
(i) Wheelock and Company Limited	1,850,408,608 (61.03%)
(ii) HSBC Trustee (C.I.) Limited	1,850,408,608 (61.03%)

Notes:

(1) For the avoidance of doubt and double counting, it should be noted that the shareholdings stated against parties (i) and (ii) represented the same block of shares.

(2) Wheelock's deemed shareholding interests stated above included interests held through its wholly-owned subsidiaries, namely, Lynchpin Limited ("LL"), WF Investment Partners Limited ("WIPL") and Wheelock Investments Limited ("WIL"), with 252,579,072 shares (8.33%) being the deemed interests held by LL, 1,360,559,536 shares (44.87%) being the deemed interests held by WIPL, 237,270,000 shares (7.83%) being the deemed interests held by High Fame Investments Limited and 1,850,408,608 shares (61.03%) being the deemed interests held by WIL.

All the interests stated above represented long positions. As at 31 December 2016, there were no short position interests recorded in the Register.

(D) SHARE OPTION SCHEME

(I) Summary of the Share Option Scheme (the "Scheme")

(a) Purpose of the Scheme:
To provide directors and/or employees with the opportunity of acquiring an equity interest in the Company, to continue to provide them with the motivation and incentive to give their best contribution towards the Group's continued growth and success.

(b) Eligibility:
Eligible participants include any person(s) who is/are full-time and/or part-time employee(s) and/or director(s) of the Company, any of its subsidiary(ies), and/or any of its associate(s). "Associates" include jointly-controlled entities and subsidiary(ies) of associates and of jointly-controlled entity(ies).

(c) (i) Total number of ordinary shares in the capital of the Company (the "Shares") available for issue under the Scheme as at the date of this annual report:
276,144,732

(ii) Percentage of the issued share capital that it represents as at the date of this annual report:
9.11%

(d) Maximum entitlement of each eligible participant under the Scheme:
Not to exceed 1% of the Shares in issue in any 12-month period unless approved by Shareholders of the Company

(e) Period within which the Shares must be taken up under an option:
Within 10 years from the date on which the option is offered or such shorter period as the Directors may determine

(f) Minimum period for which an option must be held before it can be exercised:
No minimum period unless otherwise determined by the Board

(g) (i) Price payable on application or acceptance of the option:
HK$10.00

(ii) The period within which payments or calls must or may be made:
28 days after the offer date of an option or such shorter period as the Directors may determine

(iii) The period within which loans for the purposes of the payments or calls must be repaid:
Not applicable

(h) Basis of determining the subscription price:
The subscription price shall be determined by the Directors at the time of offer but shall not be less than whichever is the highest of:

(i) the indicative price per share for subscription of Shares under the option as specified in the written offer containing the offer of the grant of the option to an eligible participant;

(ii) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of an option, which must be a Stock Exchange trading day;

(iii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five Stock Exchange trading days immediately preceding the date of grant of an option; and

(iv) the nominal value of a Share (not applicable due to the abolition of par value upon implementation of the Companies Ordinance, Cap 622 of the laws of Hong Kong).

(i) The remaining life of the Scheme:
Approximately 4 years (expiring on 8 June 2021)

(II) Details of Share Options Granted

Details of the Company's share options granted to Directors and the relevant movement(s) during the financial year are set out in the sub-section headed "Interests in Share Options of the Company".

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

	No. of shares under option						
Date of grant *(Day/Month/Year)*	**As at 1 January 2016**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**As at 31 December 2016**	**Vesting/ Exercise Period** *(Day/Month/Year)*	**Price per shares to be paid on exercise of options** *(HK$)*
04/07/2011	1,540,000	–	–	(1,540,000)	–	05/07/2011 – 04/07/2016	55.15
	2,020,000	–	–	(2,020,000)	–	05/07/2012 – 04/07/2016	
	2,020,000	–	–	(2,020,000)	–	05/07/2013 – 04/07/2016	
	2,020,000	–	–	(2,020,000)	–	05/07/2014 – 04/07/2016	
	2,020,000	–	–	(2,020,000)	–	05/07/2015 – 04/07/2016	
	9,620,000	–	–	(9,620,000)	–		
05/06/2013	2,100,000	–	–	–	2,100,000	06/06/2013 – 05/06/2018	70.20
	2,100,000	–	–	–	2,100,000	06/06/2014 – 05/06/2018	
	2,100,000	–	–	–	2,100,000	06/06/2015 – 05/06/2018	
	2,100,000	–	–	–	2,100,000	06/06/2016 – 05/06/2018	
	2,100,000	–	–	–	2,100,000	06/06/2017 – 05/06/2018	
	10,500,000	–	–	–	10,500,000		
07/07/2016	–	2,900,000	(1,100,000)	–	1,800,000	08/07/2016 – 07/07/2021	46.90
	–	2,900,000	–	–	2,900,000	08/07/2017 – 07/07/2021	
	–	2,900,000	–	–	2,900,000	08/07/2018 – 07/07/2021	
	–	2,900,000	–	–	2,900,000	08/07/2019 – 07/07/2021	
	–	2,900,000	–	–	2,900,000	08/07/2020 – 07/07/2021	
	–	14,500,000	(1,100,000)	–	13,400,000		
Total:	20,120,000	14,500,000	(1,100,000)	(9,620,000)	23,900,000		

Notes:

(1) *The closing price of the shares on the last trading day immediately before the share options grant on 7 July 2016 was HK$46.60 per share.*

(2) *Share options for a total of 9,620,000 shares of the Company lapsed in accordance with the terms of the Company's Share Option Scheme during the financial year.*

(3) *Except as disclosed above, no share option of the Company lapsed or was granted, exercised or cancelled during the financial year.*

(4) *The weighted average closing price of the shares of the Company immediately before the date(s) of exercise(s) of the share option during the financial year was HK$56.14 per share.*

(E) RETIREMENT BENEFITS SCHEMES

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

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

(F) DIRECTORS' INTERESTS IN COMPETING BUSINESS

Set out below is information disclosed pursuant to Rule 8.10 of the Listing Rules.

Five Directors of the Company, namely, Messrs Stephen T H Ng, Andrew O K Chow, Paul Y C Tsui, K P Chan and Ms Doreen Y F Lee, being directors of Wheelock and/or certain subsidiary(ies) and/or associate(s) of Wheelock ("Wheelock Group"), are considered as having an interest in Wheelock Group under Rule 8.10(2) of the Listing Rules of the Hong Kong Stock Exchange.

The development and/or investment in property assets and hotel businesses by Wheelock Group are considered as competing businesses for the Group. However, the Group itself has adequate experience in property and hotel businesses, which it is capable of carrying on independently of the Wheelock Group.

For safeguarding the interests of the Group, the Independent Non-executive Directors and the Audit Committee of the Company would on a regular basis review the business and operational results of the Group to ensure, *inter alia*, that the Group's (i) development of properties for sale and/or investment; (ii) property leasing businesses; and (iii) hotel businesses are and continue to be run at arm's length from those of the Wheelock Group.

(G) MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2016:

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

(ii) the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover.

(H) DEBENTURES, BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Particulars of any and all debentures, bank loans, overdrafts and/or other borrowings of the Company and of the Group as at 31 December 2016 which are repayable on demand or within a period not exceeding one year are set out in Note 20 to the Financial Statements on pages 158 and 159. Those which would fall due for repayment after a period of one year are particularised in Note 20 to the Financial Statements on pages 158 and 159.

(I) PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules throughout the financial year ended 31 December 2016.

(J) DISCLOSURE OF CONNECTED TRANSACTIONS

Set out below is information in relation to connected transactions involving the Company and/or its subsidiaries, particulars of which were previously disclosed in announcements of the Company dated 14 March 2016 and 26 September 2014 respectively and are required under the Listing Rules to be disclosed in the Annual Report and Financial Statements of the Company.

(i) Acquisition of Wheelock House

On 14 March 2016, City State Ventures Limited ("CSVL"), which is an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Wheelock Properties Limited ("WPL") to acquire the entire issued share capital and shareholder's loan in Aggressive Enterprises Limited which principal asset (held through its wholly owned subsidiary) is the commercial property situated at 3rd to 24th Floors of Wheelock House, 20 Pedder Street, Central, Hong Kong ("Wheelock House"), for a consideration of approximately HK$5,020 million as mentioned in the announcement dated 14 March 2016. The consideration of HK$5,020 million was fully paid in cash on completion which took place on 31 March 2016. As WPL is a wholly-owned subsidiary of Wheelock, which in turn is the holding company of the Company, the entering into of the transaction constituted a connected transaction for the Company under the Listing Rules.

Furthermore, on 14 March 2016, CSVL entered into a sale and purchase agreement with Champion Honest International Limited ("CHIL") to acquire the entire issued share capital and shareholder's loan in Estcourt International Limited which principal asset (held through its wholly owned subsidiary) is the commercial property known as Unit C on Ground Floor of Wheelock House, for a consideration of approximately HK$1,141 million as mentioned in the announcement dated 14 March 2016. The consideration of HK$1,141 million was fully paid in cash on completion which took place on 31 March 2016. CHIL was effectively owned and controlled by Hon. Peter K C Woo and his spouse. As Hon. Peter K C Woo was the past chairman of the Company within 12 months preceding the date of the transaction, the entering into of the transaction constituted a connected transaction for the Company under the Listing Rules.

The abovementioned acquisitions offered the Company rare opportunities to acquire prime and very visible Central properties at a reasonable yield to expand the Group's portfolio of investment properties in Hong Kong.

(ii) Master Tenancy Agreements

During the financial year, there existed various tenancy agreements entered into between certain subsidiaries of the Company as landlords and certain subsidiaries, associates and/or affiliates of Wisdom Gateway Limited ("WGL") as tenants for the purpose of the letting by the landlords to the tenants certain retail/commercial premises owned by the Group including *inter alia* some premises of Lane Crawford stores and City Super stores.

On 26 September 2014, the Company entered into a master tenancy agreement (the "MTA") with WGL for a term of three years from 1 January 2015 to 31 December 2017. The MTA is for the purpose of, *inter alia*, regulating various continuing connected transactions in respect of the leasing of premises owned by members of the Group to WGL's subsidiaries, associates and/or affiliates which are/were connected persons of the Company under the Listing Rules (the "Eligible Tenants") and providing *inter alia*, for the aggregate annual cap amount of rentals, which is fixed at HK$1,580 million per annum, in relation thereto during the said three-year term.

WGL is indirectly wholly-owned by a trust, the settlor of which is Hon. Peter K C Woo, the former chairman of the Company retired on 15 May 2015, who was regarded as a connected person of the Company until 15 May 2016 pursuant to the Listing Rules. Nevertheless, some of the Eligible Tenants are subsidiaries and associates of Wheelock ("Wheelock Group Tenants") which remain connected persons of the Company after 15 May 2016 due to Wheelock being a controlling shareholder in the Company. Therefore, the MTA and various transactions contemplated and/or governed thereunder (collectively, the "MTA Transactions") constitute continuing connected transactions for the Company under the Listing Rules, notwithstanding that the tenancy agreements with those Eligible Tenants (other than Wheelock Group Tenants) had ceased to be continuing connected transactions for the Company from 16 May 2016 onwards.

The respective amounts of rentals received by Wharf group from (i) Wheelock Group Tenants during the applicable period in the financial year ended 31 December 2016 amounted to HK$73 million; and (ii) those Eligible Tenants (other than Wheelock Group Tenants) during the period from 1 January 2016 to 15 May 2016 amounted to HK$371 million. As such, the annual aggregate amount of rental under the MTA, which is subject to the relevant aggregate annual cap amount previously disclosed in the announcement dated 26 September 2014, for the financial year ended 31 December 2016 amounted to HK$444 million.

(iii) Confirmation from the Directors and the Auditors

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

(1) by the Group in the ordinary and usual course of its business;

(2) on normal commercial terms or better; and

(3) according to the agreements governing the MTA Transactions on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

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

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

(1) the MTA Transactions had not been approved by the Company's Board of Directors;

(2) the MTA Transactions were not, in all material respects, entered into in accordance with the terms of the related agreements governing the MTA Transactions;

(3) the relevant cap amounts, where applicable, have been exceeded during the financial year ended 31 December 2016; and

(4) in the event that there would be any transactions involving the provision of goods and services by the Group, the transactions were not, in any material respects, in accordance with the pricing policies of the Group.

(iv) With regard to the Related Party Transactions as disclosed under Note 26 to the Financial Statements on page 171, the transactions stated under paragraph (a) therein constitute connected transactions (as defined under the Listing Rules) of the Company/and the one under paragraph (b) constitute a fully exempt connected transaction of the Company, for all of which the applicable requirements under the Listing Rules have been duly complied with.

(K) PRINCIPAL RISKS AND UNCERTAINTIES

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

Risks pertaining to Investment Properties ("IP")

IP segment is the Group's core business with IP assets accounted for over 72% of the Group's total. With the majority of the properties located in Hong Kong and Mainland China, the general economic climate, regulatory changes, government policies and the political conditions in both Hong Kong and Mainland China may have a significant impact on the Group's overall financial results and condition. The Group's rental income may experience more frequent adjustments resulting from competition arising from oversupply in retail and office areas. Furthermore, rental levels may also be impacted by external economic and market conditions including but not limited to the fluctuations in general supply and demand, performance in stock markets and financial volatility, which may indirectly affect the Group's IP performance.

IPs are stated at their fair values in accordance with the Hong Kong Financial Reporting Standards in the statement of financial position at each reporting period. The fair values are provided by independent professional surveyors, using the income capitalisation approach which capitalized the net income of properties and takes into account the significant adjustments on term yield to account for the risk upon reversion and the changes in fair value are recognised in the income statement. Given the size of the Group's IP portfolio, any significant change in the IP values may overwhelmingly affect the Group's results that may not be able to reflect the Group's operating and cash flow performance.

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

Risks pertaining to Development Properties ("DP")

DP segment is the Group's another major business, particularly in Mainland China. Accordingly, the DP segment is subject to economic, political and legal developments in Mainland China as well as in the economies in the surrounding region. In recent years, the DP market movements in Mainland China have been concurrently affected by the economic trend and government policies including but not limited to the adoption of category-based regulatory measures and the bilateral regulatory measures for the real estate market, policy changes affecting the issue of pre-sale licenses and permitted selling price, mortgage levels and ownership, interest rate changes, supply and demand conditions as well as the overall economic volatility in Mainland China. The Group's DP segment is expected to continue exposing to these risks, which may affect the Group's investment strategy and business model as well as the performance in DP.

In this respect, the Group actively assesses the overall economic, political and legal developments as well as the property markets both in Hong Kong and other provinces in Mainland China for deciding viable acquisitions and selling strategies. For each potential project, detailed feasibility studies and stress tests with regard to all aspects will be carried out before an acquisition to minimize the commercial and legal risks.

Risks pertaining to Logistic Segment

The Group operates container terminals both in Hong Kong and Mainland China. The low global trade growth environment is likely to continue through 2017, in order for the shipping lines to gain more bargaining power to offset the impacting volume growth, the shipping lines are under pressure to economies and rationalise their networks further. With the Alliance restructuring in the carrier industry is expected to be completed in the first quarter of 2017. There will be new network deployments in Hong Kong and Shenzhen through the first half 2017 which will have an impact on individual terminal operators and movements in throughput are likely.

While continuing to seek additional throughput, Modern Terminals will remain focused on improving operational performance and delivering on customer requirements to maximise cash flow and strengthen the company's balance sheet. We have already commenced the next steps in our multi-year programme to increase our operational efficiency and infrastructure capability, the benefits of which will flow through in 2017.

Risks pertaining to Hotel Segment

The Group operates 14 hotels in the Asia Pacific region, six of which are owned by the Group. Hotel performance is usually subject to a high degree of fluctuations caused by both predictable and unpredictable factors including seasonality, social stability, epidemic diseases and changes in economic conditions. For instance, the recent Central Government Anti-corruption drive in Mainland, the policy change on the grant of multiple-entry permits to Shenzhen residents, together with the change in the foreign exchanges of the surrounding regions have varied the development pattern of the tourism and hospitality industry with heavily relied on the growth of visitor arrivals from Mainland.

In this respect, Hotel Segment closely assesses the impact of the geopolitical outlook and economic development of different countries for building its portfolios and exposures to match with the Group's risk appetite. It also takes continual reviews of competition, legal and political changes as well as market trends for setting its business strategies including marketing and pricing to protect and drive profitability.

Risks pertaining to CME Segment

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

i-CABLE is operating in a highly competitive TV market with an abundant supply of fresh programs created locally and available on free TV channels, making it harder for i-CABLE to return to profitability. This has in turn adversely affected its cash position, at a time when it needs to invest for the future. i-CABLE will strive to make smarter investments in content and broadband services. When the free TV service of i-CABLE's affiliate Fantastic TV is launched in mid-2017, the sharing of i-CABLE's creative and production expertise with Fantastic TV should help i-CABLE build scale in programme production/acquisition and in airtime sales, increase operational efficiency, develop a new revenue stream and reinforce its reputation and appeal in local content.

Legal and Regulatory Compliance risks

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

Financial risks

The Group is exposed to financial risks related to interest rate risks, foreign currency risks, equity price and credit in the normal course of its business. For further details of such risks and relevant management policies, please refer to note 23 to the financial statements from pages 163 to 168.

(L) ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The sustainable development of the Group is a priority as we strive to balance corporate, social, economic, and environmental responsibilities to create positive impact through our operations and community investment projects. A three-tier governance structure consisting of a group-level CSR Steering Committee, Cross-Business Unit CSR Group, and CSR governance bodies at each business unit, reviews CSR Guidelines to improve performance and ensure alignment with shifts in business and the Group's external environment.

Group-level environmental guidelines were implemented in 2016 to govern pollution prevention and waste management, sustainable use of resources, carbon reduction, environmental protection, biodiversity and restoration of natural habitats. The Group has consistently reduced its environmental impact through various initiatives such as adopting energy and water saving technology at offices and other operating sites, and establishing waste recycling programmes.

The Group adheres to high standards of business ethics and integrity, and endeavours to reinforce a strong culture of legal compliance across our organization. Employees are expected to abide by the Code of Conduct as well as anti-corruption and prevention of bribery policies which prevent any incidents of insider dealing, bribery, extortion, fraud or money laundering. Acceptance of any gifts from business partners, suppliers and individuals by staff members is strictly prohibited. The Group encourages a culture of openness and accountability and has whistle-blowing policies in place, allowing employees to report directly to senior management on any suspected unethical or unprofessional conduct. The Group conforms to the Competition Ordinance (Cap 619 of the laws of Hong Kong) with written guidelines issued to employees and actively promotes healthy market development throughout its operations.

The Group aims to provide safe, high quality products and services to customers. The tenant satisfaction rate for Harbour City and Times Square is over 95%. Pacific Club complies with an international food safety management standard [*(Note 1)*], while Wharf T&T has conformed to international standards for both quality, service and data security management [*(Note 2)*]. The Group also adheres to the Personal Data (Privacy) Ordinance (Cap 486 of the laws of Hong Kong) to handle customers' information and follows standard procedures to resolve conflicts. With a diverse business portfolio, the majority of our business units engage suppliers on CSR by incorporating social and environmental assessments in the procurement process.

Employees are the Group's most valuable asset. The Group provides a caring working environment and equal opportunities for our employees and supports their training and development for the long term success of the Group and the growth of employees. All company policies and practices are in compliance with the relevant statutory requirements of the respective jurisdiction. Strict occupational safety and health policies and procedures are implemented at the Group's shopping malls, Modern Terminals and the "Star" Ferry, with independent audits to regularly assess the work environment and improve performance.

The Group believes in giving back to the community and empowering the underprivileged with opportunities. Our community initiatives include Project *WeCan*, youth development programmes and local cultural development programmes. Employees are encouraged to participate in these activities.

