WHARF

Established 1886

THE WHARF (HOLDINGS) LIMITED

ANNUAL REPORT 2017

Stock Code : 0004

CORPORATE PROFILE

Founded in 1886 as the 17th company incorporated in Hong Kong, The Wharf (Holdings) Limited (Stock code: 0004) is a premier company with a long history and Hong Kong as its base. As one of the 30 constituent stocks in the original Hang Seng Index 50 years ago, Wharf is among the top local blue chips that are most actively traded and widely held. 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.

To provide investors with choice, the Group completed a demerger in November 2017 to separately list its Hong Kong investment properties portfolio under a sister company with a sharp focus. Today, The Wharf (Holdings) Limited is principally engaged in properties in Hong Kong and Mainland China. The Group also runs an expanding hotel portfolio in Asia under Wharf Hotels, a logistics business primarily in Hong Kong under Wharf Logistics, and has started to invest in the new economy primarily in China under Wharf CME2.

Wharf's Peak Portfolio redefines the concept of luxury living with a collection of the rarest and most prestigious residences nestled on the Peak, epitomising a unique and exclusive lifestyle at the most sought-after addresses in town. Among them, Mount Nicholson has made headlines to break one price record after another. Other properties under development include 1 Plantation Road, 11 Plantation Road and 77 Peak Road.

Kowloon East Waterfront Portfolio in the vibrant CBD2 under the Government's "Energising Kowloon East" initiative is another focus of the Group. It showcases a rare collection of premier developments that span a 500-metre coastline and enjoy a spectacular harbour view. 8 Bay East was disposed of in 2017. Different scenarios to redevelop Kowloon Godown are currently under evaluation.

In the Mainland, investment properties are led by the IFS series at the very heart of CBD or new CBD in select cities. IFS developments are positioned as trendsetting landmarks with unrivalled location, superior planning and design, retailer and shopper critical mass, as well as top-notch management. Chengdu IFS (which opened in 2014) and Changsha IFS (opening by phases in mid-2018) are comparable to Harbour City in Hong Kong in scale and dominance. The slightly smaller Chongqing IFS opened in 2017.

The land bank of development properties in China currently stands at 3.9 million square metres, mainly in six key cities led by Beijing, Shanghai, Suzhou and Hangzhou. That followed contracted sales in 2017 amounting to 0.9 million square metres and replenishment of 0.7 million square metres in 2017 and 0.6 million square metres so far in 2018. The net order book as at the end of 2017 stood at 0.8 million square metres (for RMB19.2 billion).

Wharf Hotels runs an expanding portfolio of 16 hotels in Asia. That is spearheaded by a prominent collection of three contemporary urban chic Niccolo hotels (including the newly opened The Murray, Hong Kong) and 13 Marco Polo hotels in Hong Kong, Mainland China and the Philippines. Two more Niccolo hotels are due to open in the next two years.

The logistics segment comprises primarily Modern Terminals and Hong Kong Air Cargo Terminals, key components in Hong Kong's success as a hub for international trade and international transportation for decades.

CME2 represents a strategic initiative and a long term investment in infrastructure in the new economy, with capital released from the exit from Wharf T&T and i-CABLE in 2016 and 2017 re-invested in a progressive CME2 arena that covers much larger markets with greater growth potential.

"Building for Tomorrow" also extends to Wharf's "Business-in-Community" pursuit. In addition to the flagship school improvement programme "Project *WeCan*", Wharf Architectural Design Internship has gained traction over the years. Backed by an enthusiastic team of staff volunteers, the Group also supports a series of "Business-in-Community" initiatives and works with different NGOs to bring benefits to different segments of society.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Independent Non-Executive Directors

Professor Edward K Y Chen, *GBS, CBE, JP*
Mr Vincent K Fang, *GBS, JP*
Mr Hans Michael Jebsen, *BBS*
Ms Elizabeth Law, *MH, JP*
Mr David Muir Turnbull

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 2017	
Number of issued shares	3,036,627,327
Market capitalisation (Approx.)	HK$158 billion

FINANCIAL CALENDAR

Payment of 2017 1st Interim Dividend (in cash)	12 Sep 2017
2017 Final Results Announcement	8 Mar 2018
Record Date and Time for 2nd Interim Dividend (in cash)	6:00 p.m., 9 Apr 2018
Payment of 2017 2nd Interim Dividend (in cash)	24 Apr 2018
Closure of Register of Members (Shareholders' right to attend and vote at Annual General Meeting)	4 May 2018 to 10 May 2018 (both days inclusive)
Annual General Meeting Date and Time	10:30 a.m., 10 May 2018

CONTACTS

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

THE WHARF (HOLDINGS) LIMITED

- **HONG KONG PROPERTIES**
  - Wharf Development Limited
    - PEAK PORTFOLIO
    - KOWLOON EAST WATERFRONT PORTFOLIO
    - OTHER PROPERTIES
- **CHINA DEVELOPMENT PROPERTIES**
  - Wharf China Development Limited
- **CHINA INVESTMENT PROPERTIES**
  - Wharf China Estates Limited
    - INTERNATIONAL FINANCE SQUARE (IFS)
    - WHEELOCK SQUARE
    - TIMES SQUARE
- **HOTELS**
  - Wharf Hotels Limited
    - NICCOLO
    - MARCO POLO
- **LOGISTICS**
  - Wharf Logistics Limited
    - MODERN TERMINALS
    - HONG KONG AIR CARGO TERMINALS
- **CME2**
  - Wharf CME2 Limited

CHAIRMAN'S STATEMENT

Dear Shareholders,

2017 marked an important milestone in Wharf's history. To provide investors with clearer strategic and investment options, and to increase operational and financial transparency, a demerger was completed in November to split the Company into two listed sister companies. Investors are now given a choice of investing directly in the portfolio of premier Investment Properties ("IP") in Hong Kong held under Wharf Real Estate Investment Company Limited ("Wharf REIC"), or the other businesses that remain in the Group after the demerger.

A Balanced Portfolio of Assets

Excluding the demerged IP businesses, 2017 Group core profit increased by 36% over 2016 to HK$7.1 billion.

88% of that was contributed from Development Properties ("DP"). Including other properties, total net profit realised from the sale of property interests exceeded HK$12 billion, 68% of which from Hong Kong and 32% from the Mainland. Since the second half of 2017, over HK$50 billion have been re-invested in DP land bank or related property interests.

Mainland IP contributed another 10% of Group core profit. Apart from properties, the Group operates a logistics business in South China through Wharf Logistics, a hotel business in Asia through Wharf Hotels, and has through Wharf CME2 started to invest in the new economy in major markets with favourable growth potential.

In the foreseeable future, properties, both from Hong Kong and the Mainland, will remain the largest contributor.

Hong Kong Properties

For land bank replenishment, a prominent residential site in Lung Cheung Road, Kowloon Tong, was acquired in January 2018 for HK$12.5 billion through a Government tender and will be developed into a unique living destination on Kowloon Peninsula. Other opportunities will also be explored.

Hong Kong properties also include a valuable Peak Portfolio and a Kowloon East Waterfront Portfolio. Current land bank totals 3.0 million square feet of GFA.

Mainland Properties

In the Mainland, the Group continues to be selective for new investments.

For DP, Beijing, Shanghai, Suzhou, Hangzhou, Shenzhen and Guangzhou are among the key target cities. Including joint ventures on an attributable basis, nine sites were acquired in 2017 for RMB15.7 billion (GFA: 701,300 square metres) plus 10 sites so far in 2018 for RMB12.2 billion (GFA: 599,100 square metres).

For IP, the signature IFS (International Finance Square) series in the heart of respective cities are on track to expand our recurrent income base. We aim to replicate the success of Chengdu IFS at the newly-opened Chongqing IFS and the soon-to-open Changsha IFS with the Group's expertise in operating productive mixed-use developments.

Logistics

Modern Terminals ("MTL") and Hong Kong Air Cargo Terminals ("HACTL") continued to rank among the best of class in the world, based on decades of operational experience and innovation. With rare critical mass and sturdy foundations, MTL and HACTL provide the Group with a solid income base.

GENERAL ECONOMY

2017 has been characterised by a combination across the world of economic upturn, low inflation and accommodative monetary policies. Leading indicators from a range of advanced and emerging economies witnessed moderate but solid growth. The U.S. and E.U. economies gained further traction while China's growth accelerated to an above-par 6.9%. Risks and uncertainties, however, are still abound and may derail the global economy if they materialise. The impact of protectionist sentiments on world trade, contagious effect of Brexit, imminent interest rate hikes in the U.S., elevated geopolitical tensions and financial imbalances in the credit market still cast a long shadow over global economic prospects.

China has made huge strides since opening up in 1978 to become the second largest economy in the world. Structural rebalancing towards domestic consumption and services moderated its economic growth rate in recent years. While steering the economy on a more sustainable and quality growth path, China is on track to play a greater role on the world stage with bold plans such as the Belt and Road Initiative.

Real estate investment is a crucial driver for the economy. Despite government's cooling measures, the Mainland property market continued to pick up pace with demand holding up. With tightening measures still in place, growth in real estate investment, property sales and home prices might slow in 2018, facilitating a healthier development of the market.

On the IP front, offices and shopping malls in the Mainland are generally grappling with a slew of challenges including abundance of new supply, aggressive expansion of brands and rapid rise of e-commerce. Break-neck expansion of online retail has made the country one of the world's largest and fastest growing e-commerce markets. While the overall retail market is immensely competitive, seamless integration of online and offline shopping may give rise to a new retail model. The Group's retail and lifestyle destinations are all set to embrace this integration trend and achieve mutual benefits with our best-in-class tenants.

Hong Kong's economy witnessed a favourable growth of 3.8%, driven by recovering external and domestic demands. Despite the continued cooling measures, the property market held up well in both volume and price. In particular, strong demand for luxury properties continued to be fuelled by massive capital inflow and the local wealth effect created by the bullish stock market, against very limited new supply,

Benefitting from a broad-based global economic upturn, the global trade lull is reversing on the back of reviving demand. While the risks of Sino-U.S. trade tension are still looming, China's trade growth appears to stand on firm footing. The Belt and Road Initiative and the Greater Bay Area development plan will deepen the collaborations and exchange between China and other countries. As an important gateway to the Mainland market, Hong Kong is poised to benefit.

BUSINESS PERFORMANCE

In Hong Kong, Mount Nicholson, our prestigious residences on the Peak, recorded phenomenal transactions with five houses and 14 apartments sold in 2017 for combined proceeds of over HK$9.4 billion. In January 2018, two apartments were sold for a total of HK$1.1 billion at an average price of HK$128,400 per square foot.

In Kowloon East, the subsidiary that is developing the 8 Bay East office project was disposed of for HK$9 billion to set a new record for en-bloc office transaction in Kowloon. A gain of HK$4.5 billion was recognised in addition to the realisation of HK$1.3 billion of revaluation surplus recorded in prior years.

On the Mainland, inclusive of joint ventures and associates on an attributable basis, DP revenue increased by 11% to HK$34.0 billion and operating profit by 99% to HK$10.2 billion, with 1.23 million square metres of GFA recognised. Attributable interest in contracted sales decreased by 19% to RMB25.3 billion and the net order book decreased to RMB19.2 billion for 0.8 million square metres at year-end.

For IP, despite rising competition from both online and offline, proven retail expertise puts the Group in a strong position in the market. Chengdu IFS leads the pack in retail sales and patronage and reported a robust retail sales growth of 30% to RMB5 billion in 2017. Niccolo Chengdu, the first Niccolo hotel and an integral part of Chengdu IFS, has rapidly emerged as the market leader in room yield. The award-winning integrated complex sets an excellent model for the other IFS complexes.

In September 2017, the mall and Niccolo hotel at Chongqing IFS were opened. The 109,000-square-metre mall, surmounted by an iconic 300-metre landmark tower and four other towers, is home to over 150 retailers including 80 renowned international brands, of which 20 are debuts in Chongqing. Niccolo Chongqing, a contemporary urban chic hotel, is prominently recognised as the city's highest sky hotel to set a new standard.

In Changsha IFS, the 246,000-square-metre mega mall is scheduled to open in May of this year. With an enviable location at the heart of city centre, 94% of the retail floor plate have been committed or are under offer, underlining retailers' trust and confidence in our retail expertise.

FINANCIAL RESULTS

Consolidating Wharf REIC up to completion of the demerger in November, Group core profit increased by 14% to HK$15.7 billion. Together with the net surplus from IP revaluation and other exceptional items, profit attributable to shareholders was HK$21.9 billion and earnings per share HK$7.21. Total assets amounted to HK$222.6 billion. Book net asset value was HK$142.0 billion (or HK$46.75 per share).

The Group maintained a net cash position of HK$9.3 billion at year-end, or HK$16.1 billion if debts with no recourse to Wharf were excluded.

In lieu of a final dividend, a second interim dividend of HK$0.95 per share will be paid to bring the total dividend per share for the year to HK$1.59 in cash plus HK$65.33 in the form of share of Wharf REIC and i-CABLE Communications Limited ("i-CABLE") distributed in specie.

BUSINESS-IN-COMMUNITY

The Group supports a series of "Business-in-Community" initiatives, in which staff volunteering plays a pivotal role. Our commitment to generate positive impact and lasting value to the community is well recognised.

Flagship youth development programme Project *WeCan* is a structured platform bringing disadvantaged schools and supporting corporate and community partners together to provide financial and volunteer support. Since its launch in 2011, the programme has supported over 50,000 students who are disadvantaged in learning in 53 deserving schools through year-round enrichment activities to extend students' learning beyond classrooms.

The Wharf Architectural Design Internship Programme continues to nurture young local talents. A total of 24 outstanding architectural postgraduates have benefitted from the Wharf Architectural Design Internship Programme since 2011 and were awarded placement opportunities in renowned architectural firms in countries including France, Germany, Japan, Switzerland and the United Kingdom.

OUTLOOK

2018 was ushered in on a positive note and yet there are risks and uncertainties lurking in the background. While almost all of the world's major economies are in some phase of expansion, unresolved geopolitical issues could disrupt their pace. These include rising de-globalisation and protectionist sentiments, a looming trade war, Brexit, imminent interest rate hikes, as well as tension in the South China Sea, Korean Peninsula and the Middle East. These conflicts, if not properly handled, could lit the spark to transform the world economy.

It is widely expected that the stable and balanced economic growth in China will continue to outperform most major economies. Despite rising trade tension and geopolitical risks that may undermine its economy, China remains committed to meeting an annual GDP growth target of at least 6.5% until 2020, while edging closer to its ambition to double per-capita income over 2010 levels by 2020. Rapid urbanisation and wealth accumulation, as well as the rising spending power all bode well for quality consumption and housing demand.

The Hong Kong economy is projected to expand by 3% per annum between 2018 and 2021. Domestic demand should hold up well, buttressed by positive consumption sentiment under favourable employment and income conditions. The property market, amidst a tight demand-supply balance, may continue to gain traction. Solid demand and sound fundamentals are anticipated to support the market, especially for premier real estate, where supply remains scarce.

The three major cross-border transport infrastructure projects designed to link Hong Kong with the rest of South China, namely the Hong Kong-Zhuhai-Macau Bridge, the Guangzhou-Shenzhen-Hong Kong Express Rail Link as well as Liantang road link, are scheduled to open later this year. They will not only strengthen Hong Kong's social and economic ties with the Mainland but also bolster its competitiveness as the "super-connector" bridging the Mainland and global markets, at a time when the Belt and Road and Greater Bay Area Initiatives are racing ahead. Hong Kong is best positioned to seize opportunities and ride on the fast train.

With over 130 years of history, the Group has established itself as a premier company with prime real estate as its primary strategic focus. Underpinned by a long standing mission of "Building for Tomorrow", the Group has built on its core strength in the property sector to deliver fruitful results over the years. CME2 represents a new strategic initiative and an infrastructure play in the new economy. Former capital released from the exit from Wharf T&T and i-CABLE in 2016 and 2017 is re-invested in a progressive CME2 arena that covers much larger markets with greater growth potential.

On behalf of all Shareholders and my fellow directors, I wish to extend my sincerest gratitude to all customers and business partners for their support and to all staff for their professionalism throughout the year.

Our proven management and execution track record has laid a solid foundation for business growth, and helped Wharf to weather economic ups and downs throughout the past decades. We remain confident in steering the Group through challenges in the new era.

Stephen T H Ng
Chairman and Managing Director
Hong Kong

8 March 2018

	2017 HK$ Million	2016 HK$ Million	Change
Results			
Revenue	**43,273**	46,627	-7%
Operating profit	**20,622**	17,065	+21%
Core profit (note b)	**15,718**	13,754	+14%
Profit before property revaluation surplus	**20,143**	20,534	-2%
Profit attributable to equity shareholders	**21,876**	21,440	+2%
Total cash dividend for the year (note f)	**4,830**	6,520	-26%
Earnings per share			
Core profit	**HK$5.18**	HK$4.54	+14%
Before property revaluation surplus	**HK$6.64**	HK$6.77	-2%
Attributable to equity shareholders	**HK$7.21**	HK$7.07	+2%
Cash dividend per share			
First interim	**HK$0.64**	HK$0.58	+10%
Second interim	**HK$0.95**	HK$1.57	-39%
Total for the year (note f)	**HK$1.59**	HK$2.15	-26%
Distribution in species in the form of shares (note c)			
– i-CABLE	**HK$0.19**	–	N/A
– Wharf REIC	**HK$65.14**	–	N/A
Financial Position			
Total assets	**222,647**	443,827	-50%
Total business assets (note d)	**161,684**	403,000	-60%
Investment properties	**82,128**	319,298	-74%
Net cash/(debt)	**9,288**	(23,837)	-139%
Shareholders' equity (note e)	**141,974**	316,794	-55%
Total equity	**145,471**	325,406	-55%
Number of issued shares (in millions)	**3,037**	3,032	–
Net asset value per share (note e)	**HK$46.75**	HK$104.48	-55%
Net debt to total equity	**N/A**	7.3%	N/A

Notes:

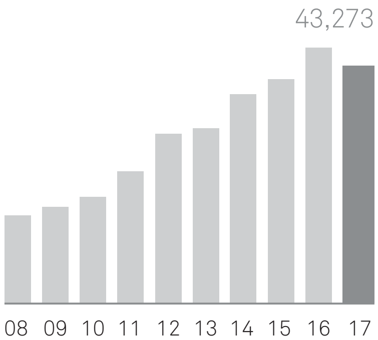
(a) The Group's results for 2017 included the results of Wharf Real Estate Investment Company Limited ("Wharf REIC") up to date of Wharf REIC's spinoff at 23 November 2017.

(b) Core profit primarily excludes investment property revaluation surplus, mark-to-market changes on financial instruments and non-recurring items (including the gain from disposal of investment properties in 2017, and the gain from disposal of Wharf T&T in 2016).

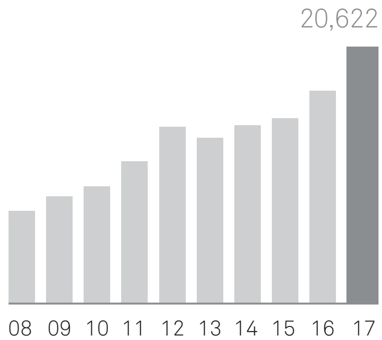
(c) In 2017, the Company distributed in specie all shares held by the Group in i-CABLE Communications Limited and Wharf REIC to Shareholders as special interim dividends amounting to HK$0.19 per share and HK$65.14 per share, respectively. Together with the total interim dividend in cash of HK$1.59 per share, total dividend distribution per share for the year will amount to HK$66.92 per share.

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

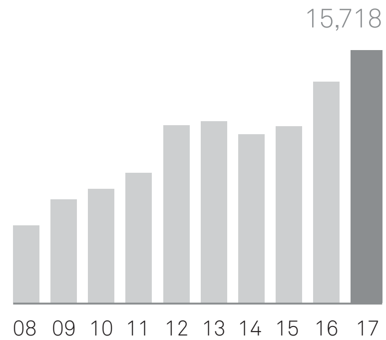
REVENUE
(HK$ Million)



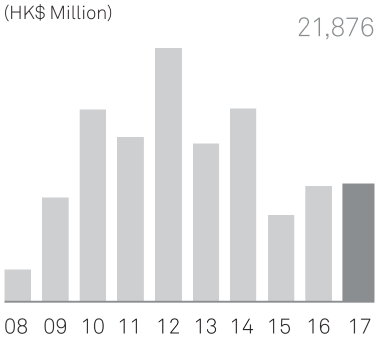
OPERATING PROFIT
(HK$ Million)



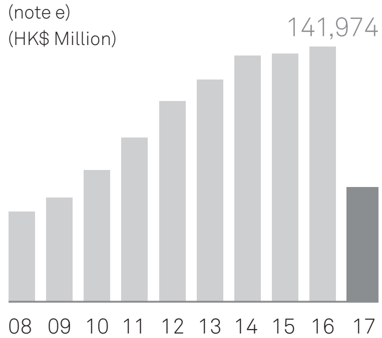
CORE PROFIT
(HK$ Million)



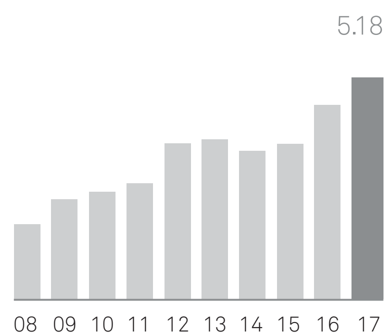
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS
(HK$ Million)



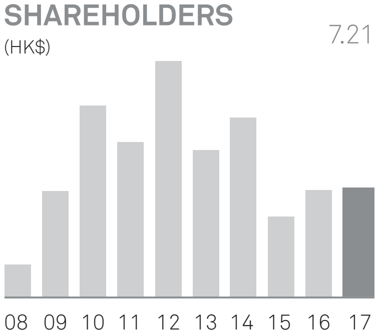
SHAREHOLDERS' EQUITY
(note e)
(HK$ Million)



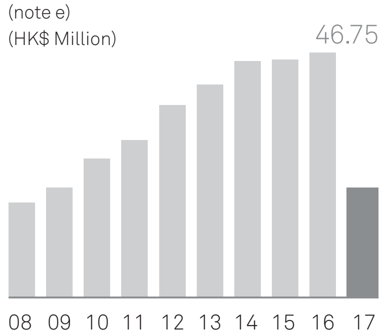
CORE PROFIT PER SHARE
(HK$)



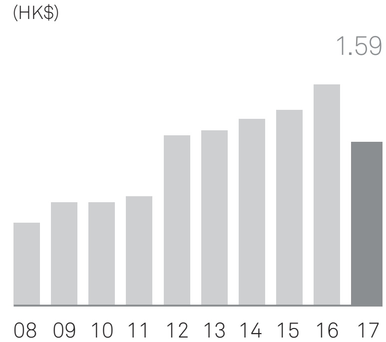
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY SHAREHOLDERS
(HK$)



NET ASSET VALUE PER SHARE
(note e)
(HK$ Million)



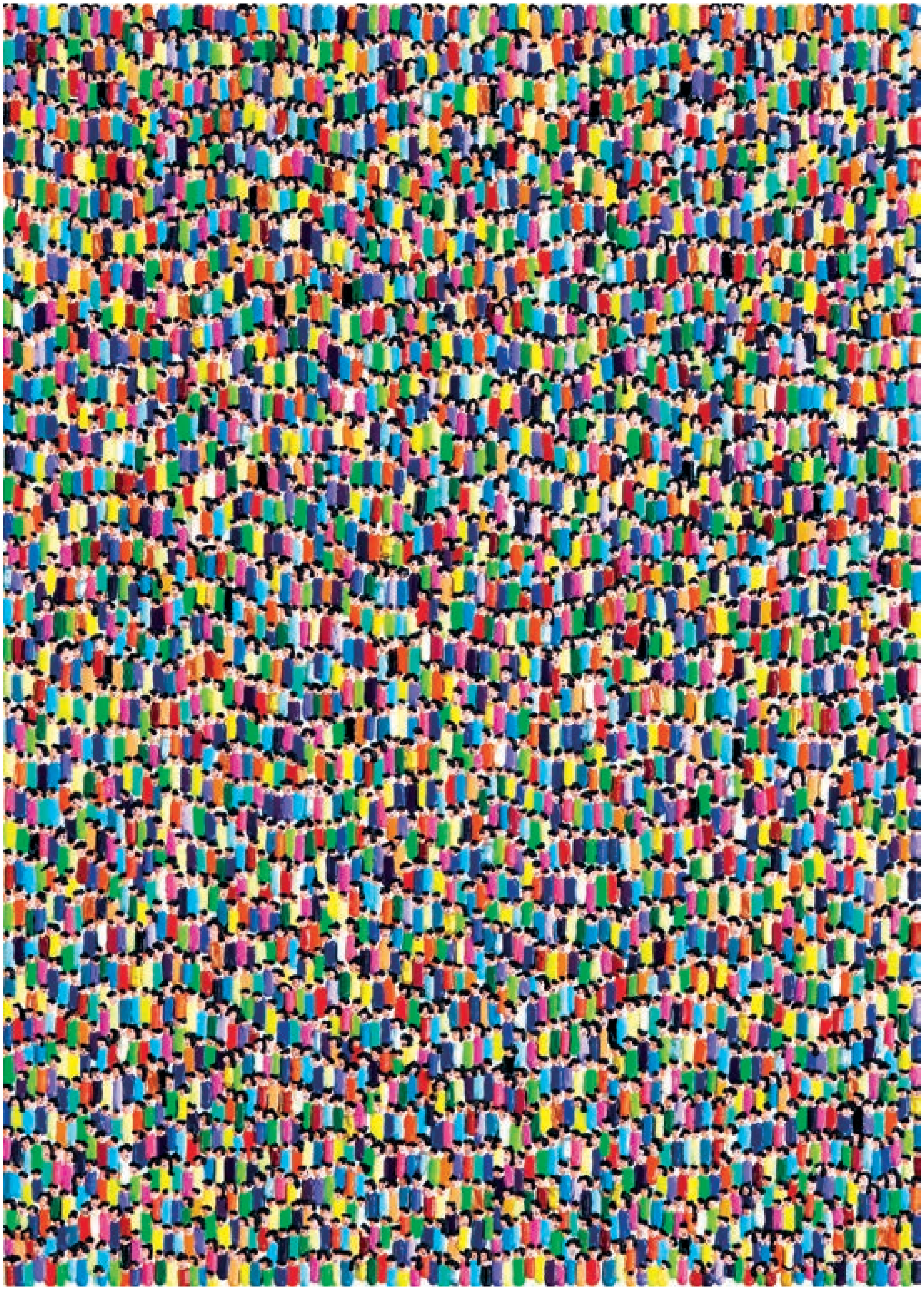
DIVIDEND PER SHARE
(note f)
(HK$)



Notes (continued):

(e) As at 31 December 2017, the Group's shareholders' equity and net asset value per share recorded a 55% decrease over 2016 mainly resulting from the utilisation of HK$197.8 billion distributable reserve for the Wharf REIC spinoff implemented by distribution of a special interim dividend.

(f) Together with Wharf REIC's interim dividend of HK$0.95 per share (equivalent to a total of HK$2.9 billion), combined total dividend at HK$2.54 per share (equivalent to a total of HK$7.7 billion for 2017) represented 18% increase over 2016.



Complete demerger of the Hong Kong Investment Properties ("IP") portfolio held through Wharf Real Estate Investment Company Limited ("Wharf REIC"; Stock code: 1997) in November 2017 provides investors with clearer strategic and investment options, and enhances operational and financial transparency for both Wharf REIC and the Group.

Following the demerger, the Group is principally engaged in Hong Kong and Mainland properties, hotel management and logistics. In addition, CME2 represents a strategic initiative and a long term investment in infrastructure in the new economy.