Detailed discussions of the Group's environmental policies and its relationship with customers, suppliers, employees, and other key stakeholders are contained in the pages 68 to 79 of this Annual Report. Further details can also be found in the Group's standalone CSR Report which is available for download on the Company's corporate website (http://www.wharfholdings.com).

Notes:

(1) ISO 22000 for Food Safety Management

(2) ISO 9001:2015 for Quality Management, ISO/IEC 20000-1:2011 Information Technology Service Management, and ISO 27001:2013 for Information Security Management

(M) DIRECTORS OF SUBSIDIARIES

The names of all persons who, during the financial year and up to 9 March 2017 (the date of the Directors' Report of the Company), served as directors of all those companies included as subsidiaries in the consolidated financial statements of the Company for the financial year ended 31 December 2016 are set out below:

Andrea Limited
CHAK Hoi Kit Jacques
CHAN Doi Lei Dorothy
CHAN King Chuen Lourice
CHAN Kwok Pong
CHAN Sik Wah
CHAN Wing Yee Almira
Chavalit Uttasart
CHEUNG Ka Lung Tom*
CHEUNG Mark Quintin
CHIU Ying Chun Ronald
CHOI Margaret
CHOW On Kiu
CHOW Ming Kuen Joseph
de LACY STAUNTON Hugh Maurice Victor
FU Chi Yuen Patrick*
FU Wai Hung
GUO Yong
HAO Jian Min
HENNIG Hans Helmuth
HO Lung Wei*
HU Shao Ming Herman
HUANG Xuan
HUI Chung Ying Kevin
JENSEN Frank
KELLY Sean Aloysius*
KWAN Jut Ho
LAI Tse Ming Benjamin
LAM Chun On*
LAM Yuk Lau*
LEE Yuk Fong Doreen
LENG Yen Thean
LEUNG Kam Cheung*
LEUNG Kwan Yuen Andrew
LEVESQUE Peter Jon
LI Lei
LI Jianhui*
LI Jun
LI Qingan
LI Yongqian
LI Yubin
LING Miu Ngan
LO Wai Man
LUK Koon Hoo Roger
MA Wai Shin Vincent*
MILLIKEN, Andrew*
MOK Wai Man*
NG Tin Hoi Stephen
OON Hock Neo
PAO Zen Kwok Peter
SIT Kien Ping Peter
SIU Wing Koon
SIU Yau Chung Joseph
SUN Ligan
SUN Qi*
SZE Tsai Ping Michael
TAM Wai Choi
TAN Bee Kim
TANG See King
TANG Sing Ming Sherman
TSANG Chin Cheung Samuel
TSO Hok Chiu Vivian
TSOI Kwong Ki*
TSUI Yiu Cheung
WEI Qing Shan
WONG Che Kwong*
WONG Chi Kit*
WONG Kwong Yiu
WONG Pui Chee Gigi
WOO Chun Kuen Douglas
WU Guan
WU Yung Wei Patrick
YE Zhong Xiao
YEUNG HO Ingrid Poi Yan
YICK Chi Ming Frankie
YIM Kong
YOUNG Stephen Ying Yuen
YU Ka Kai
ZEMAN Allan
ZERBE Jared Heath*
ZHANG Li
ZHANG Lu
ZHANG Vicky Yuanyuan
ZHANG Yi
ZUO Yong Quan
王玲
毛立鵬
郭志成
凌學風
陳小平
陸美麗

* *ceased to be a director on or before 9 March 2017.*

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE WHARF (HOLDINGS) LIMITED
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of The Wharf (Holdings) Limited ("the Company") and its subsidiaries ("the Group") set out on pages 128 to 199, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Valuation of completed investment properties ("IP") and investment properties under development ("IPUD")

Refer to accounting policy d and note 8 to the consolidated financial statements

The key audit matter

The Group holds a portfolio of IP (primarily retail and offices) located in Hong Kong and in major cities across Mainland China which accounted for 72% of the Group's total assets as at 31 December 2016.

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

The net changes in fair value of IP recorded in the consolidated income statement represented 4% of the Group's profit before taxation for the year ended 31 December 2016.

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

How the matter was addressed in our audit

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

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

For IPUD our audit procedures also included the following:

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

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

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

The key audit matter

The Group had a number of property development projects located in Hong Kong and major cities across Mainland China which were stated at the lower of cost and net realisable value at an aggregate amount of HK$23.9 billion as at 31 December 2016.

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

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

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

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

How the matter was addressed in our audit

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

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

Revenue recognition for investment properties ("IP") and development properties ("DP")

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

The key audit matter	How the matter was addressed in our audit
Revenue from the IP and DP segments accounted for 83% of the Group's revenue for the year ended 31 December 2016. Deposits from sale of properties at 31 December 2016 totalled HK$18.9 billion. Revenue from IP is recognised in equal instalments over the accounting periods covered by the lease term and includes contingent rental which is determined based on the turnover of certain retail outlets. Revenue from DP is recognised upon the later of the execution of a formal sale and purchase agreement and the issue of the occupation/completion certificate by the relevant government authorities. We identified the recognition of revenue for IP and DP as a key audit matter because of its significance to the Group and because small errors in the recognition of revenue, either individually or in aggregate, for each property development project could have a material impact on the Group's profit for the year.	Our audit procedures to assess the recognition of revenue for IP and DP included the following: • evaluating the design, implementation of operating effectiveness of key internal controls over the recording of revenue for the IP and DP segments; • comparing fixed rental revenue received and receivable with underlying tenancy information, including monthly rents and rental periods as set out the signed rental agreements, on a sample basis, and assessing whether fixed rental revenue had been recorded in the appropriate accounting period; • re-performing the calculation of contingent rental received and receivable with reference to turnover reports submitted by the relevant retail outlets, on a sample basis, and assessing whether the contingent rental had been recorded and accounted for in the appropriate accounting period; • inspecting occupation or completion certificates which had been issued by the relevant government authorities for a sample of sales and pre-sales for each development property project and assessing whether the cash, for the sample selected, had been received by comparing the amount received with bank statements and assessing whether revenue should be recorded in the current accounting period or should be deferred as deposits from pre-sale of properties.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG
Certified Public Accountants
8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong
9 March 2017

CONSOLIDATED INCOME STATEMENT

For The Year Ended 31 December 2016

	Note	**2016** *HK$ Million*	2015 *HK$ Million*
Revenue	1	**46,627**	40,875
Direct costs and operating expenses		**(25,145)**	(21,282)
Selling and marketing expenses		**(1,485)**	(1,560)
Administrative and corporate expenses		**(1,526)**	(1,632)
Operating profit before depreciation, amortisation, interest and tax		**18,471**	16,401
Depreciation and amortisation	2	**(1,406)**	(1,548)
Operating profit	2	**17,065**	14,853
Increase in fair value of investment properties		**910**	6,729
Other net income/(charge)	3	**6,252**	(460)
		24,227	21,122
Finance costs	4	**(1,361)**	(1,879)
Share of results after tax of:			
Associates	10	**923**	1,156
Joint ventures	11	**1,983**	236
Profit before taxation		**25,772**	20,635
Income tax	5	**(4,107)**	(3,829)
Profit for the year		**21,665**	16,806
Profit attributable to:			
Equity shareholders		**21,440**	16,024
Non-controlling interests		**225**	782
		21,665	16,806
Earnings per share	7		
Basic		**HK$7.07**	HK$5.29
Diluted		**HK$7.07**	HK$5.29

The notes and principal accounting policies on pages 134 to 199 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 6.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2016

	2016 ***HK$ Million***	2015 *HK$ Million*
Profit for the year	**21,665**	16,806
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Fair value changes on equity investments	**(827)**	–
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on:	**(5,139)**	(5,554)
Translation of foreign operations	**(5,139)**	(5,437)
Transferred to profit or loss on disposal of a subsidiary	**–**	(117)
Net deficit on available-for-sale investments:	**–**	(2,032)
Deficit on revaluation	**–**	(1,508)
Transferred to profit or loss on disposal	**–**	(524)
Share of other comprehensive income of associates/joint ventures	**(1,088)**	(1,272)
Others	**14**	10
Other comprehensive income for the year	**(7,040)**	(8,848)
Total comprehensive income for the year	**14,625**	7,958
Total comprehensive income attributable to:		
Equity shareholders	**14,813**	7,629
Non-controlling interests	**(188)**	329
	14,625	7,958

The notes and principal accounting policies on pages 134 to 199 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Note	**31 December 2016 *HK$ Million***	31 December 2015 *HK$ Million*
Non-current assets			
Investment properties	8	**319,298**	310,177
Property, plant and equipment	9	**20,735**	22,779
Interest in associates	10	**14,437**	17,785
Interest in joint ventures	11	**16,710**	17,612
Available-for-sale investments	12	**–**	8,102
Equity investments	12	**5,723**	–
Goodwill and other intangible assets	13	**298**	305
Deferred tax assets	22	**654**	700
Derivative financial assets	16	**247**	585
Other non-current assets		**252**	237
		378,354	378,282
Current assets			
Properties for sale	14	**23,874**	37,768
Inventories		**29**	46
Trade and other receivables	15	**4,281**	3,974
Derivative financial assets	16	**332**	336
Bank deposits and cash	17	**36,957**	23,510
		65,473	65,634
Total assets		**443,827**	443,916
Non-current liabilities			
Derivative financial liabilities	16	**(1,539)**	(1,558)
Deferred tax liabilities	22	**(10,633)**	(10,748)
Other deferred liabilities		**(305)**	(334)
Bank loans and other borrowings	20	**(45,616)**	(62,244)
		(58,093)	(74,884)
Current liabilities			
Trade and other payables	18	**(24,245)**	(22,681)
Deposits from sale of properties	19	**(18,937)**	(18,854)
Derivative financial liabilities	16	**(685)**	(612)
Taxation payable	5(d)	**(1,283)**	(1,242)
Bank loans and other borrowings	20	**(15,178)**	(8,463)
		(60,328)	(51,852)
Total liabilities		**(118,421)**	(126,736)
NET ASSETS		**325,406**	317,180
Capital and reserves			
Share capital	24	**29,497**	29,441
Reserves		**287,297**	278,287
Shareholders' equity		**316,794**	307,728
Non-controlling interests		**8,612**	9,452
TOTAL EQUITY		**325,406**	317,180

The notes and principal accounting policies on pages 134 to 199 form part of these financial statements.

Stephen T H Ng
Chairman & Managing Director

Paul Y C Tsui
Vice Chairman & Group Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2016

	Shareholders' equity						
	Share capital *HK$ Million*	Investments revaluation and other reserves *HK$ Million*	Exchange reserves *HK$ Million*	Revenue reserves *HK$ Million*	Total shareholders' equity *HK$ Million*	Non-controlling interests *HK$ Million*	Total equity *HK$ Million*
At 1 January 2015	29,376	740	8,868	266,511	305,495	8,616	314,111
Changes in equity for 2015:							
Profit	–	–	–	16,024	16,024	782	16,806
Other comprehensive income	–	(1,855)	(6,546)	6	(8,395)	(453)	(8,848)
Total comprehensive income	–	(1,855)	(6,546)	16,030	7,629	329	7,958
Shares issued under the share option scheme	65	(15)	–	–	50	–	50
Equity settled share-based payments	–	40	–	–	40	–	40
Share options lapsed	–	(28)	–	28	–	–	–
2014 second interim dividend paid	–	–	–	(3,819)	(3,819)	–	(3,819)
2015 first interim dividend paid	–	–	–	(1,667)	(1,667)	–	(1,667)
Capital contribution from non-controlling interests of a subsidiary	–	–	–	–	–	876	876
Dividends paid to non-controlling interests	–	–	–	–	–	(365)	(365)
Disposal of a subsidiary	–	–	–	–	–	(4)	(4)
At 31 December 2015 and 1 January 2016	**29,441**	**(1,118)**	**2,322**	**277,083**	**307,728**	**9,452**	**317,180**
Changes in equity for 2016:							
Profit	**–**	**–**	**–**	**21,440**	**21,440**	**225**	**21,665**
Other comprehensive income	**–**	**(784)**	**(5,853)**	**10**	**(6,627)**	**(413)**	**(7,040)**
Total comprehensive income	**–**	**(784)**	**(5,853)**	**21,450**	**14,813**	**(188)**	**14,625**
Shares issued under the share option scheme	**56**	**(4)**	**–**	**–**	**52**	**–**	**52**
Transfer to revenue reserves upon de-recognition of equity investments	**–**	**(14)**	**–**	**14**	**–**	**–**	**–**
Equity settled share-based payments	**–**	**51**	**–**	**–**	**51**	**–**	**51**
Acquisition of additional interest in a subsidiary	**–**	**–**	**–**	**–**	**–**	**(14)**	**(14)**
Share options lapsed	**–**	**(155)**	**–**	**155**	**–**	**–**	**–**
2015 second interim dividend paid	**–**	**–**	**–**	**(4,092)**	**(4,092)**	**–**	**(4,092)**
2016 first interim dividend paid	**–**	**–**	**–**	**(1,758)**	**(1,758)**	**–**	**(1,758)**
Net capital repatriation to non-controlling interests of subsidiaries	**–**	**–**	**–**	**–**	**–**	**(48)**	**(48)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(590)**	**(590)**
At 31 December 2016	**29,497**	**(2,024)**	**(3,531)**	**292,852**	**316,794**	**8,612**	**325,406**

The notes and principal accounting policies on pages 134 to 199 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2016

	Note	**2016** **HK$ Million**	2015 HK$ Million
Operating cash inflow	(a)	**17,965**	15,951
Changes in working capital	(a)	**14,406**	11,887
Cash generated from operations	(a)	**32,371**	27,838
Net interest paid		**(1,497)**	(1,808)
Interest paid		**(1,939)**	(2,172)
Interest received		**442**	364
Dividends received from associates/joint ventures		**1,572**	1,061
Dividends received from investments		**102**	174
Hong Kong profits tax paid		**(1,631)**	(1,730)
Overseas tax paid		**(1,833)**	(1,482)
Net cash generated from operating activities		**29,084**	24,053
Investing activities			
Additions to investment properties		**(11,871)**	(5,436)
Additions to property, plant and equipment		**(2,084)**	(1,297)
Additions to programming library		**(122)**	(116)
Net decrease/(increase) in interest in associates		**2,828**	(1,592)
Net decrease in interest in joint ventures		**1,451**	252
Net proceeds from disposal of property, plant and equipment		**44**	5
Purchase of equity investments/available-for-sale investments		**(371)**	(5,827)
Acquisition of interest in subsidiaries		**(49)**	–
Net proceeds from disposal of a subsidiary and a joint venture		**—**	1,275
Net proceeds from disposal of subsidiaries	(c)	**9,388**	–
Proceeds from disposal of investment properties		**711**	–
Proceeds from disposal of equity investments/available-for-sale investments		**1,923**	5,447
Net placement of bank deposits with maturity greater than three months		**(4,326)**	(1)
Net cash used in investing activities		**(2,478)**	(7,290)
Financing activities			
Proceeds from the issue of shares under the share option scheme		**52**	50
Drawdown of bank loans and other borrowings		**16,234**	19,261
Repayment of bank loans and other borrowings		**(25,839)**	(25,361)
Net capital (repatriation to)/contribution from non-controlling interests of subsidiaries		**(48)**	876
Dividends paid to equity shareholders		**(5,850)**	(5,486)
Dividends paid to non-controlling interests		**(590)**	(365)
Net cash used in financing activities		**(16,041)**	(11,025)
Increase in cash and cash equivalents		**10,565**	5,738
Cash and cash equivalents at 1 January		**23,409**	18,625
Effect of exchange rate changes		**(1,444)**	(954)
Cash and cash equivalents at 31 December		**32,530**	23,409
Analysis of the balance of cash and cash equivalents			
Bank deposits and cash	(b)	**32,530**	23,409

The notes and principal accounting policies on pages 134 to 199 form part of these financial statements.

NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

a. Reconciliation of operating profit to cash generated from operations

	2016 HK$ Million	2015 HK$ Million
Operating profit	**17,065**	14,853
Adjustments for:		
Interest income	**(460)**	(363)
Dividends receivable from investments	**(102)**	(174)
Depreciation and amortisation	**1,406**	1,548
Loss on disposal of property, plant and equipment	**5**	2
Impairment of property, plant and equipment	**–**	45
Equity settled share-based payment expenses	**51**	40
Operating cash inflow	**17,965**	15,951
Increase in properties under development for sale	**(6,210)**	(8,337)
Decrease in completed properties for sale	**18,703**	15,038
Decrease in inventories	**7**	2
Increase in trade and other receivables	**(789)**	(188)
Increase in trade and other payables	**1,993**	1,363
Increase in deposits from sale of properties	**83**	4,358
increase/(decrease) in derivative financial instruments	**598**	(334)
Other non-cash items	**21**	(15)
Changes in working capital	**14,406**	11,887
Cash generated from operations	**32,371**	27,838

b. Cash and cash equivalents

	2016 HK$ Million	2015 HK$ Million
Bank deposits and cash in the consolidated statement of financial position (Note 17)	**36,957**	23,510
Less: Bank deposits with maturity greater than three months	**(4,427)**	(101)
Cash and cash equivalents in the consolidated statement of cash flows	**32,530**	23,409

c. Net proceeds from disposal of subsidiaries

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

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

NOTES TO THE FINANCIAL STATEMENTS

1. SEGMENT INFORMATION

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

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

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

Hotels segment includes hotel operations in the Asia Pacific region. Currently, the Group operates 14 hotels in the Asia Pacific region, six of which owned by the Group.

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

CME segment comprises pay television, internet and multimedia and other businesses operated by i-CABLE Communications Limited ("i-CABLE") and the telecommunication businesses operated by Wharf T&T Limited ("Wharf T&T"). The Group disposed the entire equity interests in Wharf T&T in November 2016.