In this report, we will focus on the businesses that remain in the Group after the demerger. Please refer to the Annual Report of Wharf REIC for a report on the demerged businesses.

BUSINESS REVIEW


MOUNT NICHOLSON

HONG KONG PROPERTIES

HONG KONG PROPERTIES

THE PEAK PORTFOLIO

HONG KONG PROPERTIES

On an attributable basis, revenue decreased by 18% to HK$5,279 million but operating profit increased by 21% to HK$2,907 million on recognition of additional units in the Mount Nicholson joint venture project sold at a higher margin.

HONG KONG PROPERTIES BUSINESS ASSETS

As at 31 December	**2017 HK$ Million**	2016 HK$ Million	Change
Properties	**19,659**	32,325	-39%
Interest in Associates/Joint Ventures	**5,055**	5,713	-12%
Property Inventory and Development	**5**	6	-17%
Other Assets	**2,522**	414	+509%
Total Business Assets	**27,241**	38,458	-29%

THE PEAK PORTFOLIO

Raising the benchmark for luxury living, Wharf's Peak Portfolio showcases a landmark collection of the most prestigious residences nestled on the Peak. Epitomising ultra-luxury, exclusivity and scarcity, the peak properties set new standards of excellence for the most discerning residents.

Mount Nicholson, a 50:50 joint venture development, features the finest selection of ultra-luxury residences commanding uninterrupted views of Victoria Harbour. During the year, five houses and 14 apartments were sold for combined proceeds exceeding HK$9.4 billion. They include two adjoining apartments sold together for HK$1.2 billion or a record of HK$132,000 per square foot and House 3 sold for HK$1.2 billion or HK$126,800 per square foot, which represents the priciest luxury residences in Asia. In January 2018, two additional apartments were sold for a total of HK$1.1 billion or HK$128,400 per square foot.

Superstructure works for the re-development of 11 Plantation Road (seven houses) and 77 Peak Road (eight houses) were completed in 2017 and for the re-development of 1 Plantation Road (20 houses) are in progress. Chelsea Court and Strawberry Hill have been leasing well.

MOUNT NICHOLSON
62,000
SQUARE FEET
(ATTRIBUTABLE GFA)

1 PLANTATION ROAD
91,000
SQUARE FEET

11 PLANTATION ROAD
46,300
SQUARE FEET

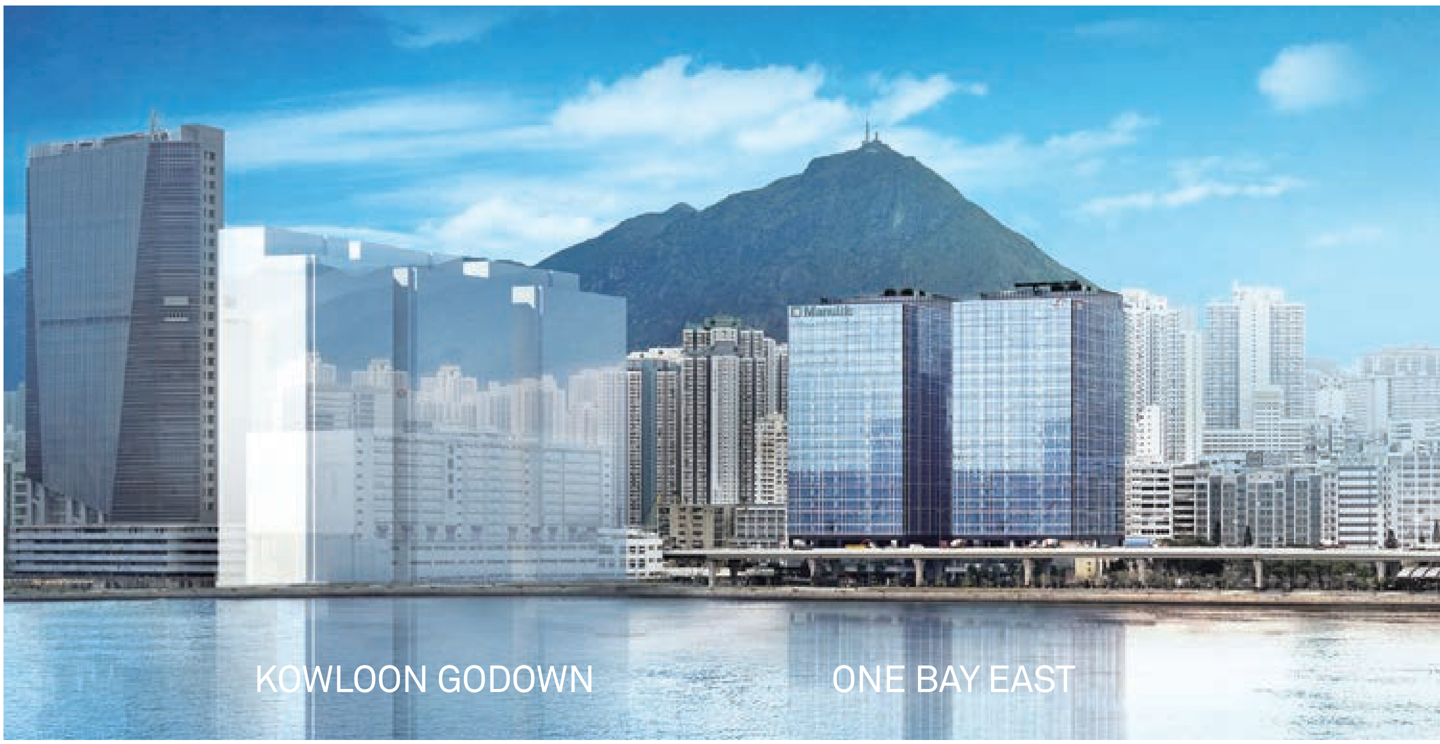
77 PEAK ROAD
42,200
SQUARE FEET

CHELSEA COURT
43,000
SQUARE FEET

STRAWBERRY HILL
13,000
SQUARE FEET

HONG KONG PROPERTIES

KOWLOON EAST WATERFRONT PORTFOLIO & OTHERS



KOWLOON EAST WATERFRONT PORTFOLIO

This vibrant CBD2 under the Government's "Energising Kowloon East" initiative is gaining momentum. The Group's exceptional "Kowloon East Waterfront Portfolio" showcases a rare collection that spans a 500-metre coastline and boasts a spectacular harbour view. It includes Kowloon Godown (pending re-development), 8 Bay East (an office tower under development), and parent company Wheelock's One Bay East.

In late 2017, the Group disposed of the wholly-owned subsidiary that owns the 8 Bay East Project for HK$9 billion, which marked the largest en-bloc office transaction in Kowloon. A gain of HK$4.5 billion was recognised in addition to the realisation of HK$1.3 billion of revaluation surplus recorded in prior years. With a total GFA of 596,000 square feet, 8 Bay East is a sleek 25-storey Grade-A Office Tower with retail space underneath. Featuring a maximised 20% of greenery area by fully utilising roof, vertical wall and podium, the green building has been awarded U.S. LEED® Platinum Pre-Certification (the highest standard) and HK BEAM Plus Gold Pre-Certification in recognition of its contributions to sustainability.

Kowloon Godown comprises a warehouse and an open yard with an existing operating GFA of one million square feet. Different re-development options are under evaluation. General building plans to develop the open yard have been approved. Applications for lease modification for a commercial scheme at the open yard warehouse sites were submitted in 2017. In parallel, general building plans for revitalisation scheme for the warehouse was also submitted in 2017.

The 15%-owned Yau Tong Bay joint venture project is prominently located in close proximity to the MTR station and fronts Victoria Harbour with a compelling panoramic view. The development features a total GFA of four million square feet to provide 6,300 residential units. General building plans have been approved. Lease modification is under way.

NEW LAND SITE IN KOWLOON TONG

A residential development site in Kowloon Tong was acquired in a public tender in January 2018 for HK$12.5 billion. With total developable GFA of 436,000 square feet, the site is strategically located at the junction of Lion Rock Tunnel Road and Lung Cheung Road, adjacent to the traditional luxury residential area of Beacon Hill with a prestigious school network. It is poised to become an exquisite living destination in the Kowloon Peninsula.

KOWLOON EAST

WATERFRONT PORTFOLIO ATTRIBUTABLE GFA

1,675,600

SQUARE FEET

	Attributable GFA (sq.ft.)
KOWLOON EAST WATERFRONT PORTFOLIO	
Kowloon Godown	1,032,000
Yau Tong Bay (15% - JV)	601,000
Peninsula East	42,600
NON-CORE	
Cable TV Tower Units	566,000
KOWLOON TONG PORTFOLIO	
Kowloon Tong Residential Project	436,000

CHINA DEVELOPMENT PROPERTIES


HUANGPUJIANG PROJECT, PUDONG, SHANGHAI

In a bid to enhance the quality and return of our land bank, the Group continues to be selective in land acquisition. Beijing, Shanghai, Suzhou, Hangzhou, Shenzhen and Guangzhou are the Group's key target cities.

In 2017, the Group acquired nine sites in Beijing, Foshan, Hangzhou and Suzhou for RMB15.7 billion (GFA: 701,300 square metres) on an attributable basis. Furthermore, the Group acquired 10 sites in Suzhou, Hangzhou and Guangzhou for RMB12.2 billion (GFA: 599,100 square metres) on an attributable basis in January and February 2018. Currently, the DP land bank stands at 3.9 million square metres.

Inclusive of joint ventures and associates on an attributable basis, revenue increased by 11% to HK$33,959 million, with 1,232,000 square metres of GFA completed and recognised during the year (2016: 1,697,000 square metres). Operating profit surged by 99% to HK$10,207 million, thanks in part to the completion of the successful Suzhou Times City project.

The Group's attributable contracted sales decreased by 19% to RMB25.3 billion. The net order book decreased to RMB19.2 billion for 0.8 million square metres at year-end. The challenging trading conditions may continue in 2018.

Various projects attracted favourable demand from buyers. They include Shanghai Pudong E18, Bellagio in Suzhou, Greentown Zhijiang No. 1 in Hangzhou, River Pitti and Times City in Wuxi, The Pearl on the Crown in Beijing and The Scenery Bay in Tianjin.

CHINA DEVELOPMENT PROPERTIES

MAJOR CHINA DEVELOPMENT PROPERTIES LIST

		Attributable GFA (sqm)
EASTERN CHINA		
Hangzhou	Junting	94,000
	Longxi (Site GS05-R21-A01 & 14)	68,000
Shanghai	Jingan Garden	71,000
	Pudong Huangpujiang Project	42,000
Suzhou	Suzhou Yangcheng Lake Lot #27 Project	203,000
	Bellagio	184,000
	Suzhou Yuanhe Road Project	91,000
	Suzhou Huangqiao Lot #25 Project	60,000
Wuxi	Wuxi Glory of Time	141,000
	River Pitti	131,000
	Wuxi Times City	88,000
WESTERN CHINA		
Chengdu	Times Town	381,000
	Chengdu ICC	332,000
	Chengdu Times City	116,000
Chongqing	International Community	195,000
	The Throne	144,000
SOUTHERN CHINA		
Foshan	Rosy Mansion	116,000
	Sunrise Coast	66,000
Shenzhen	Qianhai Apartment Project, Shenzhen	26,000

MAJOR CHINA DEVELOPMENT PROPERTIES LIST

		Attributable GFA (sqm)
NORTHERN CHINA AND OTHER REGIONS		
Beijing	Beijing Fengtai District XiJu Project	103,000
	Chaoyang Qu Jiu Xian Qiao Liang Ma K Project	47,000
	Crown Land	45,000
	The Pearl on the Crown	40,000
Dalian	Garden Valley	95,000

For further details, please refer to Schedule of Principal Properties on pages 192 to 201.

CHINA INVESTMENT PROPERTIES

Leadership in retail management has driven the successful performance of the Group's malls in the Mainland, in particular the award-winning Chengdu IFS. The newly-opened Chongqing IFS and the upcoming Changsha IFS are set to mirror the success in Chengdu and present superior long-term growth potential. Creating a unique lifestyle platform offering unprecedented "retailtainment" experiences, the Group has been considered one of the most preferred partners of the world's best-in-class retailers. It is a testament to retailers' trust and confidence in the Group's execution and value-creation capabilities. The IFS developments will further strengthen the Group's recurrent income base in the years to come.

The Group started to build its first series of quality IPs, the "Times Square" series, in vibrant Mainland cities in the 1990s. It included two prime commercial properties in Shanghai, namely Shanghai Times Square and Wheelock Square, as well as Chongqing Times Square, Dalian Times Square, Wuhan Times Square and Beijing Capital Times Square (already sold).

Shanghai Times Square is an exceptional retail destination strategically located in the vibrant shopping, entertainment and business hub of Huaihai Zhong Road. The largest Lane Crawford store in the Mainland and a mega lifestyle specialty store city'super provide shoppers with exhilarating experience. Retail occupancy rate was 100% at year-end. The offices were 98% let, with lease renewal retention rate of 70%.

Shanghai Wheelock Square, among the tallest skyscrapers in Puxi at 270 metres, remains one of the most preferred addresses for multinationals and major corporations. Its unrivalled location 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 provides excellent accessibility. It integrates environmentally-friendly aspects with state-of-the-art amenities to create sophisticated modern architecture. With world-class management, it has earned numerous awards and proven its pole position among its peers. Total new lease commitments in 2017 reached 21,200 square metres. Occupancy rate was 93% at year-end. Lease renewal retention rate was maintained at 71%, with solid reversion.


SHANGHAI WHEELOCK SQUARE

CHINA INVESTMENT PROPERTIES

INTERNATIONAL FINANCE SQUARE

The first IFS project opened in Chengdu in 2014 marks the next phase of the Group's commercial IPs. The award-winning Chengdu IFS has proven to be a resounding success and an exemplary model for the other IFS projects. Chongqing IFS, which celebrated its grand opening in September 2017, has become the city's new landmark for luxury shopping, dining, entertainment and lifestyle, offering unparalleled lifestyle experience to customers. The mall in Changsha IFS is scheduled to open in May 2018.

CHENGDU IFS

Overall revenue increased by 23% to HK$1,090 million and operating profit by 32% to HK$507 million.

Retail

Setting a new standard for captivating "retailtainment" experiences, Chengdu IFS has become a unique lifestyle icon in the western China metropolis. Strategically located in the city's busiest pedestrian shopping area, the trendsetting landmark leads its Chengdu peers in sales productivity. Its strong operating performance was underpinned by its enviable location, critical mass and high-calibre management. Occupancy rate stood firm at 99% at year-end. Tenant sales witnessed a robust growth of 30% while foot traffic grew by 18%.

This exceptional collection of nearly 300 global premium brands, with over 100 debuts in China, is a testament to the Group's ability to attract the world's best-in-class retailers. The 15-metre-tall giant panda outdoor art piece garnered wide attention from the public, while the 7,700-square-metre Sculpture Garden is an urban sanctuary for visitors to relax and refresh themselves. The compelling entertainment offerings including an IMAX movie theatre and an ice skating rink further enliven customers' journey.

Tenant mix was further refined with new additions including ARC, DSquare2, Dyson, ENZO, Fjällräven, Nike Jordan, Moleskine, Moynat, Onitsuka Tiger and Vacheron Constantin. An unprecedented "sister-street' partnership" was announced between Chengdu IFS and Le Comité Saint Germain des Prés of Paris, fostering Sino-French exchange and co-operation in art, culture, business and tourism. Other innovative marketing campaigns, including the world's debut of the 180-metre-long Sonic Runway, Disney's "Beauty and The Beast" Movie Exhibition and We're All Smurfs Hot Summer Exhibition successfully drew patronage.


CHENGDU IFS

CHINA INVESTMENT PROPERTIES

In recognition of its efforts to promote internationalisation of the city and its innovative cooperation mode that aligns domestic and international partners, Chengdu IFS was awarded 2017 ICSC Asia-Pacific Shopping Centre Gold Award (marketing positioning & brand awareness).

Office and IFS Residences

Three premium Grade A office towers, IFS Residences and Niccolo Chengdu stand atop the nine-level retail and lifestyle podium. Office leasing stayed on track with over 163,000 square metres (60% of total GFA) leased to premium tenants, creating an optimal marketplace for these tenants to conduct seamless business interaction. These offices represent the most coveted location for multinationals, financial institutions and major corporations in China West and command among the highest rental rates in the city.

IFS Residences, featuring 150 upscale apartments and inaugurated in late 2016, are among the most coveted and exclusive serviced residences among elite entrepreneurs and expatriates of multinational corporations.

CHONGQING IFS


Lane Crawford


MOYNAT
PARIS


LOUIS VUITTON


IFS


IFS

CHINA INVESTMENT PROPERTIES

Opened in September 2017, Chongqing IFS is strategically located at the centre of Jiangbeizui, the city's emerging central business district, with its scenic landscape where the Yangtze River and Jialing River meet. Its coveted location with clusters of renowned financial institutions nearby, alongside excellent transport connections with direct linkage to light railway station (Lines 6 and 9), creates an attractive catchment area for Chongqing IFS.

The iconic 300-metre towering landmark, together with four other towers, featuring "City-within-a-City" concept that comprises Grade A offices and Niccolo Chongqing atop the 109,000-square-metre world-class retail podium, becomes the most massive integrated complex (total GFA: 541,000 square metres) in the district. This impressive development is creating a one-of-a-kind cluster that sets the quality standard for the entire area.

The premier mall is the city's new landmark offering an exceptional one-stop lifestyle experience in Chongqing and China West. Having the largest cluster of first tier brands in Chongqing under one roof, Chongqing IFS is the preferred address for the global premium retailers. The tenant mix speaks for itself, with more than 150 retailers including 80 most coveted international brands and 20 debuts in the city. An impressive lineup of delectable dining options, including ABC Cooking Studio, KITAYAMA, NY Night Market and Vinoteka, was unveiled to spice up diners' palates. Alongside the delightful entertainment offerings including The Rink and PALACE cinema, the diverse tenant mix reinforces Chongqing IFS' s position as an iconic shopping, dining, entertainment and lifestyle destination, bringing unprecedented experiences to customers. Currently, over 95% of the retail floor plates are leased or under offer to key tenants .

Niccolo Chongqing, Chongqing's highest sky hotel with spectacular views of the city, was opened alongside the mall in September.

TIMES OUTLETS

BUSINESS REVIEW

CHINA INVESTMENT PROPERTIES

TIMES OUTLETS CHENGDU

TIMES OUTLETS CHANGSHA

Outlet malls are among the fastest growing sectors of commercial properties in China. The Group has developed two world-class outlet malls in Chengdu and Changsha to tap into the huge potential of burgeoning domestic consumption by the rapidly-rising middle class.

Retail sales at the 63,000-square-metre Times Outlets Chengdu witnessed a solid growth of 12%. Home to over 250 international brands at attractive prices, it ranks among the most visited outlet destinations nationwide. It also sets an excellent model for the sister mall in Changsha, which was opened in late 2016.

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, attracts visitors from Changsha and other cities to Times Outlets Changsha. With a committed occupancy of 82% at year-end, the mall hosts a myriad of international and top local apparels and lifestyle brands as well as eateries. It has positioned itself as a one-stop integrated shopping and leisure landmark in the region.

UPCOMING – CHANGSHA IFS

Changsha IFS, featuring an enormous 246,000-square-metre mall, boasts the city's most coveted location at the intersection of Huangxing Road (one of the busiest pedestrian streets) and Jiefang Road (financial street) with underground linkage to Wuyi Plaza Station (the interchange station for Metro Lines 1 and 2). Slated to open in May 2018, the gigantic mall is poised to become an unrivalled shopping, dining, lifestyle and leisure destination in Hunan Province. Retail leasing is encouraging with 94% of total retail areas leased or under offer to tenants. It demonstrates retailers' confidence in the Group's management capabilities. This retail-oriented IFS complex will tap the strong consumption market in this Central China metropolis.

Top-notch office towers of the complex will represent the most coveted address and destined to raise the standard for future workplace for financial institutions and major corporations based in the region. The opening of Niccolo Changsha, the third Niccolo hotel in the Mainland, at Changsha IFS is scheduled for the third quarter of 2018.

Full completion of the project is scheduled for 2019.

WHARF HOTELS

The opening of Niccolo Chongqing and The Murray, Hong Kong, brings the number of hotels in Mainland China, Hong Kong and the Philippines managed by Wharf Hotels to 16 which includes 13 under the brand of Marco Polo Hotels and three under the new luxury brand Niccolo Hotels. The latter operates a series of contemporary urban chic hotels with a blended mix of understated luxury, exquisite design and gracious hospitality.

Marco Polo Wuhan, Niccolo Chengdu and the upcoming Niccolo Changsha at the respective IFS complexes, are wholly owned by the Group, while Niccolo Chongqing is 50%-owned.

Niccolo Chongqing at Chongqing IFS, modelled on award-winning sister hotel Niccolo Chengdu, celebrated its opening in September 2017. Prominently situated in the heart of Jiangbeizui CBD, the 252-room hotel is the city's highest sky hotel with spectacular views of Jialing River and Yangtze River. It sets a new standard for hotels in the region.

Meanwhile, Niccolo Chengdu remains the city's market leader in room yield and clinched multiple new awards, including "Best Business Hotels" in the "2017 Condé Nast Traveler China Gold List".

Niccolo Changsha, the third Niccolo hotel in the Mainland, is scheduled to open at Changsha IFS in the third quarter of 2018. Another hotel under development is Niccolo Suzhou which is owned by the sister company Wharf REIC and scheduled to open in 2019. Including these two upcoming Niccolo hotels, the Group's hotel management portfolio will expand to 18 hotels in the next two years.


MANAGES
16 HOTELS
NICCOLO CHONGQING

WHARF HOTELS


THE MURRAY, HONG KONG

NICCOLO CHENGDU

NICCOLO HOTELS

The Murray, Hong Kong • Niccolo Chengdu • Niccolo Chongqing •
Niccolo Changsha (2018) • Niccolo Suzhou (2019)

MARCO POLO XIAMEN


MARCO POLO ORTIGAS, MANILA

MARCO POLO HOTELS

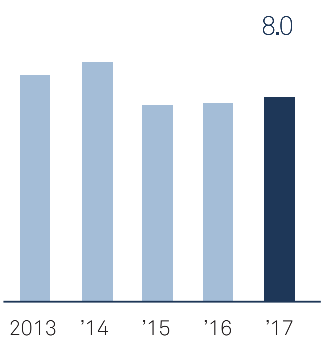
HONG KONG : Marco Polo Hongkong Hotel • Gateway Hotel • Prince Hotel
CHINA : Marco Polo Parkside, Beijing • Marco Polo Changzhou • Marco Polo Lingnan Tiandi, Foshan • Marco Polo Jinjiang • Marco Polo Shenzhen • Marco Polo Wuhan • Marco Polo Xiamen
THE PHILIPPINES : Marco Polo Plaza, Cebu • Marco Polo Davao • Marco Polo Ortigas, Manila

LOGISTICS

LOGISTICS

THROUGHPUT (ATTRIBUTABLE TOTAL)

(Million TEUs)



The logistics segment, comprising Modern Terminals ("MTL") and Hong Kong Air Cargo Terminals ("HACTL"), constitutes a steady source of cash flow for the Group. Segment revenue increased by 3% to HK$2,817 million and operating profit dropped by 7% to HK$667 million. It is anticipated the segment will benefit from the tremendous potential presented by the bold integration of the Greater Bay Area.

MODERN TERMINALS

Against the backdrop of steady recovery in world trade, container throughput in South China increased by 6% while Shenzhen's and Kwai Tsing's throughput increased by 5% and 7% respectively. Market shares of Shenzhen and Kwai Tsing were 60% and 40% respectively.

MODERN TERMINALS BUSINESS ASSETS

As at 31 December	2017 HK$ Million	2016 HK$ Million	Change
Fixed Assets	**11,505**	11,134	+3%
Interest in associates/joint ventures	**3,742**	4,995	-25%
Goodwill	**297**	297	–
Other Assets	**321**	301	+7%
Total Business Assets	**15,865**	16,727	-5%

Throughput handled by MTL in Hong Kong grew by 12% to 5.2 million TEUs. In Shenzhen, throughput at Dachan Bay remained flat at 1.3 million TEUs, mainly due to new carrier alliance deployments, while Shekou Container Terminals (MTL's stake 20%) reported 4% growth to 5.3 million TEUs and Chiwan Container Terminal (MTL's stake 8%) handled 2.2 million TEUs.

Consolidated revenue improved to HK$2,703 million (2016: HK$2,635 million), driven by the volume increase in Hong Kong. Operating profit decreased to HK$649 million (2016: HK$710 million) largely due to changes in business mix. MTL's remaining indirect equity interest in Taicang container port was sold in 2017.

Re-alignment of global shipping alliances and accelerating deployment of larger vessels are putting immense structural pressure on terminal operators and weakened their commercial and financial positions. Both operating cashflow and capital expenditures will come under pressure. In addition, geopolitical uncertainties loom large and a potential all-out trade war might ensue. MTL will take all necessary action to defend.

HONG KONG AIR CARGO TERMINALS

HACTL, a 20.8% associate of the Group, is a leading air cargo terminal operator in Hong Kong with four decades of operational experience. With its unique world-class facilities, highly efficient operation and innovative technology, HACTL has the capacity to handle cargo for up to 3.5 million tonnes per year and is committed to playing an integral role in the logistics business in Hong Kong and the Pearl River Delta. It handled 1.8 million tonnes in 2017.

8 BAY EAST

- Capital And Capital Weekly Awards – Commercial Landmark Architecture
- U.S. LEED® Platinum Pre-Certification (the highest standard)
- HK BEAM Plus Gold Pre-Certification

THE PEARL ON THE CROWN, BEIJING

- “2017 Market Breakthrough Award” – 163.com
- “Tasteful Mansion of the Year” – leju.com
- “2017 The Most Valuable Residence” – toutiao.com

CHENGDU IFS

- ICSC China Shopping Centre & Retailer Awards 2017 – Silver Award for Marketing Excellence
- “Chengdu IFS x Kung Fu Panda 3” campaign won the Asian Licensing Awards 2016 – Best Location-Based or Experiential Initiative of the Year by International Licensing Industry Merchandiser’s Association
- “All-in-Here – International Style Makes it Mark in Chengdu 2017” garnered the Gold Award for “The 2017 Marketing Award” in the 2017 ICSC Asia-Pacific Shopping Center Awards presented by the International Council of Shopping Centres

IFS RESIDENCES

- The Best Luxurious Serviced Apartment in China – China and Tourism and Hotel Awards

SHANGHAI WHEELOCK SQUARE

- 6S Management Innovation Award, 5C Quality Award, Luxury Attitude Award and Award for Merit in Service – Outstanding Performance & Contribution in Service Industry in China by the Golden Key International Alliance
- Office Team of the Year award in the first-ever RICS Awards in China hosted by Royal Institute of Chartered Surveyors

WHARF HOTELS

- Wharf Hotels – The BMW Hotelier Awards 2017
  - Human Resources Hotelier Greater China award – Mr Dundy Deng, Director of Human Resources, Niccolo Chengdu
  - Sales and Marketing Hotelier Asia – Ms Pearl P. Maclang, Director of Sales and Marketing, Marco Polo Davao
- Niccolo Chengdu – "Best Business Hotels" in the "2017 Condé Nast Traveler China Gold List"
- Marco Polo Ortigas, Manila – Five-Star rating by Forbes Travel Guide

MODERN TERMINALS

- Sustainable Consumption Enterprise – Business Environment Council

HONG KONG AIR CARGO TERMINALS

- Cargo Airline of the Year – Innovation Award by Air Cargo News
- Air Cargo Handling Agent of the Year – the World Air Cargo Awards

CORPORATE SOCIAL RESPONSIBILITY

Building a sustainable community for our future generations

SUSTAINABILITY

OUR SUSTAINABILITY APPROACH

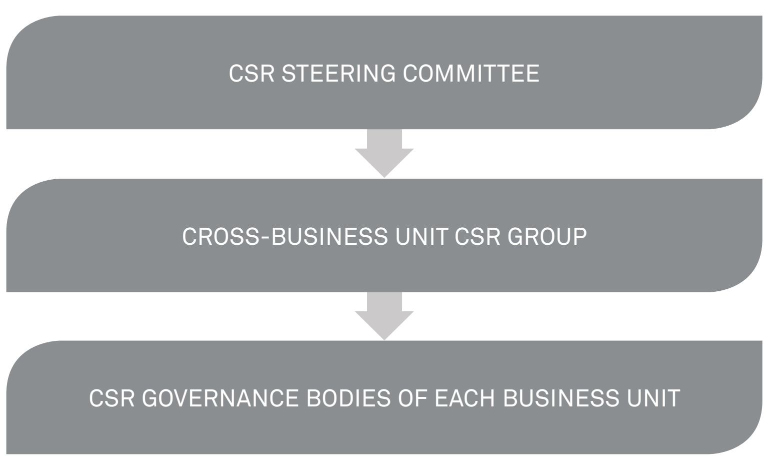
Backed by a long standing mission of “Building for Tomorrow” and a proven track record in management and execution, the Group has produced consistent and productive performance over the years, enabling economic and community growth while reducing our impact on the environment through innovative designs and continual improvement of our work. Following a strategic review, Wharf Real Estate Investment Company Limited (“Wharf REIC”) was established as a subsidiary of Wheelock and Company Limited and listed on the Main Board of The Stock Exchange of Hong Kong Limited on 23 November 2017. The restructuring of our business presents to investors clear investment options, and increases the operational and financial transparency of both companies. The Group is confident that we can continue to disseminate a positive influence and promote sustainable development via our diverse business portfolios.