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

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

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

a. Analysis of segment revenue and results

For the year ended 31 December 2016	Revenue HK$ Million	Operating profit HK$ Million	Investment properties fair value HK$ Million	Other net income/ (charge) HK$ Million	Finance costs HK$ Million	Associates HK$ Million	Joint ventures HK$ Million	Profit before taxation HK$ Million
Investment property	**15,289**	**12,541**	**910**	**(55)**	**(1,378)**	**–**	**–**	**12,018**
Hong Kong	**12,939**	**11,288**	**1,286**	**48**	**(1,333)**	**–**	**–**	**11,289**
Mainland China	**2,350**	**1,253**	**(376)**	**(103)**	**(45)**	**–**	**–**	**729**
Development property	**23,275**	**3,650**	**–**	**(457)**	**(52)**	**679**	**1,972**	**5,792**
Hong Kong	**1,985**	**387**	**–**	**–**	**–**	**5**	**1,633**	**2,025**
Mainland China	**21,290**	**3,263**	**–**	**(457)**	**(52)**	**674**	**339**	**3,767**
Hotels	**1,587**	**289**	**–**	**–**	**(4)**	**–**	**–**	**285**
Logistics	**2,748**	**719**	**–**	**(161)**	**(152)**	**244**	**11**	**661**
Terminals	**2,635**	**710**	**–**	**(120)**	**(152)**	**166**	**11**	**615**
Others	**113**	**9**	**–**	**(41)**	**–**	**78**	**–**	**46**
CME	**3,145**	**59**	**–**	**–**	**(29)**	**–**	**–**	**30**
i-CABLE	**1,406**	**(313)**	**–**	**1**	**(6)**	**–**	**–**	**(318)**
Telecommunications	**1,739**	**372**	**–**	**(1)**	**(23)**	**–**	**–**	**348**
Inter-segment revenue	**(295)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Segment total	**45,749**	**17,258**	**910**	**(673)**	**(1,615)**	**923**	**1,983**	**18,786**
Investment and others	**878**	**455**	**–**	**6,925**	**254**	**–**	**–**	**7,634**
Corporate expenses	**–**	**(648)**	**–**	**–**	**–**	**–**	**–**	**(648)**
Group total	**46,627**	**17,065**	**910**	**6,252**	**(1,361)**	**923**	**1,983**	**25,772**
For the year ended 31 December 2015								
Investment property	14,470	11,759	6,729	111	(1,255)	–	–	17,344
Hong Kong	12,165	10,516	5,761	–	(1,246)	–	–	15,031
Mainland China	2,305	1,243	968	111	(9)	–	–	2,313
Development property	18,018	2,241	–	(1,542)	(93)	890	201	1,697
Hong Kong	–	(25)	–	–	–	18	(57)	(64)
Mainland China	18,018	2,266	–	(1,542)	(93)	872	258	1,761
Hotels	1,549	278	–	–	(4)	–	–	274
Logistics	2,848	689	–	627	(194)	266	35	1,423
Terminals	2,739	676	–	668	(194)	188	35	1,373
Others	109	13	–	(41)	–	78	–	50
CME	3,501	112	–	2	(34)	–	–	80
i-CABLE	1,510	(246)	–	2	(3)	–	–	(247)
Telecommunications	1,991	362	–	–	(31)	–	–	331
Others	–	(4)	–	–	–	–	–	(4)
Inter-segment revenue	(298)	–	–	–	–	–	–	–
Segment total	40,088	15,079	6,729	(802)	(1,580)	1,156	236	20,818
Investment and others	787	464	–	342	(299)	–	–	507
Corporate expenses	–	(690)	–	–	–	–	–	(690)
Group total	40,875	14,853	6,729	(460)	(1,879)	1,156	236	20,635

b. Analysis of inter-segment revenue

	2016 Total Revenue HK$ Million	2016 Inter-segment revenue HK$ Million	2016 Group Revenue HK$ Million	2015 Total Revenue HK$ Million	2015 Inter-segment revenue HK$ Million	2015 Group Revenue HK$ Million
Investment property	**15,289**	**(168)**	**15,121**	14,470	(148)	14,322
Development property	**23,275**	**–**	**23,275**	18,018	–	18,018
Hotels	**1,587**	**–**	**1,587**	1,549	–	1,549
Logistics	**2,748**	**–**	**2,748**	2,848	–	2,848
CME	**3,145**	**(63)**	**3,082**	3,501	(78)	3,423
Investment and others	**878**	**(64)**	**814**	787	(72)	715
	46,922	**(295)**	**46,627**	41,173	(298)	40,875

c. Analysis of segment business assets

	2016 HK$ Million	2015 HK$ Million
Investment property	**320,570**	311,641
Hong Kong	**261,459**	252,904
Mainland China	**59,111**	58,737
Development property	**55,144**	73,239
Hong Kong	**6,040**	5,685
Mainland China	**49,104**	67,554
Hotels	**8,361**	7,728
Logistics	**17,732**	18,244
Terminals	**16,727**	17,245
Others	**1,005**	999
CME	**1,193**	3,918
i-CABLE	**1,193**	1,189
Telecommunications	**–**	2,729
Total segment business assets	**403,000**	414,770
Unallocated corporate assets	**40,827**	29,146
Total assets	**443,827**	443,916

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

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

	2016 HK$ Million	2015 HK$ Million
Development property	**25,000**	29,332
Logistics	**5,974**	6,065
Group total	**30,974**	35,397

d. Other segment information

	Capital expenditure		Increase in interests in associates and joint ventures		Depreciation and amortisation	
	2016 HK$ Million	2015 *HK$ Million*	**2016 HK$ Million**	2015 *HK$ Million*	**2016 HK$ Million**	2015 *HK$ Million*
Investment property	**12,407**	5,355	**–**	–	**106**	118
Hong Kong	**7,942**	1,218	**–**	–	**32**	32
Mainland China	**4,465**	4,137	**–**	–	**74**	86
Development property	**–**	–	**1,130**	3,487	**–**	–
Hong Kong	**–**	–	**243**	155	**–**	–
Mainland China	**–**	–	**887**	3,332	**–**	–
Hotels	**1,021**	372	**–**	–	**206**	208
Logistics	**431**	294	**–**	8	**421**	457
Terminals	**431**	294	**–**	8	**418**	454
Others	**–**	–	**–**	–	**3**	3
CME	**497**	538	**–**	–	**673**	765
i-CABLE	**238**	207	**–**	–	**324**	351
Telecommunications	**259**	331	**–**	–	**349**	414
Group total	**14,356**	6,559	**1,130**	3,495	**1,406**	1,548

In addition, the CME segment incurred HK$122 million (2015: HK$116 million) for its programming library. The Group had no significant non-cash expenses other than i) impairment provision of HK$1,296 million made for certain development projects and assets, ii) depreciation and amortisation and iii) in 2015, a non-recurrent accounting loss of HK$1,620 million arising from the deemed disposal of the Group's entire 24.3% equity interest in Greentown China Holdings Limited ("Greentown").

e. Geographical information

	Revenue		Operating Profit	
	2016 HK$ Million	2015 *HK$ Million*	**2016 HK$ Million**	2015 *HK$ Million*
Hong Kong	**21,716**	19,152	**12,780**	11,409
Mainland China	**24,860**	21,685	**4,234**	3,406
Singapore	**51**	38	**51**	38
Group total	**46,627**	40,875	**17,065**	14,853

	Specified non-current assets		Total business assets	
	2016 HK$ Million	2015 *HK$ Million*	**2016 HK$ Million**	2015 *HK$ Million*
Hong Kong	**280,834**	271,671	**282,028**	275,016
Mainland China	**94,239**	101,340	**120,972**	139,754
Group total	**375,073**	373,011	**403,000**	414,770

Specified non-current assets excludes deferred tax assets, certain financial investments, derivative financial assets and certain non-current assets.

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

2. OPERATING PROFIT

a. Operating profit is arrived at:

	2016 HK$ Million	2015 HK$ Million
After charging/(crediting):		
Depreciation and amortisation on		
— assets held for use under operating leases	**161**	162
— property, plant and equipment	**1,075**	1,190
— leasehold land	**60**	69
— programming library	**110**	127
Total depreciation and amortisation	**1,406**	1,548
Impairment of trade receivables	**1**	10
Impairment of property, plant and equipment	**–**	45
Staff costs (Note (i))	**3,545**	3,632
Auditors' remuneration		
— audit services	**24**	23
— other services	**1**	2
Cost of trading properties for recognised sales	**18,634**	15,000
Rental charges under operating leases in respect of telecommunications equipment and services	**71**	74
Gross rental revenue from investment properties (Note (ii))	**(15,289)**	(14,470)
Direct operating expenses of investment properties	**2,626**	2,584
Rental income under operating leases in respect of owned plant and equipment	**(34)**	(16)
Interest income (Note (iii))	**(460)**	(363)
Dividend income from investments	**(102)**	(174)
Loss on disposal of property, plant and equipment	**5**	2

Notes:

i. Staff costs include contributions to defined contribution pension schemes of HK$291 million (2015: HK$287 million), which included MPF schemes after a forfeiture of HK$1 million (2015: HK$3 million) and equity-settled share-based payment expenses of HK$51 million (2015: HK$40 million).

ii. Rental income includes contingent rentals of HK$1,113 million (2015: HK$1,476 million).

iii. Interest income of HK$460 million (2015: HK$363 million) was in respect of financial assets, mainly comprising bank deposits, that are stated at amortised cost.

b. Directors' emoluments

Directors' remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

	Fees *HK$'000*	**Salaries, allowances and benefits in kind** *HK$'000*	**Discretionary bonuses** *HK$'000*	**Contributions to pension schemes** *HK$'000*	**2016 Total emoluments** *HK$'000*	2015 Total emoluments *HK$'000*
Board of Directors						
Peter K C Woo (Note iv)	**–**	**–**	**–**	**–**	**–**	5,494
Stephen T H Ng	**225**	**7,827**	**11,500**	**18**	**19,570**	22,958
Andrew O K Chow	**150**	**5,664**	**8,000**	**–**	**13,814**	15,608
Doreen Y F Lee	**150**	**5,966**	**7,500**	**301**	**13,917**	16,092
Paul Y C Tsui	**150**	**5,094**	**6,500**	**–**	**11,744**	13,437
Y T Leng	**150**	**3,885**	**4,000**	**384**	**8,419**	8,210
K P Chan	**150**	**3,390**	**4,000**	**504**	**8,044**	6,417
Independent Non-executive Directors						
Alexander S K Au (Note ii)	**225**	**–**	**–**	**–**	**225**	225
Edward K Y Chen	**150**	**–**	**–**	**–**	**150**	150
Raymond K F Ch'ien (Note iii)	**–**	**–**	**–**	**–**	**–**	150
Vincent K Fang (Note ii)	**225**	**–**	**–**	**–**	**225**	225
Hans Michael Jebsen (Note ii)	**225**	**–**	**–**	**–**	**225**	225
Wyman Li (Note v)	**–**	**–**	**–**	**–**	**–**	151
David M Turnbull	**150**	**–**	**–**	**–**	**150**	150
E K Yeoh (Note ii)	**225**	**–**	**–**	**–**	**225**	175
	2,175	**31,826**	**41,500**	**1,207**	**76,708**	89,667
Total for 2015	2,426	34,203	51,500	1,538	–	89,667

i. There was no compensation for loss of office and/or inducement for joining the Group paid/payable to the Directors of the Company in respect of the years ended 31 December 2016 and 2015.

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

iii. Dr Raymond K F Ch'ien resigned as a Director of the Company with effect from 1 January 2016.

iv. Hon Peter K C Woo retired as Chairman and a Director of the Company with effect from 15 May 2015.

v. Mr Wyman Li resigned as a Director of the Company with effect from 2 September 2015.

vi. In addition to the above emoluments, certain directors and employees of the Company or its subsidiaries were granted share options under the share option schemes adopted by the Company. Details of the share options granted by the Company to the individuals are disclosed in Note 21(d).

c. Emoluments of the highest paid employees

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

	2016 **HK$ Million**	2015 *HK$ Million*
Aggregate emoluments		
Salaries, allowances and benefits in kind	**15**	6
Equity settled share-based payment expenses (Note)	**4**	–
Contributions to pension scheme and retirement benefit costs	**4**	1
Discretionary bonuses	**17**	11
Total	**40**	18

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

	2016 ***Number***	2015 *Number*
Bands (in HK$)		
$17,500,001 — $18,000,000	**–**	1
$18,500,001 — $19,000,000	**1**	–
$20,500,001 — $21,000,000	**1**	–
	2	1

3. OTHER NET INCOME/(CHARGE)

Other net income for the year which amounted to HK$6,252 million (2015: charge of HK$460 million) mainly comprises:

a. A gain of HK$7,260 million arose from disposal of the entire equity interests in Wharf T&T.

b. Net foreign exchange gains of HK$301 million (2015: HK$111 million) which included a fair value gain on forward foreign exchange contracts of HK$83 million (2015: HK$24 million).

c. Impairment provision of HK$1,296 million made for certain development projects and assets.

d. Included in the net charge for 2015 were a non-recurrent accounting loss of HK$1,620 million arising from the deemed disposal of the Group's entire 24.3% equity interest in Greentown upon reclassification of such interest as financial investment instead of an associate and a gain of HK$908 million arising from Modern Terminals' disposal of 50% of its equity interest in its Taicang container port businesses.

4. FINANCE COSTS

	2016 **_HK$ Million_**	2015 _HK$ Million_
Interest charged on:		
Bank loans and overdrafts	**858**	1,018
Other borrowings	**1,036**	938
Total interest charge	**1,894**	1,956
Other finance costs	**269**	195
Less: Amount capitalised	**(565)**	(678)
	1,598	1,473
Fair value (gain)/loss:		
Cross currency interest rate swaps	**72**	379
Interest rate swaps	**(309)**	27
	(237)	406
Total	**1,361**	1,879

a. Interest was capitalised at an average annual rate of approximately 2.1% (2015: 2.4%).

b. Included in the total interest charge are amounts totalling HK$1,527 million (2015: HK$1,605 million) in respect of interest bearing borrowings that are stated at amortised cost.

c. The above interest charge has taken into account the interest paid/received in respect of interest rate swaps and cross currency interest rate swaps.

5. INCOME TAX

Taxation charged to the consolidated income statement includes:

	2016 *HK$ Million*	2015 *HK$ Million*
Current income tax		
Hong Kong		
— provision for the year	**1,748**	1,592
— overprovision in respect of prior years	**(7)**	(21)
Outside Hong Kong		
— provision for the year	**1,133**	1,073
— Under/(over)-provision in respect of prior years	**9**	(5)
	2,883	2,639
Land appreciation tax ("LAT") (Note 5(c))	**718**	411
Deferred tax		
Change in fair value of investment properties	**23**	488
Origination and reversal of temporary differences	**537**	304
Benefit of previously unrecognised tax losses now recognised	**(54)**	(13)
	506	779
Total	**4,107**	3,829

a. The provision for Hong Kong profits tax is based on the profit for the year as adjusted for tax purposes at a rate of 16.5% (2015: 16.5%).

b. Income tax on profits assessable outside Hong Kong is mainly China corporate income tax calculated at a rate of 25% (2015: 25%) and China withholding tax at a rate of up to 10%.

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

d. Taxation recoverable/payable in the statement of financial position is expected to be recovered/settled within one year.

e. Tax attributable to associates and joint ventures for the year ended 31 December 2016 of HK$1,170 million (2015: HK$1,082 million) is included in the share of results of associates and joint ventures.

f. The China tax law imposes a withholding tax at 10%, unless reduced by a treaty or agreement, for dividends distributed by a PRC-resident enterprise to its immediate holding company outside Mainland China for earnings generated since 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. For the year ended 31 December 2016, the Group has provided HK$159 million (2015: HK$145 million) for withholding taxes on accumulated earnings generated by its Mainland China subsidiaries which will be distributed to their immediate holding companies outside Mainland China in the foreseeable future.

g. Reconciliation between the actual total tax charge and profit before taxation at applicable tax rates:

	2016 HK$ Million	2015 HK$ Million
Profit before taxation	**25,772**	20,635
Notional tax on profit before taxation calculated at applicable tax rates	**4,129**	3,553
Tax effect of non-deductible expenses	**959**	375
Tax effect of non-taxable income	**(1,763)**	(242)
Tax effect of non-taxable fair value gain on investment properties	**(212)**	(951)
Net under/(over) provision in respect of prior years	**2**	(26)
Tax effect of tax losses not recognised	**374**	487
Tax effect of previously unrecognised tax losses utilised	**(191)**	(138)
Tax effect of previously unrecognised tax losses now recognised as deferred tax assets	**(54)**	(13)
Effect of temporary differences not recognised	**–**	(30)
LAT on trading properties	**718**	411
Deferred LAT on change in fair value of investment properties	**(14)**	258
Withholding tax on distributed/undistributed earnings	**159**	145
Actual total tax charge	**4,107**	3,829

6. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	2016 HK$ per share	**2016 HK$ Million**	2015 HK$ per share	2015 HK$ Million
First interim dividend declared and paid	**0.58**	**1,758**	0.55	1,667
Second interim dividend declared after the end of the reporting period	**1.57**	**4,760**	1.35	4,092
	2.15	**6,518**	1.90	5,759

a. The second interim dividend based on 3,032 million issued ordinary shares (2015: 3,031 million shares) declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

b. The second interim dividend of HK$4,092 million for 2015 was approved and paid in 2016.

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit attributable to ordinary equity shareholders for the year of HK$21,440 million (2015: HK$16,024 million) and the weighted average of 3,031 million ordinary shares in issue during the year (2015: 3,031 million ordinary shares).

8. INVESTMENT PROPERTIES

	Completed HK$ Million	Under development HK$ Million	Total HK$ Million
a. Cost or valuation			
At 1 January 2015	276,629	25,261	301,890
Exchange adjustment	(2,390)	(884)	(3,274)
Additions	647	4,550	5,197
Transfer	(1,340)	975	(365)
Revaluation surpluses	6,567	162	6,729
At 31 December 2015 and 1 January 2016	**280,113**	**30,064**	**310,177**
Exchange adjustment	**(2,517)**	**(1,060)**	**(3,577)**
Additions	**7,156**	**5,129**	**12,285**
Disposal	**(662)**	**–**	**(662)**
Transfer	**4,110**	**(3,945)**	**165**
Revaluation surpluses	**841**	**69**	**910**
At 31 December 2016	**289,041**	**30,257**	**319,298**
b. The analysis of cost or valuation of the above assets is as follows:			
2016 valuation	**289,041**	**13,556**	**302,597**
At cost	**–**	**16,701**	**16,701**
	289,041	**30,257**	**319,298**
2015 valuation	280,113	12,740	292,853
At cost	–	17,324	17,324
	280,113	30,064	310,177

During the year, additions to investment properties under development which are stated at cost amounted to HK$4,382 million (2015: HK$4,069 million).

	Completed HK$ Million	Under development HK$ Million	Total HK$ Million
c. Tenure of title to properties:			
At 31 December 2016			
Held in Hong Kong			
Long term leases	**219,202**	**–**	**219,202**
Medium term leases	**28,017**	**13,579**	**41,596**
	247,219	**13,579**	**260,798**
Held outside Hong Kong			
Medium term leases	**41,822**	**16,678**	**58,500**
	289,041	**30,257**	**319,298**
At 31 December 2015			
Held in Hong Kong			
Long term leases	211,375	–	211,375
Medium term leases	27,724	13,001	40,725
	239,099	13,001	252,100
Held outside Hong Kong			
Medium term leases	41,014	17,063	58,077
	280,113	30,064	310,177

d. Investment properties revaluation

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

The investment properties stated at fair value as at 31 December 2016 were revalued by Knight Frank Petty Limited ("Knight Frank"), 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 Mainland China. 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 or deficit arising on revaluation on investment properties is recognised in the line item "Increase in fair value of investment properties" on the face of the consolidated income statement.

The following table presents the investment properties which are measured at fair value at the end of the reporting period across the three levels of the inputs to the revaluation methodologies in accordance with 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**	**Others**	**Total**
	HK$ Million	***HK$ Million***	***HK$ Million***	***HK$ Million***	***HK$ Million***
Recurring fair value measurements					
At 31 December 2016					
Hong Kong	**150,165**	**84,198**	**26,001**	**411**	**260,775**
Mainland China	**18,245**	**19,816**	**3,761**	**–**	**41,822**
	168,410	**104,014**	**29,762**	**411**	**302,597**
At 31 December 2015					
Hong Kong	149,325	76,982	25,282	250	251,839
Mainland China	18,292	21,493	1,229	–	41,014
	167,617	98,475	26,511	250	292,853

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

	Completed HK$ Million	Under development HK$ Million	Total HK$ Million
At 1 January 2015	276,629	9,577	286,206
Exchange adjustment	(2,390)	–	(2,390)
Additions	647	481	1,128
Transfer	(1,340)	2,520	1,180
Revaluation surplus	6,567	162	6,729
At 31 December 2015 and 1 January 2016	**280,113**	**12,740**	**292,853**
Exchange adjustment	**(2,517)**	**–**	**(2,517)**
Additions	**7,156**	**747**	**7,903**
Disposal	**(662)**	**–**	**(662)**
Transfer	**4,110**	**–**	**4,110**
Revaluation surplus	**841**	**69**	**910**
At 31 December 2016	**289,041**	**13,556**	**302,597**

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

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

Valuation processes

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

Valuation methodologies

The valuations of completed office and retail properties in Hong Kong and Mainland China 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.

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

Level 3 valuation methodologies

Completed investment properties

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

	Weighted average Capitalisation rate		Market rent	
	2016	2015	**2016**	2015
Hong Kong			**HK$ psf**	HK$ psf
— Retail	**5.1%**	5.2%	**287**	285
— Office	**4.2%**	4.2%	**51**	49
— Residential	**4.0%**	4.0%	**58**	58
Mainland China			**RMB psm**	RMB psm
— Retail	**7.1%**	7.1%	**346**	388
— Office	**6.4%**	6.4%	**171**	186
— Residential	**6.4%**	5.0%	**305**	242

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

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

e. The Group leases out properties under operating leases, which generally run for a period of two to ten 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:

	2016 ***HK$ Million***	2015 *HK$ Million*
Within 1 year	**11,553**	11,616
After 1 year but within 5 years	**16,171**	17,187
After 5 years	**1,347**	1,333
	29,071	30,136

9. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK$ Million	Hotel and club properties HK$ Million	Properties under redevelopment HK$ Million	Other property, plant and equipment HK$ Million	CME equipment HK$ Million	Total HK$ Million
a. Cost						
At 1 January 2015	4,897	7,986	2,110	17,871	12,146	45,010
Exchange adjustment	(160)	(143)	(119)	(214)	–	(636)
Additions	5	344	32	553	428	1,362
Disposals	–	–	–	(107)	(42)	(149)
Disposal of a subsidiary	(606)	–	–	(2,148)	–	(2,754)
Written off	–	–	–	(14)	–	(14)
Reclassification	12	447	–	70	–	529
At 31 December 2015 and 1 January 2016	**4,148**	**8,634**	**2,023**	**16,011**	**12,532**	**43,348**
Exchange adjustment	**(164)**	**(176)**	**(123)**	**(225)**	**–**	**(688)**
Additions	**1**	**1,000**	**68**	**537**	**465**	**2,071**
Disposals	**–**	**–**	**–**	**(122)**	**(105)**	**(227)**
Disposal of subsidiaries	**–**	**–**	**–**	**(1,367)**	**(6,960)**	**(8,327)**
Reclassification	**–**	**–**	**(21)**	**(150)**	**234**	**63**
At 31 December 2016	**3,985**	**9,458**	**1,947**	**14,684**	**6,166**	**36,240**
Accumulated depreciation and impairment losses						
At 1 January 2015	982	1,431	–	8,102	9,468	19,983
Exchange adjustment	(19)	(45)	–	(57)	–	(121)
Charge for the year	69	92	–	717	543	1,421
Written back on disposals	–	–	–	(102)	(40)	(142)
Disposal of a subsidiary	(117)	–	–	(573)	–	(690)
Written off	–	–	–	(14)	–	(14)
Impairment	–	–	–	44	1	45
Reclassification	–	–	–	87	–	87
At 31 December 2015 and 1 January 2016	**915**	**1,478**	**–**	**8,204**	**9,972**	**20,569**
Exchange adjustment	**(21)**	**(51)**	**–**	**(69)**	**–**	**(141)**
Charge for the year	**60**	**101**	**–**	**652**	**483**	**1,296**
Written back on disposals	**–**	**–**	**–**	**(74)**	**(104)**	**(178)**
Disposal of subsidiaries	**–**	**–**	**–**	**(1,172)**	**(5,044)**	**(6,216)**
Reclassification	**–**	**–**	**–**	**128**	**47**	**175**
At 31 December 2016	**954**	**1,528**	**–**	**7,669**	**5,354**	**15,505**
Net book value						
At 31 December 2016	**3,031**	**7,930**	**1,947**	**7,015**	**812**	**20,735**
At 31 December 2015	3,233	7,156	2,023	7,807	2,560	22,779

The hotel properties under development comprise the Murray Building Project totalling HK$5,868 million (2015: HK$4,947 million) included in hotel and club properties for which the costs attributable to land and buildings cannot be allocated reliably. This amount is not subject to depreciation.

	Leasehold land HK$ Million	Hotel and club properties HK$ Million	Properties under redeve–lopment HK$ Million	Other property, plant and equipment HK$ Million	CME equipment HK$ Million	Total HK$ Million
b. Tenure of title to properties:						
At 31 December 2016						
Held in Hong Kong						
Long term leases	**81**	**139**	**–**	**6**	**–**	**226**
Medium term leases	**853**	**5,934**	**–**	**2,769**	**–**	**9,556**
	934	**6,073**	**–**	**2,775**	**–**	**9,782**
Held outside Hong Kong						
Medium term leases	**2,097**	**1,857**	**1,947**	**1,493**	**–**	**7,394**
	3,031	**7,930**	**1,947**	**4,268**	**–**	**17,176**
At 31 December 2015						
Held in Hong Kong						
Long term leases	82	122	–	6	–	210
Medium term leases	886	5,023	–	2,923	–	8,832
	968	5,145	–	2,929	–	9,042
Held outside Hong Kong						
Medium term leases	2,265	2,011	2,023	1,613	–	7,912
	3,233	7,156	2,023	4,542	–	16,954

c. Impairment of property, plant and equipment

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

10. INTEREST IN ASSOCIATES

	2016 HK$ Million	2015 HK$ Million
Share of net assets	**6,627**	7,225
Goodwill	**1,961**	1,961
	8,588	9,186
Amounts due from associates	**5,849**	8,599
	14,437	17,785
Amounts due to associates (Note 18)	**(3,390)**	(3,083)
	11,047	14,702

a. Details of principal associates at 31 December 2016 are shown on page 197 to 198.

b. Included in amounts due from associates are advances totalling HK$371 million (2015: HK$371 million) which are unsecured and interest bearing at market rate. Amounts due from associates are unsecured and have no fixed terms of repayment and not expected to be recoverable within twelve months from the end of the reporting period. The amounts are neither past due nor impaired.

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

c. Included in interest in associates is goodwill of HK$1,961 million (2015: HK$1,961 million) mainly relating to the acquisition of Mega Shekou Container Terminals Limited by Modern Terminals Limited, a 67.6%-owned subsidiary of the Group, under an agreement for rationalisation of the interests in Shekou Container Terminals Phases I, II and III in 2007.

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

e. Summary financial information on associates

At 31 December 2016, no associate is considered to be individually material to the Group.

Aggregate information of associates that are not individually material:

	2016 HK$ Million	2015 HK$ Million
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**8,588**	9,186
Aggregate amounts of the Group's share of those associates'		
Profit from continuing operations	**923**	1,156
Other comprehensive income	**(503)**	(462)
Total comprehensive income	**420**	694

11. INTEREST IN JOINT VENTURES

	2016 HK$ Million	2015 HK$ Million
Share of net assets	**7,812**	7,999
Amounts due from joint ventures	**8,898**	9,613
	16,710	17,612
Amounts due to joint ventures (Note 18)	**(1,875)**	(2,524)
	14,835	15,088

Details of principal joint ventures at 31 December 2016 are shown on page 198. The Group's interest in the principal joint ventures are accounted for using the equity method in the consolidated financial statements.

Included in amounts due from joint ventures are advances totalling HK$3,363 million (2015: HK$3,121 million) which are interest bearing. The amounts due from joint ventures are unsecured and have no fixed terms of repayment. They are not expected to be recovered within the next twelve months. The amounts are neither past due nor impaired.

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

No joint venture is individually material to the Group. Aggregate information of joint ventures is summarised below:

	2016 HK$ Million	2015 HK$ Million
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**7,812**	7,999
Aggregate amounts of the Group's share of those joint ventures'		
Profit from continuing operations	**1,983**	236
Other comprehensive income	**(585)**	(810)
Total comprehensive income	**1,398**	(574)

12. EQUITY INVESTMENTS/AVAILABLE-FOR-SALE INVESTMENTS

	2016 HK$ Million	2015 HK$ Million
Listed investments		
— in Hong Kong	4,265	6,493
— outside Hong Kong	1,432	1,583
Unlisted investment	26	26
	5,723	8,102

13. GOODWILL AND OTHER INTANGIBLE ASSETS

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

Goodwill mainly relates to the Group's terminals business. As at 31 December 2016, an impairment test was performed by comparing the attributable carrying amount of the business with the recoverable amount. The recoverable amount of the terminals business is based on its value in use. No impairment was recorded.

14. PROPERTIES FOR SALE

	2016 HK$ Million	2015 HK$ Million
Properties under development for sale	**20,365**	32,289
Completed properties for sale	**3,509**	5,479
	23,874	37,768

a. At 31 December 2016, properties under development for sale of HK$10,184 million (2015: HK$17,781 million) are expected to be completed after more than one year.

b. Included in properties under development for sale are deposits of HK$296 million (2015: HK$394 million) paid for the acquisition of certain land sites/properties located in Mainland China.

c. Properties under development for sale and completed properties for sale are stated at the lower of cost and net realisable value. The total carrying value of properties stated at net realisable value at 31 December 2016 was HK$3,037 million (2015: HK$6,640 million).

d. At 31 December 2016, 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:

	2016 HK$ Million	2015 HK$ Million
Held in Hong Kong		
Medium term leases	**2**	566
Held outside Hong Kong		
Long term leases	**15,788**	24,955
Medium term leases	**221**	626
	16,011	26,147

15. TRADE AND OTHER RECEIVABLES

a. Ageing analysis

Included in this item are trade receivables (net of allowance for bad and doubtful debts) with an ageing analysis based on the invoice date as at 31 December 2016 as follows:

	2016 **HK$ Million**	2015 HK$ Million
Trade receivables		
0 – 30 days	**411**	625
31 – 60 days	**70**	167
61 – 90 days	**31**	74
Over 90 days	**143**	105
	655	971
Other receivables and prepayments	**3,626**	3,003
	4,281	3,974

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

b. Impairment of trade receivables

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

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

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

c. Trade receivables that are not impaired

As at 31 December 2016, 95% (2015: 94%) of the Group's trade receivables was not impaired, of which 78% (2015: 86%) was either not past due or less than two months past due.

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

16. DERIVATIVE FINANCIAL INSTRUMENTS

	2016		2015	
	Assets	**Liabilities**	Assets	Liabilities
	HK$ Million	***HK$ Million***	*HK$ Million*	*HK$ Million*
At fair value through profit or loss				
Fixed-to-floating interest rate swaps	**264**	**73**	394	40
Floating-to-fixed interest rate swaps	**9**	**168**	–	447
Cross currency interest rate swaps	**152**	**1,479**	527	1,556
Forward foreign exchange contracts	**154**	**504**	–	127
Total	**579**	**2,224**	921	2,170
Analysis				
Current	**332**	**685**	336	612
Non-current	**247**	**1,539**	585	1,558
Total	**579**	**2,224**	921	2,170

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

	2016		2015	
	Assets	**Liabilities**	Assets	Liabilities
	HK$ Million	***HK$ Million***	*HK$ Million*	*HK$ Million*
Fixed-to-floating interest rate swaps				
Expiring within 1 year	**76**	**2**	6	–
Expiring after more than 1 year but not exceeding 5 years	**60**	**23**	161	26
Expiring after 5 years	**128**	**48**	227	14
	264	**73**	394	40
Floating-to-fixed interest rate swaps				
Expiring after more than 1 year but not exceeding 5 years	**3**	**131**	–	310
Expiring after 5 years	**6**	**37**	–	137
	9	**168**	–	447
Cross currency interest rate swaps				
Expiring within 1 year	**107**	**3**	1	154
Expiring after more than 1 year but not exceeding 5 years	**33**	**1,152**	307	683
Expiring after 5 years	**12**	**324**	219	719
	152	**1,479**	527	1,556
Forward foreign exchange contracts				
Expiring within 1 year	**5**	**504**	–	43
Expiring after more than 1 year but not exceeding 5 years	**149**	**–**	–	84
	154	**504**	–	127
Total	**579**	**2,224**	921	2,170

a. The notional principal amounts of derivative financial instruments outstanding at the end of the reporting period were as follows:

	2016 HK$ Million	2015 HK$ Million
Fixed-to-floating interest rate swaps	**17,671**	21,690
Floating-to-fixed interest rate swaps	**8,230**	8,230
Cross currency interest rate swaps	**29,247**	19,226
Forward foreign exchange contracts	**30,233**	42,719

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 the reporting period. Derivative financial instruments do not qualify for hedge accounting and their corresponding changes in fair values have been recognised in the consolidated income statement.

c. During the year, a gain of HK$83 million (2015: gains of HK$24 million) in respect of forward foreign exchange contracts was recognised in the consolidated income statement.

d. During the year, fair value loss on cross currency interest rate swaps in the amounts of HK$72 million (2015: HK$379 million) and gain on interest rate swaps in the amounts of HK$309 million (2015: loss of HK$27 million) have been included within finance costs in the consolidated income statement.

e. The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master agreements providing offsetting mechanisms under certain circumstances. At 31 December 2016, the Group has not offset any of the financial instruments as no parties have exercised their rights to offset the recognised amounts in the financial statements.

17. BANK DEPOSITS AND CASH

	2016 HK$ Million	2015 HK$ Million
Bank deposits and cash	**36,957**	23,510

At 31 December 2016, bank deposits and cash included:

a. HK$19,608 million equivalent (2015: HK$22,841 million equivalent) placed with banks in Mainland China, the remittance of which is subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

b. RMB1,184 million equivalent to HK$1,324 million (2015: RMB3,178 million equivalent to HK$3,793 million) which is solely for certain designated property development projects in Mainland China.

The effective annual interest rate on bank deposits was 1.9% (2015: 1.9%).

Bank deposits and cash are denominated in the following currencies:

	2016 HK$ Million	2015 HK$ Million
RMB	**19,988**	22,772
HKD	**15,560**	435
USD	**1,399**	288
SGD	**8**	11
Other currencies	**2**	4
	36,957	23,510

18. TRADE AND OTHER PAYABLES

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

	2016 **HK$ Million**	2015 *HK$ Million*
Trade payables		
0 – 30 days	**349**	390
31 – 60 days	**261**	258
61 – 90 days	**39**	32
Over 90 days	**188**	128
	837	808
Rental and customer deposits	**4,129**	3,982
Construction costs payable	**8,112**	7,980
Amounts due to associates	**3,390**	3,083
Amounts due to joint ventures	**1,875**	2,524
Other payables	**5,902**	4,304
	24,245	22,681

The amount of trade and other payables that is expected to be settled after more than one year is HK$4,426 million (2015: HK$3,819 million), which is mainly for rental and customer deposits. The Group considers the effect of discounting these items would be immaterial. All of the other trade and other payables are expected to be settled or recognised as income within one year or are payable on demand.

19. DEPOSITS FROM SALE OF PROPERTIES

Deposits from sale of properties in the amount of HK$3,451 million (2015: HK$4,281 million) are expected to be recognised as income in the consolidated income statement after more than one year.

20. BANK LOANS AND OTHER BORROWINGS

	2016 HK$ Million	2015 HK$ Million
Bonds and notes (unsecured)		
Due within 1 year	**10,254**	2,363
Due after more than 1 year but not exceeding 2 years	**4,081**	10,255
Due after more than 2 years but not exceeding 5 years	**12,788**	10,495
Due after more than 5 years	**5,474**	7,752
	32,597	30,865
Bank loans (secured)		
Due within 1 year	**985**	1,991
Due after more than 1 year but not exceeding 2 years	**3,408**	360
Due after more than 2 years but not exceeding 5 years	**1,965**	1,617
Due after more than 5 years	**335**	–
	6,693	3,968
Bank loans (unsecured)		
Due within 1 year	**3,939**	4,109
Due after more than 1 year but not exceeding 2 years	**2,606**	2,500
Due after more than 2 years but not exceeding 5 years	**14,959**	29,265
	21,504	35,874
Total bank loans and other borrowings	**60,794**	70,707
Analysis of maturities of the above borrowings:		
Current borrowings		
Due within 1 year	**15,178**	8,463
Non-current borrowings		
Due after more than 1 year but not exceeding 5 years	**39,807**	54,492
Due after more than 5 years	**5,809**	7,752
	45,616	62,244
Total bank loans and other borrowings	**60,794**	70,707

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

	2016 HK$ Million	2015 HK$ Million
HKD	**50,121**	68,579
RMB	**10,673**	2,128
	60,794	70,707

b. The interest rate profile of the Group's borrowings (after the effects of interest rate swaps and cross currency interest rate swaps as detailed in Notes 23(a) and (b)) were as follows:

	2016 Effective interest rate %	**2016** HK$ Million	2015 Effective interest rate %	2015 HK$ Million
Fixed rate borrowings				
Bonds and notes	**3.0%**	**8,060**	3.0	3,787
Bank loans	**2.6%**	**8,230**	2.6	8,230
		16,290		12,017
Floating rate borrowings				
Bonds and notes	**3.5%**	**24,537**	3.0	27,078
Bank loans	**2.6%**	**19,967**	2.0	31,612
		44,504		58,690
Total borrowings		**60,794**		70,707

c. All the interest bearing borrowings are carried at amortised cost except for loans in an amount of HK$11,978 million (2015: HK$15,145 million) which are carried at their fair values. None of the non-current interest bearing borrowings are expected to be settled within one year.

d. Included in the Group's total loans are bank loans totalling HK$12,552 million (2015: HK$14,476 million) borrowed by certain subsidiaries in Mainland China, Modern Terminals, i-CABLE and Harbour Centre Development Limited. The loans are without recourse to the Company and its other subsidiaries.

e. As at 31 December 2016, certain banking facilities of the Group are secured by mortgages over certain properties under development, investment properties and property, plant and equipment with an aggregate carrying value of HK$17,705 million (2015: HK$24,278 million).

f. Certain of the above borrowings are attached with financial covenants which require that at any time, the consolidated tangible net worth is not less than and the ratio of borrowings to consolidated tangible net worth is not more than certain required levels of the relevant groups. During the year under review, all these covenants have been complied with by the Group.

21. EQUITY SETTLED SHARE-BASED TRANSACTIONS

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

a. The terms and conditions of the grants are as follows:

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

b. Fair value of share options and assumptions

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

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

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

c. Movements of the share options and the weighted average exercise prices of share options are as follows:

For 2016

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

For 2015

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

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

d. In respect of share options of the Company granted to the directors of the Company, the related charge recognised in the consolidated income statement for the years ended 31 December 2015 and 2016, estimated in accordance with the Group's accounting policy in note (v)(i), was as follows:

	2016 **HK$'000**	2015 HK$'000
Peter K C Woo (retired on 15 May 2015)	**–**	2,656
Stephen T H Ng	**14,857**	7,235
Andrew O K Chow	**10,319**	7,235
Doreen Y F Lee	**10,319**	7,235
Paul Y C Tsui	**5,160**	4,131
Y T Leng	**3,586**	2,670
K P Chan (appointed on 15 May 2015)	**3,586**	1,690
	47,827	32,852

22. DEFERRED TAXATION

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

	2016 *HK$ Million*	2015 *HK$ Million*
Deferred tax liabilities	**10,633**	10,748
Deferred tax assets	**(654)**	(700)
Net deferred tax liabilities	**9,979**	10,048

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

	Depreciation allowances in excess of the related depreciation *HK$ Million*	**Surplus on investment properties** *HK$Million*	**Others** *HK$ Million*	**Future benefit of tax losses** *HK$ Million*	**Total** *HK$ Million*
At 1 January 2015	2,902	7,498	(124)	(524)	9,752
Charged to the consolidated income statement	270	488	(4)	25	779
Exchange adjustment	(39)	(456)	11	1	(483)
At 31 December 2015 and 1 January 2016	**3,133**	**7,530**	**(117)**	**(498)**	**10,048**
Charged to the consolidated income statement	**341**	**23**	**48**	**94**	**506**
Acquisition of subsidiaries	**20**	**–**	**–**	**(8)**	**12**
Disposal of subsidiaries	**(148)**	**–**	**9**	**58**	**(81)**
Exchange adjustment	**(49)**	**(478)**	**20**	**1**	**(506)**
At 31 December 2016	**3,297**	**7,075**	**(40)**	**(353)**	**9,979**

b. Deferred tax assets not recognised

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

	2016		2015	
	Deductible temporary differences/ tax losses *HK$ Million*	**Deferred tax assets** *HK$ Million*	Deductible temporary differences/ tax losses *HK$ Million*	Deferred tax assets *HK$ Million*
Deductible temporary differences	**479**	**120**	446	111
Future benefit of tax losses				
– Hong Kong	**4,529**	**747**	4,481	739
– Outside Hong Kong	**3,446**	**862**	3,110	778
	7,975	**1,609**	7,591	1,517
	8,454	**1,729**	8,037	1,628

The Group has not recognised the deferred tax assets attributable to the future benefit of tax losses sustained in the operations of certain subsidiaries as the availability of future taxable profits against which the assets can be utilised is uncertain at 31 December 2016. The tax losses arising from Hong Kong operations do not expire under current tax legislation. The tax losses arising from operations in Mainland China can be carried forward to offset against taxable profits of subsequent years for up to five years from the year in which they arose.

23. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

The Group uses derivatives, principally forward 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.

In line with the Group's prevailing strategy, the Group has entered into a number of interest rate swaps ("IRS") and cross currency interest rate swaps ("CCS") which have the economic effect of converting certain fixed rate interest bearing notes with notional amounts totalling HK$9,529 million (2015: HK$11,910 million) into floating rate borrowings. For each of the IRS and CCS entered into by the Group, the tenor and timing of the IRS and CCS cash flows matches those of the notes.

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

As at 31 December 2016, after taking into account of IRS and CCS, approximately 73% (2015: 83%) of the Group's borrowings were at floating rates and the remaining 27% (2015: 17%) were at fixed rates (see Note 20(b)).

Based on a sensitivity analysis performed as at 31 December 2016, it was estimated that a general increase/decrease of 1% (2015: 1%) in interest rates, with all other variables held constant, would have decreased/increased the Group's post-tax profit and total equity by approximately HK$141 million (2015: HK$473 million). This takes into account the effect of interest bearing bank deposits.

The sensitivity analysis above indicates the instantaneous change in the Group's post-tax profit and total equity that would have arisen assuming that the change in interest rates had occurred at the end of the 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 the 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 the 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 for 2015.

b. Foreign currency risk

The Group owns assets and conducts its businesses primarily in Hong Kong and secondarily in Mainland China, 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 and port-related operations and investments in Mainland China.

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

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

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

	2016					2015				
	USD Million	**RMB Million**	**JPY Million**	**SGD Million**	**AUD Million**	USD Million	RMB Million	JPY Million	SGD Million	AUD Million
The Group										
Bank deposits and cash	**155**	**517**	**–**	**–**	**–**	6	147	–	–	–
Available-for-sale investments	**–**	**–**	**–**	**–**	**–**	203	–	–	–	–
Equity investments	**184**	**–**	**–**	**–**	**–**	–	–	–	–	–
Trade and other receivables	**3**	**–**	**–**	**–**	**–**	7	–	–	–	–
Trade and other payables	**(31)**	**(8)**	**(28)**	**(1)**	**(2)**	(32)	–	(4)	–	(2)
Bank loans and other borrowings	**(1,895)**	**(5,800)**	**(11,958)**	**(260)**	**(110)**	(3,279)	(1,950)	(11,955)	(420)	(110)
Inter-company balances	**24**	**4,331**	**–**	**(250)**	**–**	23	330	–	(250)	–
Gross exposure arising from recognised assets and liabilities	**(1,560)**	**(960)**	**(11,986)**	**(511)**	**(112)**	(3,072)	(1,473)	(11,959)	(670)	(112)
Notional amount of forward foreign exchange contracts – at fair value through profit or loss	**2,870**	**–**	**52,764**	**–**	**–**	4,636	–	52,764	–	–
Notional amount of cross currency IRS	**(838)**	**1,800**	**(40,764)**	**510**	**110**	(938)	1,950	(40,764)	670	110
Highly probable forecast purchases	**(53)**	**–**	**–**	**–**	**–**	(82)	–	–	–	–
Overall net exposure	**419**	**840**	**14**	**(1)**	**(2)**	544	477	41	–	(2)

In addition, at 31 December 2016, 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, trade and other payables, bank loans and inter-company borrowings in the amount of HK$225 million, HK$6 million, HK$526 million and HK$334 million respectively (2015: HK$332 million, HK$8 million, HK$1,851 million and HK$328 million respectively).

Based on the sensitivity analysis performed on 31 December 2016. It was estimated that the impact on the Group's post tax profit and total equity would not be material in response to possible changes in the foreign exchange rates of foreign currencies to which the Group is exposed.

It is further analysed that the sensitivity on the translation of the Mainland operations from 1% (2015: 1%) increase/decrease of exchange rate against RMB and HKD, the Group's total equity would have increased/decreased by HK$843 million (2015: HK$1,137 million).

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 2016, it is estimated that an increase/decrease of 10% 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$570 million (2015: HK$808 million). The analysis has been performed on the same basis as for 2015.

d. Liquidity risk

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

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

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

		Contractual undiscounted cash flow				
	Carrying amount *HK$ Million*	**Total** *HK$ Million*	**Within 1 year or on demand** *HK$ Million*	**More than 1 year but less than 2 years** *HK$ Million*	**More than 2 years but less than 5 years** *HK$ Million*	**More than 5 years** *HK$ Million*
At 31 December 2016						
Bank loans and other borrowings	**(60,794)**	**(65,379)**	**(16,892)**	**(11,958)**	**(29,188)**	**(7,341)**
Trade and other payables	**(24,245)**	**(24,245)**	**(19,819)**	**(2,919)**	**(1,273)**	**(234)**
Forward foreign exchange contracts	**(350)**	**(350)**	**(499)**	**12**	**72**	**65**
Cross currency interest rate swaps	**(1,327)**	**(967)**	**63**	**(357)**	**(579)**	**(94)**
Interest rate swaps	**32**	**45**	**28**	**(48)**	**46**	**19**
	(86,684)	**(90,896)**	**(37,119)**	**(15,270)**	**(30,922)**	**(7,585)**
At 31 December 2015						
Bank loans and other borrowings	(70,707)	(74,345)	(7,443)	(14,856)	(43,460)	(8,586)
Trade and other payables	(22,681)	(22,681)	(18,862)	(2,091)	(1,529)	(199)
Forward foreign exchange contracts	(127)	(127)	(43)	(14)	(43)	(27)
Cross currency interest rate swaps	(1,029)	(501)	(9)	123	(284)	(331)
Interest rate swaps	(93)	48	(9)	48	(52)	61
	(94,637)	(97,606)	(26,366)	(16,790)	(45,368)	(9,082)

The Company is exposed to liquidity risk that arises from financial guarantees given by the Company on behalf of subsidiaries. The guarantees are callable if the respective subsidiary is unable to meet its obligations and the maximum amount callable as at 31 December 2016 was HK$53.4 billion (2015: HK$64.8 billion).

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 consolidated statement of financial position. Except for the financial guarantees given by the Company as set out in Note 27, the Group does not provide any other guarantee which would expose the Group or the Company 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 the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as defined in Note 8(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 2016 categorised into		
	Level 1 *HK$ Million*	**Level 2** *HK$ Million*	**Total** *HK$ Million*
Assets			
Equity investments:			
– Listed investments	**5,697**	**–**	**5,697**
– Unlisted investments	**–**	**26**	**26**
Derivative financial instruments:			
– Forward foreign exchange contracts	**–**	**154**	**154**
– Interest rate swaps	**–**	**273**	**273**
– Cross currency interest rate swaps	**–**	**152**	**152**
	5,697	**605**	**6,302**
Liabilities			
Derivative financial instruments:			
– Forward foreign exchange contracts	**–**	**504**	**504**
– Interest rate swaps	**–**	**241**	**241**
– Cross currency interest rate swaps	**–**	**1,479**	**1,479**
Bank loans and other borrowings:			
– Bonds and notes	**–**	**11,978**	**11,978**
	–	**14,202**	**14,202**

	Fair value measurements as at 31 December 2015 categorised into Level 1 HK$ Million	Level 2 HK$ Million	Total HK$ Million
Assets			
Available-for-sale investments:			
– Listed investments	8,076	–	8,076
Derivative financial instruments:			
– Interest rate swaps	–	394	394
– Cross currency interest rate swaps	–	527	527
	8,076	921	8,997
Liabilities			
Derivative financial instruments:			
– Forward foreign exchange contracts	–	127	127
– Interest rate swaps	–	487	487
– Cross currency interest rate swaps	–	1,556	1,556
Bank loans and other borrowings:			
– Bonds and notes	–	14,217	14,217
– Bank loans	–	928	928
	–	17,315	17,315

During the years ended 31 December 2015 and 2016, 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 the 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 the reporting period and comparing them to the contractual rates.

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

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

ii. Assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 31 December 2016 and 2015.

g. Capital management

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

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

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

The net debt-to-equity ratios as at 31 December 2016 and 2015 were as follows:

	2016 **_HK$ Million_**	2015 _HK$ Million_
Bank loans and other borrowings (Note 20)	**60,794**	70,707
Less: Bank deposits and cash (Note 17)	**(36,957)**	(23,510)
Net debt	**23,837**	47,197
Shareholders' equity	**316,794**	307,728
Total equity	**325,406**	317,180
Net debt-to-shareholders' equity ratio	**7.5%**	15.3%
Net debt-to-total equity ratio	**7.3%**	14.9%

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

24. SHARE CAPITAL AND RESERVES

a. Share capital

	2016 **No. of shares** **_Million_**	2015 No. of shares _Million_	**2016** **_HK$ Million_**	2015 _HK$ Million_
Issued and fully paid ordinary shares				
At 1 January	**3,031**	3,030	**29,441**	29,376
Shares issued under the share option scheme	**1**	1	**56**	65
At 31 December	**3,032**	3,031	**29,497**	29,441

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

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

b. The Group's equity, apart from share capital and other statutory capital reserves, includes investments revaluation reserves for dealing with the movements on revaluation of equity investments/available-for-sale investments, other capital reserves for dealing with the grant date fair value of the granted unexercised share options in accordance with accounting policy note (v)(i) 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 (o).

The revenue reserves of the Group at 31 December 2016 included HK$1,710 million (2015: HK$1,382 million) in respect of statutory reserves of the subsidiaries in Mainland China.

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

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

	Share capital *HK$Million*	**Other capital reserves** *HK$Million*	**Revenue reserves** *HK$Million*	**Total** *HK$Million*
The Company				
At 1 January 2015	29,376	318	34,906	64,600
Profit	–	–	12,147	12,147
Shares issued under the share option scheme	65	(15)	–	50
Equity settled share-based payments	–	40	–	40
Share options lapsed	–	(28)	–	(28)
2014 second interim dividend paid	–	–	(3,819)	(3,819)
2015 first interim dividend paid	–	–	(1,667)	(1,667)
At 31 December 2015 and 1 January 2016	**29,441**	**315**	**41,567**	**71,323**
Profit	**–**	**–**	**26,473**	**26,473**
Shares issued under the share option scheme	**56**	**(4)**	**–**	**52**
Equity settled share-based payments	**–**	**51**	**–**	**51**
Share options lapsed	**–**	**(155)**	**–**	**(155)**
2015 second interim dividend paid	**–**	**–**	**(4,092)**	**(4,092)**
2016 first interim dividend paid	**–**	**–**	**(1,758)**	**(1,758)**
At 31 December 2016	**29,497**	**207**	**62,190**	**91,894**

c. Reserves of the Company available for distribution to equity shareholders of the Company as at 31 December 2016 amounted to HK$62,190 million (2015: HK$41,567 million).

d. After the end of the reporting period, the Directors declared a second interim dividend of HK$1.57 per share (2015: second interim dividend of HK$1.35 per share) amounting to HK$4,760 million based on 3,032 million issued ordinary shares (2015: HK$4,092 million based on 3,031 million issued ordinary shares). This dividend has not been recognised as a liability at the end of the reporting period.

25. COMPANY LEVEL – STATEMENT OF FINANCIAL POSITION

	Note	2016 *HK$ Million*	2015 *HK$ Million*
Non-current assets			
Interest in subsidiaries		**107,548**	91,927
Loan to a subsidiary		**4,472**	–
Amount due from an associate		**371**	371
		112,391	92,298
Current assets			
Receivables		**13**	2
Bank deposits and cash		**5**	23
		18	25
Total assets		**112,409**	92,323
Non-current liabilities			
Bank loans and other borrowings		**(4,472)**	–
Current liabilities			
Payables		**(87)**	(51)
Amounts due to subsidiaries		**(15,423)**	(20,416)
Amount due to an associate		**(533)**	(533)
		(16,043)	(21,000)
Total liabilities		**(20,515)**	(21,000)
NET ASSETS		**91,894**	71,323
Capital and reserves			
Share capital	24	**29,497**	29,441
Reserves		**62,397**	41,882
TOTAL EQUITY		**91,894**	71,323

Stephen T H Ng
Chairman & Managing Director

Paul Y C Tsui
Vice Chairman and Group Chief Financial Officer

26. MATERIAL RELATED PARTIES TRANSACTIONS

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Material transactions between the Group and other related parties during the year ended 31 December 2016 are as follows:

a. In respect of the year ended 31 December 2016, the Group earned rental income totalling HK$1,150 million (2015: HK$1,199 million) from various tenants which are wholly or partly owned by companies which in turn are wholly-owned by the family interests of close family members of, or by a trust the settlor of which is a close family member of, the chairman of the Company's ultimate holding company. Such transactions are considered to be related party transactions, of which HK$444 million (2015: HK$1,050 million) also constitute connected transactions as defined under the Listing Rules.

b. During the year, the Group entered into an agreement with a 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 of Wheelock House at 3rd to 24th Floors in Hong Kong for a total consideration of HK$5,020 million. Such transaction is considered to be a related party transaction and also constitute a connected transaction as defined under the Listing Rules.

c. During the year, the Group entered into an agreement with a company effectively owned by the close family members of the chairman of the Company's ultimate holding company, to acquire the entire share capital of a company which indirectly holds the investment property of Wheelock House at shop C Ground Floor in Hong Kong for a total consideration of HK$1,141 million. Such transaction is considered to be a related party transaction and also constitute a connected transaction as defined under the Listing Rules.

d. Remuneration for key management personnel of the Group, including amounts paid to the Directors of the Company and the five highest paid employees are disclosed in Notes 2(b) and 2(c).

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

27. CONTINGENT LIABILITIES

As at 31 December 2016, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to overdrafts, short term loans and credit facilities, bonds and notes of up to HK$64,438 million (2015: HK$75,027 million). There were also contingent liabilities in respect of guarantees given by the Company on behalf of joint ventures and associates of HK$4,233 million (2015: HK$9,401 million) of which HK$3,095 million (2015: HK$8,494 million) had been drawn.

As at 31 December 2016, there were guarantees of HK$8,811 million (2015: HK$8,883 million) provided by the Group to the banks in favour of their customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's development properties. There were also mortgage loan guarantees of HK$3,202 million (2015: HK$1,428 million) provided by joint ventures and associates of the Group to the banks in favour of their customers.

The Group and the Company have not recognised any deferred income of the above guarantees for subsidiaries, joint ventures and associates as their fair value cannot be reliably measured and their transaction price was HK$Nil.

As at the end of the reporting period, the Directors do not consider it is probable that a claim will be made against the Group and the Company under any of the guarantees.

28. COMMITMENTS

The Group's outstanding commitments as at 31 December 2016 are detailed as below:

a. Planned expenditure

		2016			2015		
		Committed *HK$ Million*	**Uncommitted** *HK$ Million*	**Total** *HK$ Million*	Committed *HK$ Million*	Uncommitted *HK$ Million*	Total *HK$ Million*
(I)	**Properties**						
	Investment properties						
	Hong Kong	**990**	**429**	**1,419**	2,027	477	2,504
	Mainland China	**4,035**	**6,301**	**10,336**	8,714	5,144	13,858
		5,025	**6,730**	**11,755**	10,741	5,621	16,362
	Development properties						
	Hong Kong	**–**	**–**	**–**	459	–	459
	Mainland China	**7,959**	**12,729**	**20,688**	11,800	16,289	28,089
		7,959	**12,729**	**20,688**	12,259	16,289	28,548
	Properties total						
	Hong Kong	**990**	**429**	**1,419**	2,486	477	2,963
	Mainland China	**11,994**	**19,030**	**31,024**	20,514	21,433	41,947
		12,984	**19,459**	**32,443**	23,000	21,910	44,910
(II)	**Non-properties**						
	Hotels	**1,379**	**412**	**1,791**	1,999	235	2,234
	Modern Terminals	**247**	**126**	**373**	150	24	174
	Wharf T&T	**–**	**–**	**–**	119	50	169
	i-CABLE	**18**	**211**	**229**	25	245	270
		1,644	**749**	**2,393**	2,293	554	2,847
Total		**14,628**	**20,208**	**34,836**	25,293	22,464	47,757

i. Properties commitments are mainly for construction costs to be incurred in the forthcoming years including HK$1.7 billion (2015: HK$1.2 billion) attributable land costs.

ii. The expenditure for development properties included attributable amounts for developments undertaken by joint ventures and associates of HK$9,669 million (2015: HK$11,350 million) in Mainland China.

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

c. The Group leases a number of properties and telecommunication network facilities under operating leases. The leases typically run for an initial period of two to fifteen years, with an option to renew each lease upon expiry when all terms are renegotiated. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals. Total operating leases commitments are detailed as below:

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

29. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

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

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

(i) investments in equity securities (not held for trading) of HK$5,723 million that were previously classified as available-for-sale investments and measured at fair value at each reporting date under HKAS 39 have been designated as equity investments measured at fair value through other comprehensive income ("FVTOCI"). Group profit for the year has been reduced by HK$14 million, representing the gain on disposal of equity securities recognised through other comprehensive income instead of the income statement as previously accounted for (2015: HK$178 million profit).

(ii) impairment based on expected credit loss model on the Group's rental, sales and trade receivables have no significant financial impacts.

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

The "Principal accounting policies" set out on pages 177 to 193 summarise the accounting policies of the Group after the adoption of these policies to the extent that they are relevant to the Group.

30. FUTURE CHANGES IN ACCOUNTING POLICIES

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2016 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7, Statement of cash flows: Disclosure initiative	1 January 2017
Amendments to HKAS 12, Income taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017
HKFRS 15, Revenue from contracts with customers	1 January 2018
Amendments to HKFRS 2, Share-based payment: Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 16, Leases	1 January 2019

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

HKFRS 15, Revenue from contracts with customers

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

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

(a) Timing of revenue recognition

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

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

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

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

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

(b) Significant financing component

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

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

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

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

HKFRS 16, Leases

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

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

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for 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 consolidated income statement over the period of the lease. As disclosed in note 28(c), at 31 December 2016 the Group's future minimum lease payments under non-cancellable operating leases amount to HK$38 million for properties and telecommunication network facilities, the majority of which is payable between 1 and 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

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

31. EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period the Directors declared a second interim dividend. Further details are disclosed in Note 6.

32. COMPARATIVE FIGURES

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

33. PARENT AND ULTIMATE HOLDING COMPANY

The Directors consider the parent and ultimate holding company at 31 December 2016 to be Wheelock and Company Limited, which is incorporated and listed in Hong Kong. Wheelock and Company Limited produces financial statements available for public use.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Directors on 9 March 2017.

PRINCIPAL ACCOUNTING POLICIES

a. Statement of compliance

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

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

b. Basis of preparation of the financial statements

The consolidated financial statements for the year comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and joint ventures.