This section includes the management approach and selected initiatives of Wharf and Wharf REIC; for quantitative performance data, please refer to the respective Sustainability Reports of Wharf and Wharf REIC.

CSR STRUCTURE

The Corporate Social Responsibility (“CSR”) Steering Committee, chaired by the Group’s Chairman, formulates the overall CSR strategy of the Group and brings greater alignment with business development. Executives from business units (“BU”) oversee the day-to-day management of programmes and meet regularly to exchange ideas and best practices.

The Group is committed to empowering its employees, improving people’s quality of life and building a sustainable community for our future generations through a wide range of CSR programmes.



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

5 years+ 商界展關懷 caringcompany
Awarded by The Hong Kong Council of Social Service
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Hang Seng Corporate Sustainability Index Series Member 2017-2018

CSR PLUS HKQAA CSR INDEX

WWF HONG KONG
Double Diamond Member
雙鑽石會員2017/18

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

Modern Terminals

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

BUSINESS DEVELOPMENT

The success of our business builds on high standards of ethics and integrity, strong executive leadership, and a robust governance structure and control system which provide guidance on stringent requirements for our employees. A detailed discussion on these topics can be found on Pages 69 to 84.

PROTECTING OUR ENVIRONMENT

As a responsible corporate citizen, we are dedicated to leveraging mature technologies to improve energy efficiency, reduce waste and manage resource consumption in our business units ("BUs"). Our efforts go beyond compliance with legislation. Environmental initiatives are well established commensurating with each BU's scale, operations and locations, including upgrading lighting and air-conditioning systems, adopting water saving/recycling measures, using environmentally-friendly materials, organising waste recycling and collection programmes, and raising awareness and fostering behavioural change among employees. We are proud of our practices and achievements such as the followings:

- Modern Terminals, which was awarded with the ISO14001: 2015 Environmental Management Systems Certification and is a signatory of the Energy Saving Charter and the 4Ts Charter launched by the Environment Bureau of HKSAR Government, continued its efforts in optimising energy use. Modern Terminals replaced six units of conventional chillers with oil-free chillers, which are expected to consume 29% less energy[i].

- Shanghai Wheelock Square completed in upgrading its air-conditioning system, adding frequency converters to air conditioning pumps, cooling towers and other systems, while introducing an intelligent control system to achieve energy-saving objectives. In 2017, a total of 1,238,395 kWh of electricity was saved. An additional RMB1,090,000 is expected to be saved annually[ii] after replacing fluorescent and metal-halide lamps in the lobby, elevators and the garage with LED lights.

NURTURING OUR PEOPLE

Employees are important for the development of the Group. To maintain a stable team and attract new talent, we adopt a fair and transparent recruitment process, remunerate our employees with welfare packages that are commensurate with their qualifications and experience, invest in their career development and promote a harmonious and safe workplace.

Training and development

Our BUs offer training programmes covering a wide spectrum of topics such as corporate culture, skills enhancement, professional development, occupational safety and health, environmental protection, anti-corruption and other relevant legislation. This year, our employees partook in more than 146,100 training hours[iii] offered by the Group.

i According to the Electrical and Mechanical Services Department, HKSAR Government.

ii Figure is calculated based on the assumption that lighting hours are unchanged.

iii The training hours reported cover the Group's selected Hong Kong operations, namely, the corporate offices of Wharf Limited, Wharf China Development Limited and Wharf Hotels, Modern Terminals, Harbour City, Times Square, Plaza Hollywood, Prince Hotel, Gateway Hotel, Marco Polo Hongkong Hotel, Pacific Club, Gateway Apartments, and The "Star" Ferry Company, Limited and Mainland China operations, namely, Wharf China Estates Limited, selected development properties in Hangzhou and Shanghai, Niccolo Chengdu, Niccolo Chongqing, Marco Polo Wuhan and Marco Polo Changzhou.


現代加油站
現代加油站


海岸清洁大作战

Inclusive workplace

We value feedback and suggestions of our employees regarding our business operations or any issues collected through various channels such as internal newsletters, staff surveys, luncheons, town hall meetings and Intranet. The senior management reviews suggestions regularly and provides solutions to address concerns. We provide equal opportunities for our employees and ensure that they are aware of the Group's anti-discrimination guidelines. We encourage learning among employees and ensure effective communication through seminars and internal communications in order to build our capacity in creating an inclusive working environment.

To promote work-life balance and the overall well-being of our employees, our BUs organised recreational activities and outings, interest classes and team building activities throughout the year.

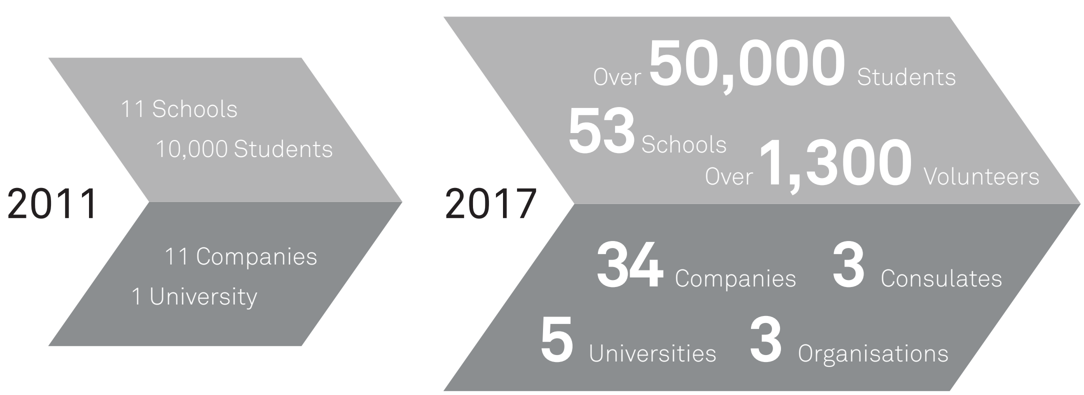
Occupational safety and health ("OSH")

We comply to OSH standards recommended by the government. Safety manuals and management systems are in place tailored to different BUs. We believe that by enhancing employees' OSH knowledge, we can minimise work-related injuries. In addition, our BUs take proactive measures to identify potential risks to OSH and conduct thorough assessments to understand root causes and develop solutions to prevent incidents from happening. In 2017, no fatalities[iv] were recorded. We will continue to work hard to create a zero-harm working environment for our employees and contractors.

BUSINESS-IN-COMMUNITY

Caring for the community is rooted in our company culture. We create employment opportunities and provide financial and manpower support for various community programmes including but not limited to art and culture, economic development and social welfare.

Project *WeCan*



iv Data reported cover the Group's selected Hong Kong operations, namely, the corporate offices of Wharf Limited, Wharf China Development Limited and Wharf Hotels, Modern Terminals, Harbour City, Times Square, Plaza Hollywood, Prince Hotel, Gateway Hotel, Marco Polo Hongkong Hotel, Pacific Club, Gateway Apartments, and The "Star" Ferry Company, Limited and Mainland China operations, namely, Wharf China Estates Limited, development properties in Hangzhou, Chengdu and Shanghai, Niccolo Chengdu, Niccolo Chongqing, Marco Polo Wuhan and Marco Polo Changzhou.


WeCan Scholarship
WeCan Scholarship Presentation Ceremony 2017/18
2017/18「學校起動」計劃獎學金頒授典禮


FASHION
結伴同行


2018

Launched in 2011, Project *WeCan* is a Business-in-Community initiative providing secondary school students who are disadvantaged in learning with opportunities and care to empower them to pursue further studies and future careers.

Using an "adopt-a-school" model, Project *WeCan* is an open platform where each school is matched with a partner in a multi-year collaboration for financial and volunteer support. To facilitate mutual learning and exchange, schools are invited to take part in joint-school programmes including Young Innovators Bazaar, Career Exploration Day, Job Tasting Programme and Teachers' Development Days, etc.

The Project *WeCan* Scholarship Scheme, since its establishment in 2015, has provided scholarship grants for 230 graduates of Project *WeCan* schools to pursue four-year degree studies at publicly-funded tertiary institutions.

Youth development

We believe in supporting the youth to reach their full potential. In 2011, the Architectural Design Internship Programme was established by The Wharf ArchDesign Resource Trust to foster excellence in architecture and groom future architects. To date, the Group has already awarded 24 outstanding architectural postgraduates with financial support as they intern at world renowned architectural firms.

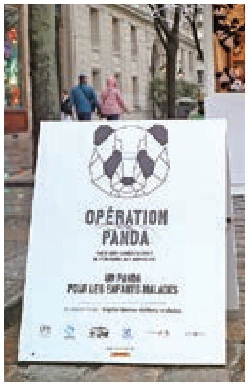
Volunteer work

We strive to build a volunteering culture among our staff members and collaborate with our stakeholders to help the community wherever we can. Our employees participated in various activities to serve people in need and protect the environment. Among them, staff members from Modern Terminals volunteered to serve subsidised meals to low-income families, remove invasive species at the Mai Po Nature Reserve, plant trees and assist onsite for the Modern Terminals Summer Fitness Programme, a newly launched community initiative with the YMCA New Territories Centre to provide sports training and organise personal development activities for underprivileged children.

Community care

The Group supported over 223 events and activities[v] by providing free venues, logistic support, volunteering and donations. Shanghai Times Square supported the annual Shanghai Tourism Festival by sponsoring the piazza, equivalent to a lease value over RMB120,000 for the parade along Huaihai Zhong Road. Modern Terminals provided a free warehouse space of 3,400 square feet, equivalent to an annual lease cost over HK$500,000, to End Child Sex Abuse Foundation for storing promotional materials.

v BUs which contributed include the Group's selected Hong Kong operations, namely, Harbour City, Times Square, Plaza Hollywood, Prince Hotel, Gateway Hotel, Marco Polo Hongkong Hotel, Pacific Club, Gateway Apartments, The "Star" Ferry Company, Limited and Modern Terminals and Mainland China operations, namely, Wharf China Estates Limited, Niccolo Chengdu, Niccolo Chongqing and Marco Polo Changzhou.


OPÉRATION
PANDA
UN PANDA
POUR LES ENFANTS MALADES


IFS


开跑
JUST


凝心聚力 创建明天

RESPONSIBLE PRODUCTS AND SERVICES

The Group is committed to maintaining and improving the quality of our products and services in the following areas and more:

- Wharf Hotels provides orientation training on a wide range of topics such as hotel service standards, sales skills, hotel product knowledge, English language and grooming to equip our employees with the knowledge and skills necessary to provide the highest quality of services to our valued customers.

- Customer health and safety is always a priority. In our hotels, the quality and hygiene of our cuisine are effectively managed under comprehensive food safety management guidelines.

- The Group complies to legislation in Hong Kong and Mainland China[vi] while planning and executing our marketing and communications projects. All marketing collaterals are proofread and approved by the Managers or the legal department before release to guarantee that the information contained is accurate, fair and transparent.

- To protect customers' personal information, the Group follows a standard procedure in handling customer data. Customers' information is saved on our Intranet or at a centralised location accessible only by authorised personnel. Employees with access also sign Confidentiality Agreements to further safeguard customer information. We take all reasonably practical steps to destroy customer data which is no longer required for the purposes for which the data was originally collected.

Supplier management

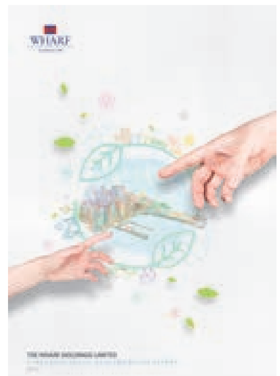
The Group prioritises suppliers who take seriously and address environmental and social issues in their operations. Vendor management systems are in place to assess suppliers' social, environmental and technical capabilities. Suppliers are also required to sign a Business Integrity Statement as a pledge to uphold business ethics and integrity. We work closely with our contractors and perform social and environmental audits and inspections regularly to check that the works meet both our Group requirements and labour and environmental legislation.

CSR REPORTING

We prepare our standalone Sustainability Report in accordance with the "Core" option of the Global Reporting Initiative Sustainability Reporting Standards ("GRI Standards") and to fulfil the requirements of the Environmental, Social and Governance Reporting Guide (Appendix 27) issued by The Stock Exchange of Hong Kong Limited. The reporting scope covers our Hong Kong and Mainland China operations[vii] for the period of 1 January to 31 December 2017.

vi Anti-Unfair Competition Law, Regulation on Telecommunications, The People's Republic of China; Trade Descriptions Ordinance (Cap 362), HKSAR; consumer rights protection legislation and logo guidelines.

vii The Group's selected Hong Kong operations include the corporate offices of Wharf Limited, Wharf China Development Limited and Wharf Hotels, Modern Terminals, Harbour City, Times Square, Plaza Hollywood, Crawford House, Wheelock House, Prince Hotel, Gateway Hotel, Marco Polo Hongkong Hotel, Pacific Club, Gateway Apartments, and The "Star" Ferry Company, Limited, while Mainland China operations include Wharf China Estates Limited, selected development properties in Hangzhou, Chengdu and Shanghai, Niccolo Chengdu, Niccolo Chongqing, Marco Polo Wuhan and Marco Polo Changzhou.


WHARF HOTELS
Chief Business Managers Conference 2018

WHARF

Wellington College
International Shanghai


DIOR


SAFETY DAY 安全日
SAFETY

(I) REVIEW OF 2017 RESULTS

Group core profit rose by 14% to HK$15,718 million (2016: HK$13,754 million) despite the spinoff in November 2017 of Wharf Real Estate Investment Company Limited ("Wharf REIC"). Should the spinoff not have occurred, Group core profit for 2017 would have been HK$16,622 million, an increase of 21% from 2016.

Investment Properties ("IP") reported a 3% decrease in core profit to HK$8,568 million following the spinoff. Wharf REIC has earlier announced an IP core profit of HK$8,671 million for the full year of 2017, an increase of 8% from 2016.

Development Properties ("DP") reported a record high core profit of HK$6,820 million (2016: HK$3,822 million).

Group profit attributable to shareholders increased by 2% to HK$21,876 million (2016: HK$21,440 million) after accounting for a higher net IP revaluation surplus of HK$1,733 million (2016: HK$906 million) and a gain of HK$4,499 million on disposal of 8 Bay East (2016: HK$7,260 million gain on disposal of subsidiary Wharf T&T Limited).

Phased exit from the CME segment since 2016 and the spinoff of Wharf REIC in 2017 have made a simple comparison of 2017 results to 2016 less relevant.

Revenue and Operating Profit

DP subsidiaries recognised 3% lower revenue of HK$22,608 million (2016: HK$23,275 million) but a 112% growth in operating profit to HK$7,753 million (2016: HK$3,650 million) mainly due to higher profit margins from the Mainland projects completed in 2017. Inclusion of attributable interest in joint venture projects, in particular Mount Nicholson in Hong Kong, powered an increase in DP core profit to HK$6,820 million (2016: HK$3,822 million).

IP revenue and operating profit decreased by 5% to HK$14,599 million (2016: HK$15,289 million) and 4% to HK$12,029 million (2016: HK$12,541 million), respectively. In Hong Kong, revenue and operating profit decreased by 8% and 6% due to the Wharf REIC spinoff. On the other hand, Mainland revenue and operating profit, led by Chengdu IFS, increased by 12% and 16%.

Hotel revenue declined by 6% to HK$1,487 million (2016: HK$1,587 million) but operating profit increased by 13% to HK$328 million (2016: HK$289 million). Hong Kong revenue and operating profit decreased by 11% and 2%, respectively, again due to the Wharf REIC spinoff. In the Mainland, Niccolo Chengdu and Marco Polo Changzhou have started to contribute.

Logistics revenue increased by 3% to HK$2,817 million (2016: HK$2,748 million) but operating profit fell by 7% to HK$667 million (2016: HK$719 million) resulting from higher operating costs.

Exit from the CME segment was completed through the sale of Wharf T&T in November 2016 and disposal of i-CABLE shares by distribution in specie to the Company's shareholders completed in September 2017. For 2017, this led to a significant decline in CME revenue to HK$874 million (2016: HK$3,145 million) and an operating loss of HK$294 million (2016: profit of HK$59 million).

Investment and others revenue increased by 19% to HK$1,044 million (2016: HK$878 million) and operating profit by 27% to HK$579 million (2016: HK$455 million), benefitted from higher interest income and dividend income.

On consolidation, Group revenue decreased by 7% to HK$43,273 million (2016: HK$46,627 million) but operating profit increased by 21% to HK$20,622 million (2016: HK$17,065 million).

DP Sales

Total DP contracted sales, inclusive of joint venture projects on an attributable basis, decreased by 13% to HK$35,045 million (2016: HK$40,104 million).

Mainland contracted sales dropped by 19% to RMB25,338 million (2016: RMB31,420 million). However, revenue recognition grew by 11% to HK$33,959 million (2016: HK$30,676 million) with operating profit nearly doubling to HK$10,207 million (2016: HK$5,133 million). Net order book dropped to RMB19,196 million (December 2016: RMB27,436 million) accordingly.

Hong Kong contracted sales, mainly attributable to Mount Nicholson, amounted to HK$4,733 million (2016: HK$4,980 million). Revenue recognition decreased to HK$5,279 million (2016: HK$6,419 million) but contributed an operating profit of HK$2,907 million (2016: HK$2,400 million). In addition, 8 Bay East, an investment property under development in Kwun Tong, was sold for HK$9,000 million resulting in a gain of HK$4,499 million accounted as other net income.

Fair Value Gain of Investment Properties

Book value of the Group's IP portfolio as at 31 December 2017 fell substantially to HK$82.1 billion (2016: HK$319.3 billion), following the Wharf REIC spinoff, of which HK$65.5 billion was stated at fair value based on independent valuation to generate a revaluation gain of HK$2,310 million (2016: HK$910 million). The attributable net revaluation gain of HK$1,733 million (2016: HK$906 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$16.6 billion (2016: HK$16.7 billion) is carried at cost and will not be carried at fair value until the earlier of its fair values first becoming reliably measurable or the date of completion.

Other Net Income

Other net income of HK$4,362 million (2016: HK$6,252 million) primarily included a gain of HK$4,499 million arising from disposal of 8 Bay East.

Included in other net income for 2016 was a gain of HK$7,260 million arising from disposal of the entire equity interest of Wharf T&T.

Finance Costs

Finance costs charged to the consolidated income statement amounted to HK$1,013 million (2016: HK$1,361 million) and included an unrealised mark-to-market gain of HK$292 million (2016: HK$237 million) on cross currency and interest rate swaps in accordance with prevailing accounting standards.

The effective borrowing rate for 2017 was 3.5% (2016: 3.2%). Excluding the unrealised mark-to-market gain, finance costs before capitalisation were HK$1,674 million (2016: HK$2,163 million), representing a 23% decrease. Finance costs after capitalisation were HK$1,305 million (2016: HK$1,598 million), representing an 18% decrease.

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

Attributable profit from associates increased by 44% to HK$1,331 million (2016: HK$923 million) mainly due to higher profit contributions from China DP.

Joint ventures profit also grew by 49% to HK$2,958 million (2016: HK$1,983 million) benefited from Mount Nicholson in Hong Kong and various China DP projects.

Income Tax

Taxation charge for the year increased substantially by 94% to HK$7,967 million (2016: HK$4,107 million), which included deferred taxation of HK$572 million (2016: HK$23 million) provided for the current year's revaluation gain attributable to investment properties in the Mainland.

Excluding the above deferred taxation, the tax charge increased by 81% to HK$7,395 million (2016: HK$4,084 million), which was mainly attributable to the higher profits from IP and Mainland DP segments coupled with the increase in land appreciation tax on certain Mainland DP projects sold at relatively high profit margins.

Non-controlling Interests

Group profit attributable to non-controlling interests increased to HK$727 million (2016: HK$225 million).

Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders for the year increased slightly by 2% to HK$21,876 million (2016: HK$21,440 million). Basic earnings per share were HK$7.21, based on weighted average of 3,034 million shares (2016: $7.07 based on weighted average of 3,031 million shares).

Excluding the net IP revaluation gain of HK$1,733 million (2016: HK$906 million), Group profit attributable to shareholders decreased by 2% to HK$20,143 million (2016: HK$20,534 million), which included a gain of HK$4,499 million from disposal of 8 Bay East (2016: HK$7,260 million gain on disposal of Wharf T&T).

Group core profit increased by 14% to HK$15,718 million (2016: HK$13,754 million), of which IP and DP accounted for 55% and 43% respectively. Core earnings per share were HK$5.18 (2016: HK$4.54).

Core profit is a performance indicator of the Group's major business segments and arrived at after excluding the attributable net IP revaluation gain HK$1,733 million (2016: HK$906 million), mark-to-market and exchange gain of HK$62 million (2016: HK$321 million) on certain financial instruments, disposal gain of 8 Bay East HK$4,499 million and other non-recurrent loss of HK$136 million (2016: HK$7,260 million gain on disposal of Wharf T&T).

Wharf REIC's Spinoff

Group results have been impacted by the spinoff of substantially all of its Hong Kong investment properties including Harbour City, Times Square, Plaza Hollywood, Wheelock House, Crawford House together with Harbour Centre Development Limited ("HCDL") through the distribution and separate listing of Wharf REIC in November 2017.

As reported, Group core profit increased by 14% to HK$15,718 million. Adjusted for the demerger by excluding Wharf REIC results, Group core profit increased by 36% from 2016 to HK$7,122 million (2016: HK$5,238 million), 88% of which from DP. Mainland DP core profit leaped by 145% to HK$3,840 million (2016: HK$1,568 million) and Hong Kong DP increased by 22% to HK$2,399 million (2016: HK$1,970 million), accounted for 54% and 34% of Group's core profit, respectively.

Should the spinoff not have occurred, Group core profit would have increased by 21% to HK$16,622 million instead. The spinoff reduced Group core profit by HK$904 million.

The above impacts are summarised by segment as follows:

Core Profit	**2017**				2016	
(HK$ million)	**Group (note) (a)**	**Group (Excluding Wharf REIC) (b)**	**Wharf REIC (c)**	**Combined Wharf and Wharf REIC (b)+(c)**	Group	Group (Excluding Wharf REIC)
IP	**8,568**	**747**	**8,671**	**9,418**	8,839	807
DP	**6,820**	**6,239**	**683**	**6,922**	3,822	3,538
– Hong Kong	**2,399**	**2,399**	**–**	**2,399**	1,970	1,970
– Mainland	**4,421**	**3,840**	**683**	**4,523**	1,852	1,568
Others	**330**	**136**	**146**	**282**	1,093	893
Total	**15,718**	**7,122**	**9,500**	**16,622**	13,754	5,238

Note: The Group's reported core profit for 2017 included Wharf REIC's profit up to the date of Wharf REIC's spinoff.

(II) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL COMMITMENTS

Shareholders' and Total Equity

As at 31 December 2017, shareholders' equity decreased by HK$174.8 billion to HK$142.0 billion (2016: HK$316.8 billion), equivalent to HK$46.75 per share based on 3,037 million issued shares (2016: HK$104.48 per share based on 3,032 million issued shares), mainly resulting from the utilisation of HK$197.8 billion distributable reserve for the Wharf REIC spinoff implemented by distribution of a special interim dividend. This was partially compensated by a net exchange surplus of HK$5.1 billion arising from translation of RMB net assets due to a 7% RMB appreciation in 2017.

Total equity including non-controlling interests decreased by HK$179.9 billion to HK$145.5 billion (2016: HK$325.4 billion).

Assets

Total assets as at 31 December 2017 halved to HK$222.6 billion (2016: HK$443.8 billion) following the Wharf REIC spinoff. Total business assets, excluding bank deposit and cash, financial and deferred tax assets, decreased to HK$161.7 billion (2016: HK$403.0 billion).

Geographically, Mainland business assets, mainly comprising properties and terminals, amounted to HK$127.5 billion (2016: HK$121.0 billion), representing 79% (2016: 30%) of total business assets.

Investment properties

Included in total assets is the IP portfolio of HK$82.1 billion (2016: HK$319.3 billion), representing 51% (2016: 79%) of total business assets. This portfolio mainly comprised Mainland IP at valuation of HK$62.5 billion (2016: HK$58.5 billion), led by Chengdu IFS and Shanghai Wheelock Square, and at cost of HK$16.6 billion (Changsha IFS under development).

Properties for sale

DP assets increased to HK$25.2 billion (2016: HK$23.9 billion), reflecting the construction cost incurred offset by disposals from the Mainland DP portfolio.

Interests in associates and joint ventures

Interests in associates and joint ventures amounted to HK$30.5 billion (2016: HK$31.1 billion), mainly representing DP projects in Hong Kong and the Mainland.

Equity Investments

Equity Investments amounted to HK$19.1 billion (2016: HK$5.7 billion), mainly representing a portfolio of blue chips held for long term growth potential with reasonable dividend return that in line with the market, and each investment within the portfolio is individually immaterial to the Group's total assets. The revaluation of portfolio produced a net surplus of HK$2.7 billion (2016: deficit of HK$0.8 billion) as reflected in the other comprehensive income for the year.

Deposits from sale of properties

Deposits from sale of properties amounted to HK$9.1 billion (2016: HK$18.9 million), representing contracted sales in the Mainland pending recognition in the coming years.