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

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

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

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

c. Basis of consolidation

i. Subsidiaries and non-controlling interests

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

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

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

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

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

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

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note (k)(ii)).

ii. Associates and joint ventures

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

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

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

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

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

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

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

In the individual Company's statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses (see note (k)(ii)).

iii. Goodwill

Goodwill represents the excess of

(a) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(b) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

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

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

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

d. Investment properties and property, plant and equipment

i. Investment properties

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

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

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

ii. Hotel and club properties

Hotel and club properties are stated at cost less accumulated depreciation and impairment losses (see note (k)(ii)). Hotel properties under development are stated at cost less impairment losses (see note (k)(ii)).

iii. Broadcasting and communications equipment

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

iv. Other property, plant and equipment held for own use

Other property, plant and equipment held for own use is stated at cost less accumulated depreciation and impairment losses (see note (k)(ii)).

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

e. Depreciation of property, plant and equipment

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

i. Investment properties

No depreciation is provided on investment properties.

ii. Hotel and club properties

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

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

iii. Broadcasting and communications equipment

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

iv. Other property, plant and equipment held for own use

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

Depreciation is provided on a straight line basis over their estimated useful lives of these assets of 3 to 25 years.

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

f. Financial instruments

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

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

(i) *Classification and measurement of financial assets*

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

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 consolidated statement 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.

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 FVTOCI since the application of HKFRS 9.

(ii) Derecognition of financial assets

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

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

In the case of equity investment, cumulative gains and losses recognised in OCI are never reclassified to the consolidated income statement but transferred to retained earnings on disposal of an investment.

(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 consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

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

g. Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in 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 (note (h)).

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

h. Hedging

i. Fair value hedge

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

ii. Cash flow hedge

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gain or loss on remeasurement of the derivative financial instrument to fair value is recognised directly in other comprehensive income and accumulated separately in equity. The ineffective portion of any gain or loss is recognised immediately in the 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 consolidated income statement in the same period or periods during which the asset acquired or liability assumed affects the consolidated income statement (such as when interest income or expense is recognised).

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

iii. Hedge of net investment in a foreign operation

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

i. Leased assets

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

i. Classification of leased assets

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

— property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as an investment property, is accounted for as if held under a finance lease (see note (d)(i)); and

— land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

ii. Assets held under operating leases

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to 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)).

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 property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note (e). Impairment losses are accounted for in accordance with the accounting policy as set out in note (k)(ii). Finance charges implicit in the lease payments are charged to 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.

j. Programming library

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

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

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

Both the period and method of amortisation are reviewed annually.

k. Impairment of assets

i. Impairment of financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on financial assets measured at amortised cost.

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

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

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 are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

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

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

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

Write-off

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

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.

— *Interim financial reporting and impairment*

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

Impairment losses recognised in an interim period in respect of goodwill, are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

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 consolidated income statement in the period in which the reversal occurs.

ii. Properties under development for sale

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

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

m. Inventories

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

n. Cash and cash equivalents

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

o. Foreign currencies

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

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

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

p. Recognition of revenue

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

i. Rental income under operating leases is recognised in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised in the accounting period in which they are earned.

ii. Income arising from the sale of properties held for sale is recognised upon the later of the execution of the formal sale and purchase agreement and the issue of occupation permit/completion certificate by the relevant government authorities, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position.

iii. Income from communications, media and entertainment operations, logistics operations and hotels operations is recognised at the time when the services are provided.

iv. Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

v. Interest income is recognised as it accrues using the effective interest method.

vi. Income received in advance attributable to long term service contracts is deferred and recognised over the contract period on a straight line basis.

q. Borrowing costs

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

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

r. Income tax

i. Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the consolidated income statement except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

ii. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

iii. Deferred tax assets and liabilities arise from deductible and taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases respectively. Deferred tax assets also arise from unused tax losses and unused tax credits.

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

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

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

The carrying amount of a deferred tax asset is reviewed at each of 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 nonoccurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

PRINCIPAL ACCOUNTING POLICIES

u. Segment reporting

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

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

v. Employee benefits

i. Shared based payments

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

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

ii. Employee benefits and contributions to defined contribution retirement plans

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

w. Significant accounting estimates and judgements

Note 23 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 consolidated statement of financial position at their market value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably determined at that time. The market value of investment properties is assessed annually by independent qualified valuers, after taking into consideration the net income allowing for reversionary potential and redevelopment potential of the properties.

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

— *Assessment of the useful economic lives for depreciation of property, plant and equipment*

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

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

— *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.

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

At 31 December 2016

	Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
	Properties				
#	**Wharf Estates Limited**	Hong Kong	HK$2 divided into 2 shares	100	Holding company
	Harbour City Estates Limited	Hong Kong	HK$330,100,000 divided into 20,000 shares	100	Property
	Wharf Realty Limited	Hong Kong	HK$2 divided into 2 shares	100	Property
	Times Square Limited	Hong Kong	HK$20 divided into 2 shares	100	Property
	Plaza Hollywood Limited	Hong Kong	HK$10,000,000 divided into 10,000,000 shares	100	Property
	Ridge Limited	Hong Kong	HK$10,000 divided into 10,000 shares	100	Property
	Oripuma Investments Limited	Hong Kong	HK$2 divided into 2 shares	100	Property
	Wavatah Company Limited	Hong Kong	HK$1,000 divided into 1,000 shares	100	Property
#	**Wharf Development Limited**	Hong Kong	HK$7,000,000,000 divided into 7,000,000,000 shares	100	Holding company
	Wharf Peak Properties Limited	Hong Kong	HK$30,000,000 divided into 3,000,000 shares	100	Property
	Hong Tai Yuen Limited	Hong Kong	HK$500,000 divided into 500,000 shares	100	Property
	Olinda Limited	Hong Kong	HK$20 divided into 2 shares	100	Property
	New Tech Centre Limited	Hong Kong	HK$10,000 divided into 10,000 shares	100	Property
#	**Wharf China Holdings Limited**	British Virgin Islands	5,129,000,000 US$1 shares	100	Holding company
	Wharf China Estates Limited	British Virgin Islands	1,000,000 US$1 shares	100	Holding company
	Bucksfull Company Limited	Hong Kong	HK$158 divided into 158 shares	100	Holding company
	Cardell Company Limited	Hong Kong	HK$2 divided into 2 shares	100	Holding company
	Cheerwill Properties Limited	British Virgin Islands	500 US$1 shares	100	Holding company
	Chengdu IFC Development Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
	Genius View International Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
	Holmwood Limited	Hong Kong	HK$2 divided into 2 shares	100	Ownership of trade marks
	Malaga Company Limited	Hong Kong	HK$2 divided into 2 shares	100	Holding company
	Merry Bond Limited	British Virgin Islands	500 US$1 shares	100	Holding company
	Radiant Lead Global Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
	Sharp Hero Holdings Limited	British Virgin Islands	1 US$1 shares	100	Holding company
	Simply Thrive Holdings Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
	Singford International Limited	British Virgin Islands	500 US$1 shares	100	Holding company
	Strong Field International Limited	Hong Kong	HK$1 divided into 1 shares	100	Ownership of trade marks
	Topusko Limited	Hong Kong	HK$20 divided into 2 shares	100	Holding company
	Treasure Board Limited	British Virgin Islands	1 US$1 shares	100	Holding company
	Wharf Beijing Limited	Hong Kong	HK$2 divided into 2 shares	100	Holding company
	Wharf Chongqing Limited	Hong Kong	HK$2 divided into 2 shares	100	Holding company
	Wharf Dalian Limited	Hong Kong	HK$2 divided into 2 shares	100	Holding company
	Wharf Shanghai Estates Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
	Wise Noble Investments Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
ii	Shanghai Long Xing Property Development Company Limited	The People's Republic of China	US$45,000,000	100	Property
ii	Dalian Times Square Development Company Limited	The People's Republic of China	RMB200,000,000	100	Property
ii	Long Qing Property Development (Chongqing) Company Limited	The People's Republic of China	RMB223,533,440	100	Property
i	Shanghai Wheelock Square Development Limited	The People's Republic of China	US$180,000,000	98	Property
ii	龍昌綜合開發(成都)有限公司	The People's Republic of China	HK$221,000,000	100	Property
ii	龍錦綜合開發(成都)有限公司	The People's Republic of China	US$1,879,000,000	100	Property

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
ii 成都時代奧特萊斯商業有限公司	The People's Republic of China	HK$170,000,000	100	Property
ii 長沙時代奧特萊斯商業有限公司	The People's Republic of China	US$40,000,000	100	Property
ii 九龍倉(長沙)置業有限公司	The People's Republic of China	US$1,192,000,000	100	Property
iv 龍潤房地產開發(成都)有限公司	The People's Republic of China	RMB20,000,000	100	Property
ii 九龍倉(北京)企業管理有限公司	The People's Republic of China	US$2,000,000	100	Holding company
iv 致昌(北京)企業管理有限公司	The People's Republic of China	RMB10,000,000	100	Holding company
iv 大連德高企業管理有限公司	The People's Republic of China	RMB5,000,000	100	Holding company
iv 大連盈致企業管理有限公司	The People's Republic of China	RMB10,000,000	100	Holding company
Wharf China Development Limited	British Virgin Islands	1,000,000 US$1 shares	100	Holding company
Advance Trend Holdings Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
All Delight Investments Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
All Genius Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Apex Mind Holdings Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Bright Wave Group Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Classic Partner Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Concept Plus Holdings Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Corning Holdings Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Creative City Investments Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Fame Treasure International Limited	British Virgin Islands	500 US$1 shares	100	Holding company
Famous Master International Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Favour Year Holdings Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Fine Noble Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Fine Super Holdings Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Greatworth Investments Limited	Hong Kong	HK$2 divided into 2 shares	100	Holding company
Key Advance Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Lion Voice Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Main Light Holdings Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Max Speed International Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Mega Full Holdings Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Merit Joy Investments Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Noble Key Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Onyee Properties Limited	British Virgin Islands	500 US$1 shares	100	Holding company
Perfect Joy Holdings Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Pilot Focus International Limited	British Virgin Islands	500 US$1 shares	100	Holding company
Power Shine Investments Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Power Unicorn Holdings Limited	British Virgin Islands	1 US$1 share	100	Holding company
Radiant South Limited	British Virgin Islands	500 US$1 shares	100	Holding company
Rumba Company Limited	Hong Kong	HK$10,000 divided into 10,000 shares	82	Holding company
Show All Limited	Hong Kong	HK$2 divided into 2 shares	100	Holding company
Silver Zone International Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Sino Season Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Sky Join Investments Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Sky Step Limited	British Virgin Islands	1 US$1 shares	100	Holding company
Smart Bloom Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Smartworth Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Smooth Flow Investments Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
South Honest Limited	British Virgin Islands	500 US$1 shares	100	Holding company
Spring Day Holdings Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Star Apex International Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Star Colour Limited	British Virgin Islands	500 US$1 shares	100	Holding company
Star Rank Investments Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Step Line Investments Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Total Up International Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Tower Beyond Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Trade Right Investments Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Trendy Win Holdings Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

At 31 December 2016

	Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
	Ultra Keen Holdings Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
	Vanguard Insight Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
	Victor Choice Investments Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
	Walsham Holdings Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
	Wharf Chengdu Limited	Hong Kong	HK$2 divided into 2 shares	100	Holding company
	Wharf (Jingan) Limited	Hong Kong	HK$2 divided into 2 shares	100	Holding company
	Wharf Shanghai Limited	Hong Kong	HK$10,000,000 divided into 10,000,000 shares	100	Holding company
	Wharf Wuhan Limited	Hong Kong	HK$2 divided into 2 shares	100	Holding company
	Wharf Properties (China) Limited	British Virgin Islands	500 US$1 shares	100	Holding company
	Wiser Global Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
ii	漢龍實業綜合開發(武漢)有限公司	The People's Republic of China	US$33,100,000	100	Property
ii	九龍倉(武漢)置業有限公司	The People's Republic of China	US$66,000,000	100	Property
i	上海龍申房地產發展有限公司	The People's Republic of China	US$22,330,000	55	Property
ii	上海莉源房地產開發有限公司	The People's Republic of China	US$745,000,000	100	Property
ii	上海萊源房地產開發有限公司	The People's Republic of China	US$35,000,000	100	Property
ii	上海清源房地產開發有限公司	The People's Republic of China	US$220,000,000	100	Property
ii	九龍倉(無錫)置業有限公司	The People's Republic of China	US$307,580,000	100	Property
ii	龍茂房地產開發(成都)有限公司	The People's Republic of China	HK$26,000,000	100	Property
ii	龍悦房地產開發(成都)有限公司	The People's Republic of China	US$60,000,000	100	Property
ii	龍嘉房地產開發(成都)有限公司	The People's Republic of China	HK$412,500,000	100	Property
ii	蘇州蘇龍地產發展有限公司	The People's Republic of China	US$56,800,000	100	Property
ii	蘇州瑞龍地產發展有限公司	The People's Republic of China	US$187,000,000	100	Property
ii	蘇州銀龍地產發展有限公司	The People's Republic of China	US$274,000,000	100	Property
ii	無錫港龍置業有限公司	The People's Republic of China	US$140,900,000	100	Property
ii	無錫河畔置業有限公司	The People's Republic of China	US$45,400,000	100	Property
ii	無錫都會置業有限公司	The People's Republic of China	US$144,600,000	100	Property
ii	港盈房地產(杭州)有限公司	The People's Republic of China	US$46,990,000	100	Property
ii	九龍倉(杭州)置業有限公司	The People's Republic of China	US$210,000,000	100	Property
ii	堡盈房地產(杭州)有限公司	The People's Republic of China	US$120,000,000	100	Property
ii	錦興房地產開發(杭州)有限公司	The People's Republic of China	US$126,000,000	100	Property
ii	洋立房地產(杭州)有限公司	The People's Republic of China	HK$418,000,000	100	Property
ii	望華房地產(杭州)有限公司	The People's Republic of China	HK$1,080,000,000	100	Property
ii	富景房地產開發(富陽)有限公司	The People's Republic of China	US$56,000,000	100	Property
ii	常州湖畔置業有限公司	The People's Republic of China	US$180,000,000	100	Property
ii	常州河畔置業有限公司	The People's Republic of China	US$69,300,000	100	Property
ii	寧波立成置業有限公司	The People's Republic of China	US$172,000,000	100	Property
ii	九龍倉置業(廣州)有限公司	The People's Republic of China	HK$1,000,000	100	Holding company
ii	會盈房地產(杭州)有限公司	The People's Republic of China	US$59,930,000	100	Holding company
ii	杭州杭龍置業管理有限公司	The People's Republic of China	US$5,160,000	100	Holding company
iv	蘇州耀龍投資管理有限公司	The People's Republic of China	RMB5,000,000	100	Holding company
*	Harbour Centre Development Limited	Hong Kong	HK$3,641,350,047 divided into 708,750,000 shares	72	Holding company
	Cheer Sky Investment Limited	Hong Kong	HK$1 divided into 1 share	72	Holding company
	Dragon Legacy Holdings Limited	Hong Kong	HK$1 divided into 1 share	72	Holding company
	Free Boost Investments Limited	Hong Kong	HK$1 divided into 1 share	72	Holding company
	HCDL China Finance Limited	Hong Kong	HK$1 divided into 1 share	72	Finance
	High Sea Investments Limited	Hong Kong	HK$2 divided into 2 shares	72	Holding company
	HCDL China Development Limited	British Virgin Islands	500 US$1 shares	72	Holding company
	Joinhill Investments Limited	Hong Kong	HK$1 divided into 1 share	72	Holding company
	Market Favour Investments Limited	Hong Kong	HK$1 divided into 1 share	72	Holding company
ii	廣州秀達企業管理有限公司	The People's Republic of China	HK$2,000,000	72	Holding company
iv	廣州譽港企業管理有限公司	The People's Republic of China	RMB5,000,000	72	Holding company
iv	廣州港捷企業管理有限公司	The People's Republic of China	RMB10,000,000	72	Holding company
ii	南京聚龍房地產開發有限公司	The People's Republic of China	US$18,000,000	72	Holding company
i	蘇州高龍房產發展有限公司	The People's Republic of China	RMB3,000,000,000	57	Property
ii	九龍倉(常州)置業有限公司	The People's Republic of China	US$169,800,000	72	Property
iv	上海綠源房地產開發有限公司	The People's Republic of China	RMB70,000,000	72	Property

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
Logistics				
Wharf Transport Investments Limited	Hong Kong	HK$2 divided into 2 shares	100	Holding company
The "Star" Ferry Company, Limited	Hong Kong	HK$7,200,000 divided into 1,440,000 shares	100	Public transport
Modern Terminals Limited	Hong Kong	HK$82,049,200 divided into 70,116 shares	68	Container terminal
i Shenzhen Dachan Bay Modern Port Development Company, Limited	The People's Republic of China	RMB4,095,195,813	44	Container terminal
Hotels				
# **Wharf Hotels Limited**	British Virgin Islands	500 US$1 shares	100	Holding company
Chengdu Niccolo Holdings (Hong Kong) Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Extra Talent Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Wharf China Hotels Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Marco Polo Hotels Management Limited	Hong Kong	HK$20 divided into 2 shares	100	Hotel
The Hongkong Hotel Limited	Hong Kong	HK$100,000 divided into 100,000 shares	72	Hotel and property
The Marco Polo Hotel (Hong Kong) Limited	Hong Kong	HK$1,000 divided into 1,000 shares	100	Hotel
The Prince Hotel Limited	Hong Kong	HK$2 divided into 2 shares	100	Hotel
The Murray Limited	Hong Kong	HK$1 divided into 1 share	72	Hotel
ii 武漢馬哥孛羅酒店有限公司	The People's Republic of China	US$3,850,000	100	Hotel
ii 成都馬哥孛羅酒店有限公司	The People's Republic of China	US$8,000,000	100	Hotel
ii 常州馬哥孛羅酒店有限公司	The People's Republic of China	US$7,000,000	72	Hotel
CME				
# **Wharf Communications Limited**	Hong Kong	HK$10,000,000 divided into 1,000,000 shares	100	Holding company
* i-CABLE Communications Limited	Hong Kong	HK$6,857,598,956 divided into 2,011,512,400 shares	74	Holding company
Hong Kong Cable Television Limited	Hong Kong	HK$750,000,000 divided into 750,000,000 shares	74	Pay TV and Internet and multimedia
Investment and others				
Wharf Limited	Hong Kong	HK$20 divided into 2 shares	100	Management services
iv Wharf Finance Limited	Hong Kong	HK$2 divided into 2 shares	100	Finance
iv Wharf Finance (BVI) Limited	British Virgin Islands/Hong Kong	500 US$1 shares	100	Finance
# Wharf Hong Kong Limited	Cayman Islands	500,000,000 US$1 shares	100	Holding company
Wharf China Finance Limited	Hong Kong	HK$5,000,000 divided into 5,000,000 shares	100	Finance
iv Wharf Finance (No.1) Limited	Hong Kong	HK$2 divided into 2 shares	100	Finance
Wharf Finance (BVI) No. 1 Limited	British Virgin Islands/Hong Kong	500 US$1 shares	100	Finance
iv Wharf Finance (HK) Limited	British Virgin Islands/Hong Kong	10 US$1 shares	100	Finance
iv Wharf MTN (Singapore) Pte. Ltd	Singapore	2 SG$1 shares	100	Finance

Associates	Place of incorporation/operation	Class of shares	Percentage of equity attributable to shareholders	Principal activities
Properties				
Start Treasure Limited	Hong Kong	Ordinary	15	Property
Harpen Company Limited	Hong Kong	Ordinary	50	Holding company
Magic Delight Limited	Hong Kong	Ordinary	50	Holding company
蘇州雙湖房地產有限公司	The People's Republic of China	Registered	50	Property
天津港威房地產開發有限公司	The People's Republic of China	Registered	50	Property
天津雍景灣房地產開發有限公司	The People's Republic of China	Registered	50	Property
佛山招商九龍倉房地產有限公司	The People's Republic of China	Registered	50	Property
佛山依雲上園房地產有限公司	The People's Republic of China	Registered	50	Property