Net Cash/(Debt) and Gearing

Net cash as at 31 December 2017 amounted to HK$9.3 billion (2016: net debt of HK$23.8 billion), mainly resulting from net receipt from Wharf REIC of HK$42.0 billion to settle inter-group balance. It comprised of HK$45.7 billion in bank deposits and cash and HK$36.4 billion in debts. It includes Modern Terminals' net debt of HK$6.8 billion (2016: HK$8.5 billion), which is non-recourse to the Company and its other subsidiaries. Excluding these non-recourse debts, the Group's net cash was HK$16.1 billion (2016: net debt HK$16.7 billion). An analysis of the net cash/(debt) is as below:

Net cash/(debt)	31 December 2017 HK$ Billion	31 December 2016 HK$ Billion
Wharf (excluding below subsidiaries)	**16.1**	(16.7)
Modern Terminals	**(6.8)**	(8.5)
HCDL (disposed to Wharf REIC)	**–**	1.9
i-CABLE (disposed in September 2017)	**–**	(0.5)
	9.3	(23.8)

Finance and Availability of Facilities

Total available loan facilities and issued debt securities as at 31 December 2017 amounting to HK$43.0 billion, of which HK$36.4 billion were utilised, are analysed as below:

	31 December 2017		
	Available Facility HK$ Billion	Total Debts HK$ Billion	Undrawn Facility HK$ Billion
Company/wholly-owned subsidiaries			
Committed and uncommitted bank facilities	**7.9**	**5.4**	**2.5**
Debt securities	**23.2**	**23.2**	**–**
	31.1	**28.6**	**2.5**
Non-wholly-owned subsidiaries			
Committed and uncommitted			
– Modern Terminals	**11.9**	**7.8**	**4.1**
	43.0	**36.4**	**6.6**

Of the above debts, HK$4.8 billion (2016: HK$6.7 billion) was secured by mortgages over certain IP, DP and property, plant and equipment with total carrying value of HK$18.6 billion (2016: HK$17.7 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 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 are primarily used for management of interest rate and currency exposures.

The Group continued to maintain a strong financial position with ample surplus cash and undrawn committed facilities to facilitate business and investment activities. In addition, the Group also maintained a portfolio of liquid equity investments with an aggregate market value of HK$19.1 billion (2016: HK$5.7 billion), which is available for use if necessary.

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$21.0 billion (2016: HK$18.0 billion). The changes in working capital reduced the net cash inflow from operating activities to HK$5.2 billion (2016: HK$29.1 billion) for decrease in deposits from sale of properties and increase in properties under development. For investing activities, the Group recorded a net cash inflow of HK$36.7 billion (2016: outflow of HK$2.5 billion), mainly from net receipt of HK$42.0 billion from Wharf REIC and proceeds from disposal of 8 Bay East, partly offset by acquisition of equity investments.

Major Capital and Development Expenditures and Commitments

Major expenditures incurred in 2017 are analysed as follows:

	Hong Kong HK$ Million	Mainland China HK$ Million	Total HK$ Million
Properties			
IP	**1,716**	**2,515**	**4,231**
DP	**207**	**26,003**	**26,210**
	1,923	**28,518**	**30,441**
Others			
Hotels	**994**	**–**	**994**
Modern Terminals	**394**	**12**	**406**
i-CABLE	**135**	**–**	**135**
	1,523	**12**	**1,535**
Group total	**3,446**	**28,530**	**31,976**

i. IP expenditure was mainly for construction costs of the Mainland IFS projects.

ii. DP and IP expenditures included HK$9.4 billion for property projects undertaken by associates and joint ventures.

iii. Expenditure for Hotel was related mainly to conversion of The Murray before the Wharf REIC spinoff, while that for Modern Terminals was related mainly to terminal equipment.

As at 31 December 2017, major expenditures to be incurred in the coming years was estimated at HK$26.0 billion, of which HK$8.0 billion was committed. They are analysed by segment as below:

	As at 31 December 2017		
	Committed HK$ Million	Uncommitted HK$ Million	Total HK$ Million
IP			
Hong Kong	**748**	**–**	**748**
Mainland China	**2,512**	**5,409**	**7,921**
	3,260	**5,409**	**8,669**
DP			
Mainland China	**4,641**	**12,517**	**17,158**
Others			
Modern Terminals	**113**	**26**	**139**
Group total	**8,014**	**17,952**	**25,966**

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

These expenditures will be funded by internal financial resources including surplus cash, cash flows from operations, as well as bank and other borrowings and pre-sale proceeds. Other available resources include equity investments available for sale.

(III) HUMAN RESOURCES

The Group had approximately 8,800 employees as at 31 December 2017, 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

Complete demerger of the prime Hong Kong IP under Wharf REIC in November 2017 has provided investors with investment choice.

Following the demerger, the Group is principally engaged in Hong Kong and Mainland properties, with interests in hotels and logistics as well. In addition, CME2 is an infrastructure play in the new economy and represents a strategic investment with a long term perspective.

DP accounted for 88% of Group core profit in 2017. On an attributable basis, combined DP sales in Hong Kong and the Mainland exceeded HK$35 billion and revenue recognition exceeded HK$39 billion. Inclusive of non-DP, sale of property interests enabled a total net profit of over HK$12 billion to be realised.

Since the second half of 2017, over HK$50 billion has been re-invested to replenish DP land bank or related property interests. Total current land bank amounts to 3.0 million square feet in Hong Kong and 3.9 million square metres in the Mainland.

Flagship project in Hong Kong is Mount Nicholson, a record-setting luxury residential joint venture co-led by fellow subsidiary Wheelock Properties, to head the valuable Peak portfolio which includes non-DP properties. Other projects include redevelopment projects in Kowloon East and the newly-acquired Lung Cheung Road site in Kowloon Tong.

On the Mainland, sharpening of DP focus to half a dozen key cities (from the sixteen cities previously) has benefitted the business unit across the board. A number of projects are undertaken through joint ventures to pool resources.

IP on the Mainland accounted for another 10% of Group core profit in 2017. Recent additions include mixed-use International Finance Square (IFS) in the very heart of Chengdu and Chongqing, with Changsha due to open by phase from later this year. In particular, Chengdu IFS and Changsha IFS are comparable to Harbour City, Hong Kong, in critical mass and dominance in their respective markets.

Looking ahead, the Group is committed to a balanced business strategy, with no more than 50% of total equity allocated to properties in the Mainland.

(V) BUSINESS STRATEGY

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

1. For DP, applying core competencies in site selection and acquisition, product planning and design, construction management, premium branding and marketing to achieve premium sales results and profit margin;

2. For IP, replicating the leadership in management and strong professional relationship with key tenants to operate market leading complexes in the Mainland to create new value and present long-term growth potential;

3. Exploring new investments in the new economy both for direct return as well as to enhance the performance of “old economy” assets.

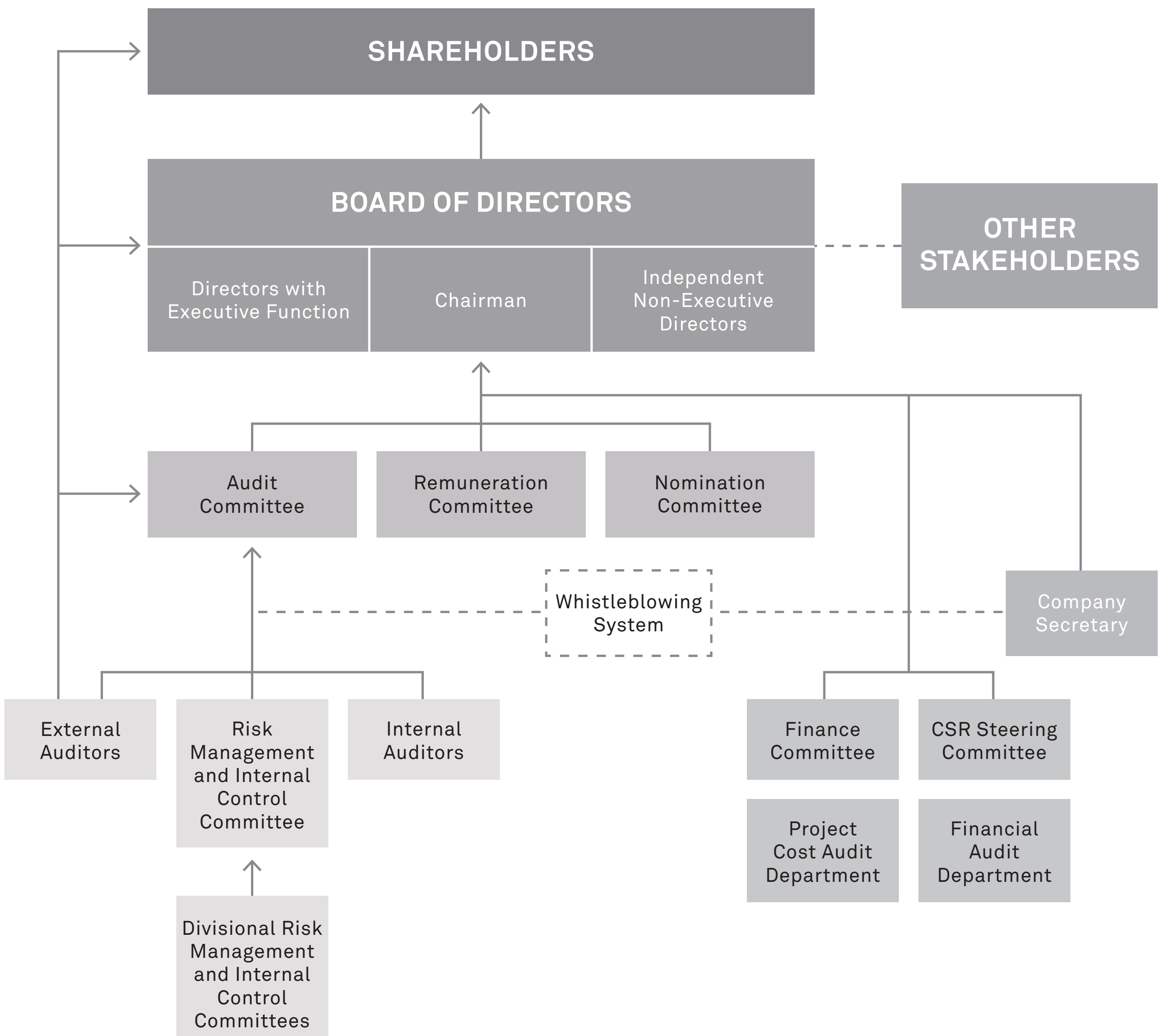
4. Continuous development of sustainable and localised organisations with local market know-how and international standards and execution expertise; and

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

CORPORATE GOVERNANCE 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 visualised as below:



COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the financial year ended 31 December 2017, the Company has complied with all the code provisions of the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), 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

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

Strategic Planning

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

Risk Management

- Review of principal risks and uncertainties
- Carry 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 ten members, including five Directors with executive functions and five INEDs.

The Directors' biographical details are set out in "(A) Biographical Details of Directors and Senior Managers" on pages 88 to 92. 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 of 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 2017:

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 years. 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(s)") 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 Andrew O K Chow, Mr Paul Y C Tsui, Mr K P Chan, Professor Edward K Y Chen and Ms Elizabeth Law will retire at the annual general meeting (the "AGM") to be held on 10 May 2018. 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 the Shareholders.

Independent Directors

Five out of ten 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 the Shareholders; and (2) further information to be sent out in the circular to the 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 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 2017 is as follows:

Fee payable to:	**At the rate of HK$'000 per annum**
The Chairman of the Board	250
Director (other than Chairman)	200
Member of the Audit Committee	100
Member of the Remuneration Committee	50

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 123 and 124 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 as a director of a listed company, 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 and 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 and Group Chief Financial Officer*	A, B
Director	
Mr K P Chan	A, B
Independent Non-executive Directors	
Professor Edward K Y Chen	A, B
Mr Vincent K Fang	A, B
Mr Hans Michael Jebsen	A, B
Ms Elizabeth Law *(appointed effective from 1 August 2017)*	A, B
Mr David Muir Turnbull	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 inside 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.

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

- be responsible for the 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
- undertake executive responsibility directly in certain major business and corporate units of the Group in his capacity as Managing Director

DIRECTORS WITH EXECUTIVE FUNCTIONS

China Development Properties
Mr Andrew O K Chow *(Deputy Chairman)*
Mr K P Chan

China Investment Properties
Ms Doreen Y F Lee *(Vice Chairman)*

Group Finance
Mr Paul Y C Tsui *(Vice Chairman and Group Chief Financial Officer)*

- carry full executive responsibilities over business directions and operational efficiency of the business and corporate units under their respective management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor Edward K Y Chen
Mr Vincent K Fang
Mr Hans Michael Jebsen
Ms Elizabeth Law
Mr David Muir Turnbull

- 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 laws, 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 2017

Individual attendance records of our Directors at Board meetings, Board Committees meetings and Annual General Meeting during the financial year ended 31 December 2017 are set out below:

	2017 Meetings Attended/Held			
	Board	Audit Committee	Remuneration Committee	Annual General Meeting
Executive Directors				
Mr Stephen T H Ng, *Chairman and Managing Director*	4/4	N/A	3/3	1/1
Mr Andrew O K Chow, *Deputy Chairman*	4/4	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 and Group Chief Financial Officer*	4/4	N/A	N/A	1/1
Directors				
Ms Y T Leng *(resigned with effect from 23 November 2017)*	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 *(resigned with effect from 23 November 2017)*	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	4/4	4/4	N/A	0/1
Mr Hans Michael Jebsen	3/4	2/4	3/3	1/1
Ms Elizabeth Law *(appointed effective from 1 August 2017)*	2/2	N/A	N/A	N/A
Mr David Muir Turnbull	3/4	N/A	3/3	0/1
Professor E K Yeoh *(resigned with effect from 23 November 2017)*	4/4	4/4	N/A	1/1
Total Number of Meeting	**4**	**4**	**3**	**1**

Note: The Chairman of the Company, the Chairmen of the Board Committees and a majority of Independent Non-executive Directors attended the 2017 AGM, with exceptions that Mr Vincent K Fang was absent due to other important engagement and Mr David Muir Turnbull was absent due to illness. Mr Vincent K Fang, being the chairman of the Audit Committee, was represented by other three Audit Committee members for answering questions at the AGM.