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

At 31 December 2016

Associates	Place of incorporation/operation	Class of shares	Percentage of equity attributable to shareholders	Principal activities
佛山依雲觀園房地產有限公司	The People's Republic of China	Registered	40	Property
佛山鑫城房地產有限公司	The People's Republic of China	Registered	50	Property
佛山信捷房地產有限公司	The People's Republic of China	Registered	50	Property
佛山依雲孝德房地產有限公司	The People's Republic of China	Registered	50	Property
廣州市萬尚房地產有限公司	The People's Republic of China	Registered	33	Property
北京廣盈房地產開發有限公司	The People's Republic of China	Registered	33	Property
北京亞林東房地產開發有限公司	The People's Republic of China	Registered	25	Property
北京亞林西房地產開發有限公司	The People's Republic of China	Registered	25	Property
北京亮馬置業有限公司	The People's Republic of China	Registered	40	Property
杭州築家房地產開發有限公司	The People's Republic of China	Registered	50	Property
杭州綠城九龍倉置業有限公司	The People's Republic of China	Registered	50	Property
浙江綠九置業有限公司	The People's Republic of China	Registered	50	Property
杭州綠九濱聞置業有限公司	The People's Republic of China	Registered	50	Property
杭州綠九啟奧置業有限公司	The People's Republic of China	Registered	25	Property
上海萬九綠合置業有限公司	The People's Republic of China	Registered	19	Property
佛山依雲房地產有限公司	The People's Republic of China	Registered	50	Property
Logistics				
Hong Kong Air Cargo Terminals Limited	Hong Kong	Ordinary	21	Air cargo terminal
Mega Shekou Container Terminals Limited	British Virgin Islands	Ordinary	14	Holding company
Taicang International Container Terminals Company Limited	The People's Republic of China	Registered	17	Container terminal
Suzhou Modern Terminals Limited	The People's Republic of China	Registered	24	Container terminal

Joint ventures	Place of incorporation/operation	Class of shares	Percentage of equity attributable to shareholders	Principal activities
Properties				
Market Prospect Limited	Hong Kong	Ordinary	50	Property
Elite Mind International Limited	Hong Kong	Ordinary	40	Holding company
Empire Land Investments Limited	Hong Kong	Ordinary	50	Holding company
Green Magic Investments Limited	Hong Kong	Ordinary	60	Holding company
Long Global Investment Limited	Hong Kong	Ordinary	30	Holding company
Speedy Champ Investments Limited	Hong Kong	Ordinary	39	Holding company
Tartar Investments Limited	British Virgin Islands	Ordinary	30	Holding company
重慶嘉江房地產開發有限公司	The People's Republic of China	Registered	40	Property
重慶嘉益房地產開發有限公司	The People's Republic of China	Registered	50	Property
重慶豐盈房地產開發有限公司	The People's Republic of China	Registered	39	Property
浙江金盈置業有限公司	The People's Republic of China	Registered	50	Property
祥寶投資(成都)有限公司	The People's Republic of China	Registered	30	Property
天津贏超房地產開發有限公司	The People's Republic of China	Registered	50	Property
寧波姚景房地產開發有限公司	The People's Republic of China	Registered	50	Property
寧波瑞峰置業有限公司	The People's Republic of China	Registered	50	Property
大連九龍倉綠城置業有限公司	The People's Republic of China	Registered	60	Property
上海龍驤房地產開發有限公司	The People's Republic of China	Registered	50	Property

\# *Subsidiaries held directly*
* *Listed companies*
i *This entity is registered as a sino-foreign joint venture company under PRC law*
ii *This entity is registered as a wholly foreign owned enterprise under PRC law*
iii *This entity is registered as a foreign owned enterprise under PRC law*
iv *This entity is registered as a wholly domestic owned enterprise under PRC law*

Notes:

(a) All the subsidiaries listed above were, as at 31 December 2016, indirect subsidiaries of the Company except where marked #.

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

(c) Set out below is details of debt securities issued by the Company and wholly-owned subsidiaries of and guaranteed by the Company:

Name of subsidiary/Borrower	Description of debt securities	Outstanding principal amount
Wharf Finance (BVI) Limited	HK$ Guaranteed Fixed Rate Notes due 2022	HK$200 Million
Wharf Finance Limited	US$ Guaranteed Fixed Rate Notes due 2017	US$400 Million
	US$ Guaranteed Fixed Rate Notes due 2017	US$300 Million
	US$ Guaranteed Fixed Rate Notes due 2017	US$600 Million
	HK$ Guaranteed Fixed Rate Notes due 2018	HK$160 Million
	HK$ Guaranteed Fixed Rate Notes due 2018	HK$326 Million
	HK$ Guaranteed Fixed Rate Notes due 2018	HK$300 Million
	HK$ Guaranteed Floating Rate Notes due 2018	HK$100 Million
	JPY Guaranteed Fixed Rate Notes due 2018	JPY2,000 Million
	HK$ Guaranteed Fixed Rate Notes due 2018	HK$300 Million
	HK$ Guaranteed Fixed Rate Notes due 2018	HK$100 Million
	HK$ Guaranteed Fixed Rate Notes due 2018	HK$150 Million
	US$ Guaranteed Fixed Rate Notes due 2019	US$400 Million
	AUD Guaranteed Fixed Rate Notes due 2019	AUD70 Million
	AUD Guaranteed Fixed Rate Notes due 2019	AUD25 Million
	AUD Guaranteed Floating Rate Notes due 2019	AUD15 Million
	US$ Guaranteed Floating Rate Notes due 2019	US$10 Million
	US$ Guaranteed Floating Rate Notes due 2020	US$20 Million
	US$ Guaranteed Fixed Rate Notes due 2021	US$50 Million
	HK$ Guaranteed Fixed Rate Notes due 2021	HK$345 Million
	HK$ Guaranteed Fixed Rate Notes due 2022	HK$424 Million
	HK$ Guaranteed Fixed Rate Notes due 2022	HK$60 Million
	HK$ Guaranteed Fixed Rate Notes due 2022	HK$312 Million
	HK$ Guaranteed Fixed Rate Notes due 2022	HK$382 Million
	US$ Guaranteed Fixed Rate Notes due 2022	US$60 Million
	HK$ Guaranteed Fixed Rate Notes due 2023	HK$100 Million
	HK$ Guaranteed Fixed Rate Notes due 2023	HK$100 Million
	HK$ Guaranteed Fixed Rate Notes due 2024	HK$500 Million
	HK$ Guaranteed Fixed Rate Notes due 2024	HK$200 Million
	HK$ Guaranteed Fixed Rate Notes due 2024	HK$195 Million
	HK$ Guaranteed Fixed Rate Notes due 2024	HK$185 Million
	HK$ Guaranteed Fixed Rate Notes due 2024	HK$177 Million
	HK$ Guaranteed Fixed Rate Notes due 2025	HK$800 Million
	HK$ Guaranteed Fixed Rate Notes due 2027	HK$230 Million
	HK$ Guaranteed Fixed Rate Notes due 2040	HK$250 Million
Wharf Finance (No. 1) Limited	HK$ Guaranteed Fixed Rate Notes due 2017	HK$113 Million
	RMB Guaranteed Fixed Rate Notes due 2018	RMB800 Million
	HK$ Guaranteed Fixed Rate Notes due 2018	HK$300 Million
	RMB Guaranteed Fixed Rate Notes due 2019	RMB200 Million
	HK$ Guaranteed Fixed Rate Notes due 2019	HK$240 Million
	HK$ Guaranteed Fixed Rate Notes due 2020	HK$550 Million
	HK$ Guaranteed Fixed Rate Notes due 2020	HK$180 Million
	HK$ Guaranteed Fixed Rate Notes due 2020	HK$200 Million
	HK$ Guaranteed Fixed Rate Notes due 2020	HK$100 Million
	RMB Guaranteed Fixed Rate Notes due 2020	RMB100 Million
	RMB Guaranteed Fixed Rate Notes due 2020	RMB200 Million
	RMB Guaranteed Fixed Rate Notes due 2020	RMB300 Million
	SG$ Guaranteed Fixed Rate Notes due 2021	SG$260 Million
	RMB Guaranteed Fixed Rate Notes due 2023	RMB200 Million
	JPY Guaranteed Fixed Rate Notes due 2026	JPY10,000 Million
Wharf MTN (Singapore) Pte. Ltd.	SG$ Guaranteed Fixed Rate Notes due 2018	SG$250 Million
The Wharf (Holdings) Limited	RMB Fixed Rate Notes due 2019	RMB4,000 Million

SCHEDULE OF PRINCIPAL PROPERTIES

As at 31 December 2016

	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)				
Address	**Total**	**Office**	**Retail**	**Residential**	**Others**
HONG KONG					
Properties — Investment					
Harbour City , Tsimshatsui					
Ocean Terminal	511,000	–	511,000	–	–
Ocean Centre	987,000	613,000	374,000	–	–
Wharf T & T Centre	223,000	223,000	–	–	–
World Commerce Centre	223,000	223,000	–	–	–
World Finance Centre	512,000	512,000	–	–	–
Ocean Galleries	460,000	–	460,000	–	–
Gateway I	1,241,000	1,127,000	114,000	–	–
Gateway II	2,636,000	1,551,000	415,000	670,000	–
Marco Polo Hongkong Hotel	760,000	14,000	175,000	–	571,000
Gateway	308,000	–	–	–	308,000
Prince	350,000	–	–	–	350,000
Pacific Club Kowloon	139,000	–	–	–	139,000
	8,350,000	4,263,000	2,049,000	670,000	1,368,000
Times Square					
Sharp Street East, Causeway Bay	1,969,000	1,033,000	936,000	–	–
Plaza Hollywood					
3 Lung Poon Street, Diamond Hill	562,000	–	562,000	–	–
Others					
8 Bay East, Hoi Bun Road, Kwun Tong	534,000	529,000	5,000	–	–
Units at Cable TV Tower, Hoi Shing Road, Tsuen Wan	566,000	–	–	–	566,000
Units at Strawberry Hill, 8 Plunkett's Road & 32 Plantation Road, The Peak	13,000	–	–	13,000	–
Chelsea Court, 63 Mount Kellett Road, The Peak	43,000	–	–	43,000	–
Mountain Court, 11 Plantation Road, The Peak	46,000	–	–	46,000	–
1 Plantation Road, The Peak	91,000	–	–	91,000	–
77 Peak Road, The Peak	42,200	–	–	42,200	–
Kowloon Godown, 1-5 Kai Hing Road, Kowloon Bay	829,000	–	6,000	823,000	–
Crawford House,64-70A Queen's Road Central,Central	188,700	105,400	83,300	–	–
3/F-24/F. & Shop C, Wheelock House, 20 Pedder Street, Central	203,800	199,800	4,000	–	–
Units at Star House, 3 Salisbury Road, Kowloon	50,800	–	50,800	–	–
	5,138,500	1,867,200	1,647,100	1,058,200	566,000
Murray Building, Cotton Tree Drive, Central	325,000	–	–	–	325,000
Total Hong Kong Property — Investment	13,813,500	6,130,200	3,696,100	1,728,200	2,259,000
Property — Development					
One Midtown, 11 Hoi Shing Road, Tsuen Wan	1,900	–	–	–	1,900
Peninsula East, 5 Tung Yuen Street, Yau Tong	42,600	–	42,600	–	–
	44,500	–	42,600	–	1,900
Associates/joint ventures					
(Attributable — Note f)					
Various Lots at Yau Tong Bay, Yau Tong	596,000	–	11,000	585,000	–
8 Mount Nicholson Road, The Peak	111,000	–	–	111,000	–
	707,000	–	11,000	696,000	–
Total Hong Kong Property — Development	751,500	–	53,600	696,000	1,900
HONG KONG TOTAL	**14,565,000**	**6,130,200**	**3,749,700**	**2,424,200**	**2,260,900**

(Remarks)	Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
	346,719	KIL 11178	2033	1966	N/A	100%
	126,488	KML 11 S.A.	2880	1977	N/A	100%
	(a)	KML 11 S.B.	2880	1981	N/A	100%
	(a)	KML 11 S.B.	2880	1981	N/A	100%
	(a)	KML 11 S.D.	2880	1983	N/A	100%
	(a)	KML 11 S.B. & D.	2880	1981/83	N/A	100%
	(a)	KML 11 R.P.	2880	1994	N/A	100%
	(a)	KML 11 S.B. & D.	2880	1998/99	N/A	100%
(A 665-room hotel)	58,814	KML 91 S.A. & KML 10 S.B.	2863	1969	N/A	72%
(A 397-room hotel)	(a)	KML 11 S.B.	2880	1981	N/A	100%
(A 393-room hotel)	(a)	KML 11 S.D.	2880	1983	N/A	100%
(Club House)	48,309	KIL 11179	2021	1990	N/A	100%
	112,441	IL 731, IL 728, IL 727, IL 725 S.A. & R.P., IL 724 S.A.	2850/60/80	1993	N/A	100%
	280,510	NKIL 6160	2047	1997	N/A	100%
	48,438	KTIL 713	2047	2019	Foundation in progress	100%
(Industrial)	N/A	TWTL 218	2047	1992	N/A	100%
	N/A	RBL 512 & 1004	2027/28	1974/77	N/A	100%
	29,640	RBL 556 S.A.R.P. & S.B.	2035	2001	N/A	100%
	32,145	RBL 522, 639, 661	2027	2017	Superstructure in progress	100%
	97,670	RBL 534 S.E., S.F. & R.P.	2028	2020	Foundation completed	100%
	76,726	RBL 836	2029	2017	Superstructure in progress	100%
	165,809	NKIL 5805, 5806 & 5982	2047	1984	Planning for redevelopment	100%
	12,286	IL 7 R.P. & IL 45 S.A.R.P.	2842	1977	N/A	100%
	N/A	ML 99 S.A., S.C. & R.P. & ML 100 S.A., S. B. & R.P.	2854	1984	N/A	100%
	N/A	KML 10 S.A.	2863	1966	N/A	72%
	68,136	9036	2063	2017	Renovation in progress	72%
	66,000	TWIL 36	2047	2012	N/A	100%
	42,625	YTIL 40 RP	2062	2016	N/A	100%
	816,872	R.P. of YTML 22 & ext., YTML 28 & ext., YTML 29 & ext., and YTML 12, 32 and 33 together with adjoining lots at Yau Tong Bay	2047	N/A	Planning stage	14.9%
	250,930	IL9007	2060	2016	N/A	50%

SCHEDULE OF PRINCIPAL PROPERTIES

As at 31 December 2016

Address	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)				
	Total	Office	Retail	Residential	Others
MAINLAND CHINA					
Property — Investment					
Completed Investment Properties					
Shanghai Times Square 93-111 Huai Hai Zhong Road, Shanghai	973,000	331,000	447,000	195,000	–
Chongqing Times Square 100 Zou Rong Road, Yuzhong District, Chongqing	591,800	13,800	578,000	–	–
Wuhan Times Square 160 Yan Jiang Da Dao, Jiangan District, Wuhan	8,000	–	8,000	–	–
Dalian Times Square 50 Ren Min Road, Zhongshan District, Dalian	188,000	–	188,000	–	–
Chengdu Times Outlets No. 633 Shuangnan Avenue (Middle Section) Shuangliu County, Chengdu	680,000	–	680,000	–	–
Chengdu International Finance Square Junction of Hongxing Road and Da Ci Si Road, Jinjiang District	6,123,000	3,136,000	2,213,000	774,000	–
Wuxi International Finance Square Taihu Plaza, Nanchang District, Wuxi	2,042,000	2,042,000	–	–	–
Shanghai Wheelock Square 1717 Nan Jing Xi Road, Jingan District, Shanghai	1,199,000	1,149,000	50,000	–	–
Changsha Times Outlets 168 Ou Zhou Bei Lu, Jinzhou New District Industrial Concentration Zone Changsha, Hunan China	772,000	–	772,000	–	–
	12,576,800	6,671,800	4,936,000	969,000	–
Investment Properties Under Development					
Suzhou International Finance Square Xing Hu Jie, Suzhou Industrial Park, Suzhou	3,221,600	1,667,000	22,600	1,276,000	256,000
Changsha International Finance Square Furong District, Changsha	7,864,000	4,200,000	2,739,000	–	925,000
Chongqing International Finance Square Zones A of Jiangbei City, Jiang Bei District, Chongqing (Attributable — Note f)	2,234,000	1,424,000	612,000	–	198,000
	13,319,600	7,291,000	3,373,600	1,276,000	1,379,000
Marco Polo Wuhan 160 Yan Jiang Da Dao, Jiangan District, Wuhan	405,000	–	–	–	405,000
Marco Polo Changzhou 88 Hehai East Road, Xinbei District, Changzhou	474,000	–	–	–	474,000
Niccolo Chengdu Tower 3, IFS, No.1, Section 3, Hongxing Road Jinjiang District, Chengdu, Sichuan	443,000	–	–	–	443,000
	1,322,000	–	–	–	1,322,000
Total Mainland China Property — Investment	27,218,400	13,962,800	8,309,600	2,245,000	2,701,000
Property — Development					
Changzhou Times Palace China Dinosaur Park, Xinbei District, Jiangsu Province, Changzhou	141,000	–	–	141,000	–
Changzhou Feng Huang Hu Xin Bei District and abutting Han Jiang Lu and Yu Long Lu. Changzhou	1,906,000	–	–	1,906,000	–
Changzhou Feng Huang Hu Xin Bei District and abutting Huang He Lu and Feng Xiang Lu, Changzhou	1,540,000	–	–	1,540,000	–
Hangzhou Palazzo Pitti Hangzhou Hangyimian Lot C/D Gongshu District Gongchen Bridge West, Hangzhou	57,000	–	–	57,000	–
Hangzhou Royal Seal Lot#FG05 of Wenhui Road, Hangzhou	421,000	–	–	421,000	–

(Remarks)	Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
	148,703	N/A	2043	1999	N/A	100%
	95,799	N/A	2050	2004	N/A	100%
	(b)	N/A	2053	2008	N/A	100%
	(c)	N/A	2039	2008	N/A	100%
	(d)	N/A	2047	2009	N/A	100%
	(e)	N/A	2047	2013/2014/2016	N/A	100%
	313,867	N/A	2047/57	2014	N/A	100%
	136,432	N/A	2049	2010	N/A	98%
	1,299,000	N/A	2055	2016	N/A	100%
(A 133-room hotel)	229,069	N/A	2047/77	2018	Superstructure in progress	57%
(Two hotels with 500 rooms)	800,452	N/A	2051	2018	Superstructure in progress	100%
(A 252-room hotel on 100% ownership)	516,021	N/A	2050/60	2017	Superstructure in progress	50%
(A 356-room hotel)	(b)	N/A	2053	2008	N/A	100%
(A 271-room hotel, serviced apartment and a State Guest House)	842,531	N/A	2048	2014	N/A	72%
(A 230-room hotel)	(e)	N/A	2047	2015	N/A	100%
	3,585,273	N/A	2047/77	2016	N/A	72%
	2,563,134	N/A	2050/80	2020	Superstructure in progress	100%
	1,180,262	N/A	2083	2019	Superstructure in progress	100%
	914,000	N/A	2080	2016	N/A	100%
	258,358	N/A	2080	2017	Superstructure in progress	100%

SCHEDULE OF PRINCIPAL PROPERTIES

As at 31 December 2016

	APPROXIMATE GROSS FLOOR AREA (sq.ft.)				
Address	**Total**	**Office**	**Retail**	**Residential**	**Others**
Property — Development					
Shi Ji Hua Fu Yingbin North Road/Fenshou Road, Fuchun District, Fuyang, Hangzhou	394,000	–	78,000	316,000	–
Junting Hangzhou Qianjiang Economic Development Area 09 Provincial Road/Kangxin Road, Yuhang District, Hangzhou	1,338,000	–	–	1,338,000	–
Longxi Site GS05-R21-14, Shenhua Unit, Gongshu District, Hangzhou	456,000	–	–	456,000	–
Longxi Site GS05-R21-A01, Shenhua Unit, Gongshu District, Hangzhou	565,000	–	–	565,000	–
Shanghai Songjiang Xianhe Road Site #2 of Songjiang Xianhe Road, Shanghai	18,000	–	–	18,000	–
Shanghai Pudong Huangpujiang Site #E18 of Pudong Huangpujiang Riverside, Shanghai	1,464,000	–	–	1,464,000	–
Jingan Garden 398 Wanhangdu Road, Jingan District, Shanghai	763,000	–	–	763,000	–
Shanghai Pudong Zhoupu Site #08, lot 06-05 of Zhoupu Town, Pudong District, Shanghai	120,000	–	–	120,000	–
Suzhou Ambassador Villa Lot No. 68210 Suzhou Industrial Park, Suzhou	60,000	–	–	60,000	–
Bellagio Wang Wu Lu, Guo Sin Lu, Wu Chong New District, Suzhou	1,982,000	–	–	1,982,000	–
Suzhou Times City Xiandai Da Dao, Suzhou Industrial Park, Suzhou	2,912,000	–	–	2,912,000	–
Wuxi Glory of Time Nanchang District and abutting on Jinhang Canal, Wuxi	1,581,000	313,000	–	1,268,000	–
Wuxi Times City Taihu Plaza, Nanchang District, Wuxi	2,039,000	–	–	2,039,000	–
Wuxi Xiyuan Nanchang District and abutting on Jinhang Canal, Wuxi	278,000	–	–	278,000	–
River Pitti Nanchang District and abutting on Jinhang Canal, Wuxi	2,480,000	–	–	2,480,000	–
Park Mansion Southeast of Kang Zhuang Road and Beihuan west Road crossings (north of Tianhe community), Jiangbei District ,Ningbo	314,000	–	–	314,000	–
Shenzhen Qianhai Apartment Project Site no. T102-0262, Qianhai, Nanshan District, Shenzhen	549,000	–	86,000	452,000	11,000
The Orion Bounded by Dongdajie south, Jinhua Nan Lu east and Datiankan Jie north , Jinjiang District, Chengdu	279,000	–	–	279,000	–
Tian Fu Times Square Junction of Dong Da Jie & Fu He, Jinjiang District, Chengdu	33,000	–	28,000	5,000	–
Times Town, Shuangliu Development Zone Junction of Shuang Nan Avenue and Guang Hua Avenue, Shuangliu County, Chengdu	3,803,000	2,348,000	962,000	493,000	–
Chengdu Times City Shuangliu Huayang Street, Qinghe Community Group 8 and Gongxing Street Outang Village Group 5	1,865,000	–	88,000	1,777,000	–
Le Palais Lot No. 8 along Section 3 of the 2nd Ring Road East, Chenghua District, Chengdu	60,000	–	53,000	7,000	–
Wuhan Lake Moon Site B Hanyang District, Qintai Road, Wuhan	48,000	–	–	48,000	–
Dalian Times Square 50 Ren Min Road, Zhongshan District, Dalian	10,000	–	–	10,000	–
	27,476,000	2,661,000	1,295,000	23,509,000	11,000

(Remarks)	Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
	553,442	N/A	2051/81	2015	N/A	100%
	1,315,296	N/A	2081	2019	Superstructure in progress	100%
	211,685	N/A	2086	2019	Superstructure in progress	100%
	198,596	N/A	2085	2017	Superstructure in progress	100%
	877,772	N/A	2081	2014	N/A	100%
	585,723	N/A	2081	2017	Superstructure in progress	100%
	170,825	N/A	2043/63	2018	Superstructure in progress	55%
	526,905	N/A	2083	2016	N/A	100%
	3,654,152	N/A	2076	2016	N/A	100%
	2,501,747	N/A	2081	2019	Superstructure in progress	100%
	5,425,454	N/A	2077	2017	Superstructure in progress	57%
	1,276,142	N/A	2078	2019	Superstructure in progress	100%
	3,314,418	N/A	2078	2018	Superstructure in progress	100%
	1,416,822	N/A	2078	2018	Superstructure in progress	100%
	2,121,662	N/A	2048/78	2019	Superstructure in progress	100%
	558,000	N/A	2083	2016	N/A	100%
	80,000	N/A	2057	2020	Planning stage	100%
	160,000	N/A	2079	2013	N/A	100%
	761,520	N/A	2045/75	2013	N/A	100%
	(d)	N/A	2047/77	2019	Superstructure in progress	100%
	800,882	N/A	2053/83	2020	Superstructure in progress	100%
	1,130,000	N/A	2050/80	2016	N/A	100%
	454,000	N/A	2080	2016	N/A	100%
	(c)	N/A	2069	2009	N/A	100%

SCHEDULE OF PRINCIPAL PROPERTIES

As at 31 December 2016

	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)				
Address	**Total**	**Office**	**Retail**	**Residential**	**Others**
Associates/joint ventures (Attributable — Note f)					
Evian Uptown North side of Kin Jin Lu, Chancheng District, Foshan	2,000	–	2,000	–	–
Evian Buena Vista Foshan Nanhai District Shishan County Project	258,000	–	–	258,000	–
Evian Riviera Foshan Nanhai District Guicheng A18 and A21 Project	1,000	–	1,000	–	–
Evian Kingbay North of Jihua Bridge, Chancheng District, Foshan	639,000	–	33,000	604,000	2,000
Evian Capital Beihu Yi Road, Luocun, Shishan, Nanhai District, Foshan	640,000	–	78,000	544,000	18,000
Unique Garden East of Wenhua Lu, Chancheng District, Foshan	416,000	–	26,000	387,000	3,000
Donghui City Guangzhou Development Zone KXCD-D1-2 Project	2,000	–	2,000	–	–
Unique Garden Laiguangying Central Street, Chaoyang District, Beijing	53,000	–	11,000	42,000	–
The Pearl on the Crown South 2nd Ring, Fengtai District, Beijing	429,000	–	–	319,000	110,000
Crown Land South 2nd Ring, Fengtai District, Beijing	481,000	–	43,000	335,000	103,000
Beijing Chaoyang LiangMa K North to Jiu Xianqiao South Street, East to Jiangtai East Road, South to Liangmahe North Road, West to planning road, Chaoyang District, Beijing, China	514,000	–	60,000	363,000	91,000
Scenery Bay Intersection of Hedong Road and Kunlun Road, Hedong District,Tianjin	513,000	–	50,000	417,000	46,000
Shanghai South Station (Vanke Center Xuhui) Caohejing Area Lot 278a-05/278b-02/278b-04 South Station Business Zone, Xuhui District, Shanghai	1,307,000	1,067,000	213,000	–	27,000
Greentown Zhijiang No.1 Zhuantang Town, Zhijiang National Tourist Holiday Resort, Xihi District, Hangzhou	777,000	–	83,000	694,000	–
Greentown Wharf Qian Tang Bright Moon Hangzhou Xiaoshan Jinhui Road	1,010,000	–	76,000	934,000	–
Park Mansion Site R21-02-A and Site R21-01, Shenhua Unit, Gongshu District, Hangzhou	669,000	–	44,000	617,000	8,000
Qiantang Bright Moon•Jade Mansion Hangzhou Xiaoshan Chengbei Village Lot A10	280,000	–	5,000	275,000	–
Hangzhou Binjiang District Site R21-6 ,7	410,000	–	–	410,000	–
Hangzhou Xiaoshan #18 Site Hangzhou Xiaoshan Xingyi Road	191,000	–	–	191,000	–
Petrus Bay Site 3#-2 of Baoqingsi, Ningbo	3,000	–	–	3,000	–
The Berylville Site E-4#, 7#, 8#, 12# & 13#, Shuixianglinli Eastern New Town, Ningbo	345,000	–	–	345,000	–

(Remarks)	Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
	1,155,000	N/A	2048/78	2013	N/A	50%
	1,527,000	N/A	2070	2017	Superstructure in progress	50%
	604,000	N/A	2080	2014	N/A	50%
	639,000	N/A	2083	2018	Superstructure in progress	50%
	1,069,000	N/A	2083	2018	Superstructure in progress	50%
	305,722	N/A	2055/85	2019	Superstructure in progress	40%
	1,181,000	N/A	2081	2016	N/A	33%
	783,000	N/A	2082	2017	Superstructure in progress	33%
	582,000	N/A	2085	2019	Superstructure in progress	25%
	680,000	N/A	2085	2019	Superstructure in progress	25%
	605,000	N/A	2086	2020	Planning stage	40%
	902,000	N/A	2083	2018	Superstructure in progress	50%
	1,157,000	N/A	2052/62	2022	Superstructure in progress	19%
	2,046,685	N/A	2047/77	2017	Superstructure in progress	50%
	756,000	N/A	2053/83	2017	Superstructure completed	50%
	448,224	N/A	2054/84	2018	Superstructure in progress	50%
	114,539	N/A	2054/84	2018	Superstructure in progress	50%
	207,772	N/A	2055/85	2019	Superstructure in progress	50%
	289,000	N/A	2057/87	2019	Foundation in progress	25%
	524,250	N/A	2080	2015	N/A	50%
	708,142	N/A	2080	2018	Superstructure in progress	50%

SCHEDULE OF PRINCIPAL PROPERTIES

As at 31 December 2016

	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)				
Address	**Total**	**Office**	**Retail**	**Residential**	**Others**
Garden Valley Taoyuan Area, Jiefang Road, Zhongshan District, Dalian	1,210,000	–	–	1,210,000	–
Chengdu ICC South of Shuanggui Road, North of Niusha Road East of Erhuan Road, West of Shahe, Jinjiang District, Chengdu	3,589,000	1,163,000	437,000	1,865,000	124,000
U World Zone B of Jiangbei City, Jiang Bei District, Chongqing	97,000	–	14,000	83,000	–
The Throne Zones C of Jiangbei City, Jiang Bei District, Chongqing	1,703,000	–	151,000	1,552,000	–
International Community Zone C of Danzishi, Nanan District, Chongqing	2,574,000	–	848,000	1,726,000	–
Peaceland Cove Tiedonglu, Hebei District, Tianjin	26,000	–	8,000	–	18,000
	18,139,000	2,230,000	2,185,000	13,174,000	550,000
Total Mainland China Property — Development	45,615,000	4,891,000	3,480,000	36,683,000	561,000
MAINLAND CHINA TOTAL	**72,833,400**	**18,853,800**	**11,789,600**	**38,928,000**	**3,262,000**
GROUP PROPERTY — INVESTMENT	**41,031,900**	**20,093,000**	**12,005,700**	**3,973,200**	**4,960,000**
GROUP PROPERTY — DEVELOPMENT	**46,366,500**	**4,891,000**	**3,533,600**	**37,379,000**	**562,900**
GROUP TOTAL (Note i)	**87,398,400**	**24,984,000**	**15,539,300**	**41,352,200**	**5,522,900**

Notes:

(a) These properties with total site area of 428,719 sq. ft. form part of Harbour City.

(b) This property forms part of Wuhan Times Square which has a total site area of 188,090 sq. ft.

(c) This property forms part of Dalian Times Square which has a total site area of 171,356 sq. ft.

(d) This property forms part of Chengdu Shuangliu Development Zone which has a total site area of 3,900,589 sq. ft.

(e) This property forms part of Chengdu International Finance Square which has a total site area of 590,481 sq. ft.

(f) The floor areas of properties held through joint ventures and associates are shown on an attributable basis.

(g) Total Mainland development properties area included 12,849,000 sq. ft. pre-sold areas which have not yet been recognised in the financial statements.

(h) In addition to the above floor areas, the Group has total attributable carpark areas of approximately 29 million sq. ft. mainly in Mainland China.

(Remarks)	Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
	922,475	N/A	2083	2019	Superstructure in progress	60%
	2,212,128	N/A	2048/78	2014 and beyond	Superstructure in progress	30%
	1,002,408	N/A	2057	2016	N/A	39%
	2,335,535	N/A	2050/60	2018	Superstructure in progress	50%
	6,080,656	N/A	2047/57	2020	Superstructure in progress	40%
	1,619,360	N/A	2050/80	2017	Superstructure in progress	50%

TEN-YEAR FINANCIAL SUMMARY

Year ended 31 December	**2016 HK$ Million**	2015 HK$ Million	2014 HK$ Million	2013 HK$ Million	2012 HK$ Million
Consolidated Income Statement					
Revenue	**46,627**	40,875	38,136	31,887	30,856
Operating profit	**17,065**	14,853	14,283	13,280	14,170
Core profit (Note a)	**13,754**	10,969	10,474	11,298	11,040
Profit before property revaluation surplus	**20,534**	9,793	8,247	12,206	13,927
Profit attributable to equity shareholders	**21,440**	16,024	35,930	29,380	47,263
Dividends attributable to shareholders	**6,518**	5,759	5,486	5,151	4,998
Consolidated Statement of Financial Position					
Investment properties	**319,298**	310,177	301,890	261,097	231,522
Property, plant and equipment	**20,735**	22,779	25,027	24,161	19,870
Interest in associates/joint ventures	**31,147**	35,397	41,479	38,790	36,203
Equity investments/available-for-sale investments	**5,723**	8,102	3,740	3,744	3,868
Properties for sale	**23,874**	37,768	47,543	53,764	48,915
Bank deposits and cash	**36,957**	23,510	18,725	24,515	18,795
Other assets	**6,093**	6,183	6,254	8,981	9,825
Total assets	**443,827**	443,916	444,658	415,052	368,998
Bank loans and other borrowings	**(60,794)**	(70,707)	(77,984)	(82,587)	(74,420)
Other liabilities	**(57,627)**	(56,029)	(52,563)	(48,210)	(37,672)
Net assets	**325,406**	317,180	314,111	284,255	256,906
Share capital and other statutory capital reserves	**29,497**	29,441	29,376	29,376	29,314
Reserves	**287,297**	278,287	276,119	246,181	219,187
Shareholders' equity	**316,794**	307,728	305,495	275,557	248,501
Non-controlling interests	**8,612**	9,452	8,616	8,698	8,405
Total equity	**325,406**	317,180	314,111	284,255	256,906
Net debt	**23,837**	47,197	59,259	58,072	55,625
Financial Data					
Per share data					
Earnings per share (HK$)					
— Core profit	**4.54**	3.62	3.46	3.73	3.64
— Before property revaluation surplus	**6.77**	3.23	2.72	4.03	4.60
— Attributable to equity shareholders	**7.07**	5.29	11.86	9.70	15.60
Net asset value per share (HK$)	**104.48**	101.53	100.82	90.94	82.04
Dividends per share (HK$ Cents)	**215.00**	190.00	181.00	170.00	165.00
Financial ratios					
Net debt to shareholders' equity (%)	**7.5%**	15.3%	19.4%	21.1%	22.4%
Net debt to total equity (%)	**7.3%**	14.9%	18.9%	20.4%	21.7%
Interest cover (Times) (Note c)	**8.5**	7.6	6.1	5.8	7.4
Return on shareholders' equity (%) (Note b)	**6.9%**	5.2%	12.4%	11.2%	20.9%
Dividend payout (%)					
— Core profit	**47.4%**	52.5%	52.4%	45.6%	45.3%
— Attributable to equity shareholders	**30.4%**	35.9%	15.3%	17.5%	10.6%

Year ended 31 December	2011 HK$ Million	2010 HK$ Million	2009 HK$ Million	2008 HK$ Million	2007 HK$ Million
Consolidated Income Statement					
Revenue	24,004	19,380	17,553	15,940	16,208
Operating profit	11,388	9,372	8,554	7,406	7,832
Core profit (Note a)	8,083	7,088	6,420	4,796	6,043
Profit before property revaluation surplus	6,727	7,905	7,817	4,194	5,947
Profit attributable to equity shareholders	30,568	35,750	19,256	5,816	13,143
Dividends attributable to shareholders	3,211	2,930	2,754	2,203	2,093
Consolidated Statement of Financial Position					
Investment properties	184,057	148,241	115,492	98,410	95,782
Property, plant and equipment	18,984	18,397	18,510	21,183	18,831
Interest in associates/joint ventures	27,132	20,860	11,789	11,998	8,737
Equity investments/available-for-sale investments	2,703	3,362	1,331	706	2,858
Properties for sale	47,511	29,732	17,797	17,272	9,235
Bank deposits and cash	32,528	16,900	18,412	15,886	7,717
Other assets	5,058	5,276	7,130	3,099	3,011
Total assets	317,973	242,768	190,461	168,554	146,171
Bank loans and other borrowings	(75,993)	(49,589)	(39,844)	(38,009)	(31,282)
Other liabilities	(31,106)	(22,530)	(15,029)	(13,030)	(22,887)
Net assets	210,874	170,649	135,588	117,515	92,002
Share capital and other statutory capital reserves	29,314	19,327	19,327	19,327	10,206
Reserves	173,943	143,762	109,219	91,748	76,158
Shareholders' equity	203,257	163,089	128,546	111,075	86,364
Non-controlling interests	7,617	7,560	7,042	6,440	5,638
Total equity	210,874	170,649	135,588	117,515	92,002
Net debt	43,465	32,689	21,432	22,123	23,565
Financial Data					
Per share data					
Earnings per share (HK$)					
— Core profit	2.70	2.51	2.33	1.75	2.38
— Before property revaluation surplus	2.25	2.79	2.84	1.53	2.34
— Attributable to equity shareholders	10.22	12.64	6.99	2.12	5.17
Net asset value per share (HK$)	67.10	59.22	46.68	40.33	35.28
Dividends per share (HK$ Cents)	106.00	100.00	100.00	80.00	80.00
Financial ratios					
Net debt to shareholders' equity (%)	21.4%	20.0%	16.7%	19.9%	27.3%
Net debt to total equity (%)	20.6%	19.2%	15.8%	18.8%	25.6%
Interest cover (Times) (Note c)	7.9	12.9	16.5	8.1	8.7
Return on shareholders' equity (%) (Note b)	16.7%	24.5%	16.1%	5.9%	16.3%
Dividend payout (%)					
— Core profit	39.7%	41.3%	42.9%	45.9%	34.6%
— Attributable to equity shareholders	10.5%	8.2%	14.3%	37.9%	15.9%

Notes

(a) *Core profit primarily excludes investment property revaluation surplus, mark-to-market changes on financial instruments and non-recurring items including the gain of HK$7,260 million from disposal of Wharf T&T in 2016, the loss of HK$1,620 million from the deemed disposal of Greentown interest on reclassification as financial investment and the attributable gain of HK$613 million from disposal of 50% interest in Taicang in 2015, the accounting gain from the acquisition of interests in Greentown of HK$2,233 million in 2012, revaluation of Hactl interest/tax write-back of HK$1,246 million in 2010 and profit on disposal of Beijing Capital Times Square of HK$1,393 million in 2009.*

(b) *Return on shareholders' equity is based on profit attributable to shareholders over average shareholders' equity during the year.*

(c) *Interest cover is based on EBITDA over finance costs (before capitalisation and fair value loss/gain).*

(d) *Certain figures have been reclassified or restated to comply with the prevailing HKFRSs.*

ART PIECE CREDIT:

Rose Blake, *Selfie Garden,* p.16-17
Eva Armisén, *Family Portrait,* p.68-69

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