Board Process

Key Features of Board Process in 2017

Regular Meetings	• The Board held four regular meetings in 2017. Directors' attendance record for 2017 is disclosed on page 75 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 making 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 Association 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 Hans Michael Jebsen
- Ms Elizabeth Law
  (appointed effective from 23 November 2017)
- Mr David Muir Turnbull
  (appointed effective from 23 November 2017)
- Mr Alexander S K Au
  (resigned on 23 November 2017)
- Professor E K Yeoh
  (resigned on 23 November 2017)

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 Stephen T H Ng
- Mr David Muir Turnbull

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, and 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 2017

Audit Committee

- Four Audit Committee meetings were held in 2017 with attendance records as disclosed on page 75 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 whistleblowing cases and relevant investigation results
- Review of the corporate governance matters and the relevant reports of the Group
- Review and monitor the Group's compliance with legal and regulatory requirements
- Recommendation to the Board for the reappointment of External Auditors

Remuneration Committee

- Three Remuneration Committee meetings were held in 2017 with attendance as disclosed on page 75 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 Board Committee members
- Review of the list of emoluments for Directors to be disclosed in annual report

Nomination Committee

- No Nomination Committee meeting was held in 2017
- The appointment of Ms Elizabeth Law as a Director effective from 1 August 2017 was recommended by the Nomination Committee by way of resolution in writing

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, the 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 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 68.

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 2018 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 2017 are set out below:

	Fee paid/payable (HK$ Million)	
Type of Services:	**2017**	2016
Audit services	**20**	24
Non-audit services	**1**	1
Total	**21**	25

The Audit Committee was satisfied with KPMG's work and recommended to the Board that, subject to the Shareholders' approval at the forthcoming AGM, KPMG be re-appointed as the Company's Auditors for 2018.

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 106 to 111.

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 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 and 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 units of the Group
Scope and 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 DRMICCs and report to the Audit Committee on any major internal control issues from time to time Assume an advisory role on objectives setting, 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 • be responsible for the identification and reporting of functional risk, and the ongoing supervision and monitoring of the risk management and internal control systems • be 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	monitor the compliance with group policies and standards, and review of the effectiveness of internal control measures of business and corporate units
Financial Audit Department	scrutinise the leasing activities and expenditure proposals
Project Cost Audit Department	audit the tendering and contracts relating to construction works
CSR Steering Committee	ensure the 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 2017, 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 2017, 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 102 to 104 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*:

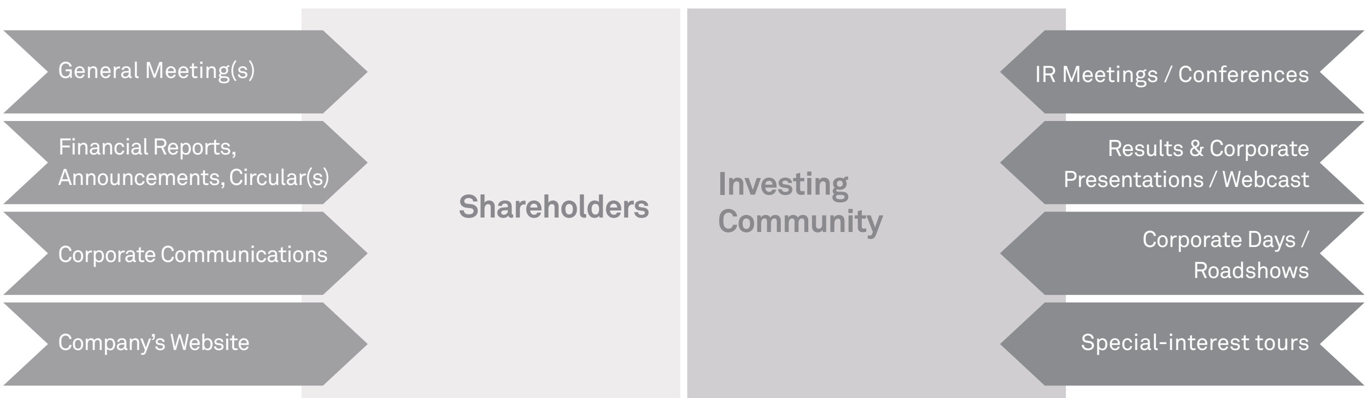
- restrictive access to inside information to a limited number of employees on a need-to-know basis
- appropriate confidentiality agreements are put in place when entering into any significant negotiations
- inclusion of a strict prohibition on the unauthorised use or disclosure of inside information 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 the 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 the 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 the Shareholders.



2017 Annual General Meeting

The 2017 AGM was held on 10 May 2017 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' meeting attendance on page 75. The Auditors of the Company, Messrs KPMG, attended the 2017 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 10 May 2017 posted on the websites of the Stock Exchange and the Company.

2018 Annual General Meeting

The forthcoming AGM will be held on 10 May 2018. 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 2018 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 the Shareholders to vote by poll:

(a) All resolutions put to the 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 the Shareholders and answer any questions from the 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 Registrars, 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 the 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

The 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, the 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 the 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 2017.

The Board of Directors has pleasure in submitting their Report and the Audited Financial Statements for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on pages 185 to 191.

The principal activities of the Group are development properties ("DP") in Hong Kong, the logistics business in Hong Kong, as well as investment properties ("IP") and DP in the Mainland after the completion of the exit from communication, media and entertainment segment in September 2017 and the demerger of the Hong Kong IP portfolio ("the Demerger") by way of separate listing of Wharf Real Estate Investment Company Limited ("Wharf REIC") on 23 November 2017.

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 45)
- Financial Highlights (pages 14 to 15) and Financial Review (pages 60 to 68)
- Principal Risks and Uncertainties (pages 102 to 104)
- Events after the reporting period – Note 31 to the Financial Statements (page 164)

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 pages 104 to 105.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the financial year ended 31 December 2017 are set out in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income on pages 112 to 113.

Appropriations of profits and movements in reserves of the Group and of the Company during the financial year are set out in the Consolidated Statement of Changes in Equity on page 115 and Note 24 to the Financial Statements on pages 156 to 157.

DIVIDENDS

During the financial year, aside from the first interim dividend in cash of HK$0.64 per share paid on 12 September 2017, the Company distributed in specie all shares held by the Group in i-CABLE Communications Limited ("i-CABLE Shares") and Wharf REIC shares to Shareholders as special interim dividends amounting to (i) HK$0.09 per share (on basis of 48.91791 i-CABLE Shares for every 100 shares completed on 7 September 2017); (ii) HK$0.1 per share (on basis of 27.73135 i-CABLE Shares for every 100 shares completed on 10 October 2017); and (iii) HK$65.14 per share (on basis of one Wharf REIC share for every one share completed on 23 November 2017).

In lieu of a final dividend, a second interim dividend in cash of HK$0.95 per share will be paid on 24 April 2018 to Shareholders on record as at 6:00 p.m. on 9 April 2018, making a total cash dividend of HK$1.59 per share in respect of the financial year 2017. Total distribution for the year, including the aforesaid three special interim dividends of HK$65.33 per share in aggregate, will amount to HK$66.92 (2016: HK$2.15) per share.

DONATIONS

The Group made donations during the financial year totalling HK$30 million.

SHARE CAPITAL

During the financial year, as a result of exercises of the share options previously granted under the Company's share option scheme (the "Scheme"), a total of 4,500,000 ordinary shares of the Company, credited as fully paid, were allotted and issued for a total consideration of HK$225,122,000.

Details of movement in share capital of the Company during the financial year are set out in Note 24 to the Financial Statements on pages 156 to 157.

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 Scheme as disclosed on pages 97 to 98 and any outstanding options granted thereunder.

DIRECTORS

The Directors of the Company during the financial year and up to the date of this report are Mr Stephen T H Ng, Mr Andrew O K Chow, Ms Doreen Y F Lee, Mr Paul Y C Tsui, Ms Y T Leng (resigned effective from 23 November 2017), Mr K P Chan, Mr Alexander S K Au (resigned effective from 23 November 2017), Professor Edward K Y Chen, Mr Vincent K Fang, Mr Hans Michael Jebsen, Ms Elizabeth Law (appointed on 1 August 2017), Mr David Muir Turnbull and Professor E K Yeoh (resigned effective from 23 November 2017).

Ms Elizabeth Law (appointed as Director after 2017 Annual General Meeting) is due to retire from the Board in accordance with Article 97 of the Company's Articles of Association and Messrs. Andrew O K Chow, Paul Y C Tsui, K P Chan and Professor Edward K Y Chen are due to retire by rotation from the Board in accordance with Article 106(A) of the Company's Articles of Association, at the forthcoming Annual General Meeting. The retiring Directors, being eligible, offer themselves for re-election. None of the retiring Directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

A list of persons who serve/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 105.

INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

MANAGEMENT CONTRACTS

No 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 of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, with the exception that during the year, there existed certain outstanding options to subscribe for ordinary shares of the Company and of 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 of the Company during the financial year.

Under the respective rules of the two schemes (such rules being subject to the relevant laws and provisions applicable from time to time), shares of the Company 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 of Hong Kong Limited (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 4,500,000 ordinary shares of the Company were allotted and issued to Mr Stephen T H Ng, Mr Andrew O K Chow, Ms Doreen Y F Lee, Mr Paul Y C Tsui, Mr K P Chan (all being current Directors of the Company) and Ms Y T Leng (resigned effective from 23 November 2017) on their exercise of options under the Scheme, and a total of 1,800,000 ordinary shares of Wheelock were allotted and issued to Mr Paul Y C Tsui on his exercise of options under Wheelock's share option scheme. Further information of the share option schemes of the Company and Wheelock is set out on pages 97 to 98.

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 fellow subsidiaries (Wharf REIC and Harbour Centre Development Limited ("HCDL")), 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 listed securities of the Company during the financial year.

AUDITORS

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

OTHER CORPORATE INFORMATION

Other corporate information supplementary to this Directors' Report are set out on pages 88 to 105.

By Order of the Board
Kevin C Y Hui
Company Secretary

Hong Kong, 8 March 2018

OTHER CORPORATE INFORMATION

(A) Biographical Details of Directors and Senior Managers

(i) Directors

Mr Stephen Tin Hoi Ng, *Chairman and Managing Director* (Age: 65)
Mr Ng joined the Group 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.

Mr Ng is the deputy chairman of Wheelock (publicly listed holding company of the Company), chairman and managing director of Wharf REIC, chairman of HCDL and Wheelock Properties (Singapore) Limited ("WPSL") (all being publicly listed fellow subsidiaries of the Company in Hong Kong or Singapore). He also serves as a non-executive chairman of publicly listed Joyce Boutique Holdings Limited ("JBHL") as well as a non-executive director of Hotel Properties Limited (a publicly listed associate of Wheelock). He formerly served as chairman and chief executive officer of i-CABLE Communications Limited ("i-CABLE") until his resignation in September 2017 and a non-executive director of Greentown China Holdings Limited ("Greentown") until his resignation in March 2015 (both being publicly listed in Hong Kong).

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

Under the existing service contract between the Group and Mr Ng, his basic salary and various allowances for the year 2018, exclusive of the amounts which would be borne by Wharf REIC and/or its subsidiaries since the Demerger and calculated on an annualised basis, would be approximately HK$5.03 million (2017: HK$7.72 million) per annum.

Mr Andrew On Kiu Chow, *Deputy Chairman* (Age: 67)
Mr Chow has been a Director of the Company since July 2011 and became 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 is also an Independent Non-executive Director of Hong Kong Economic Times Holdings Limited (being publicly listed in Hong Kong). He was formerly a non-executive director and vice chairman of publicly listed Greentown from March 2015 to July 2015.

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 Investments Company Limited and Next Digital Limited. He is a graduate of The University of Hong Kong where he obtained his bachelor's degree in Social Science.

Under the existing service contract between the Group and Mr Chow, his basic salary and various allowances for the year 2018, calculated on an annualised basis, would be approximately HK$5.67 million (2017: HK$5.67 million) per annum.

Ms Doreen Yuk Fong Lee, *Vice Chairman* (Age: 61)
Ms Lee has been a Director of the Company since 2003 and became a Vice Chairman in May 2015. She is also chairman and senior managing director of Wharf China Estates Limited with primary responsibility to oversee the Group's portfolio of investment properties in Mainland China. She is a vice chairman and executive director of Wharf REIC, a fellow subsidiary of the Company publicly listed in Hong Kong. Ms Lee is also a non-executive director of JBHL, and a former non-executive director of HCDL from July 2010 to July 2012 (both being publicly listed in Hong Kong).

Ms Lee is a graduate of The University of Hong Kong where she obtained her bachelor's degree in Arts (Hon).

Under the existing service contract between the Group and Ms Lee, her basic salary and various allowances for the year 2018, exclusive of the amounts which would be borne by Wharf REIC and/or its subsidiaries since the Demerger and calculated on an annualised basis, would be approximately HK$1.6 million (2017: HK$5.66 million) per annum.

Mr Paul Yiu Cheung Tsui, *Vice Chairman and Group Chief Financial Officer* (Age: 71)
Mr Tsui, *FCCA, FCPA, FCMA, CGMA, CPA, CGA*, is a Vice Chairman and Group Chief Financial Officer of the Company and is also an executive director and group chief financial officer of Wheelock (publicly listed holding company of the Company). He joined the Wheelock/Wharf group in 1996 and became a director of Wheelock in 1998.

Furthermore, Mr Tsui is a non-executive director of publicly listed JBHL and a vice chairman of Wheelock Properties Limited, a wholly-owned subsidiary of Wheelock. He formerly served as a director of HCDL and WPSL (both being publicly listed fellow subsidiaries of the Company in Hong Kong or Singapore) until his resignations in August 2015. He was also formerly a non-executive director of i-CABLE and Greentown (both being publicly listed in Hong Kong) until his resignation in September 2017 and July 2015 respectively.

Mr Tsui is currently a general committee member of the Employers' Federation of Hong Kong ("EFHK") and chairman of 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 2018, 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$4.37 million (2017: HK$4.2 million) per annum.

Mr Kwok Pong Chan, *Director* (Age: 57)
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 non-executive director of HCDL (a listed fellow subsidiary of the Company) 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 2018, calculated on an annualised basis, would be approximately HK$3.63 million (2017: HK$3.49 million) per annum.

Professor Edward Kwan Yiu Chen, *GBS, CBE, JP, Director* (Age: 73)
Professor Chen has been an Independent Non-executive Director of the Company since 2002. He is also an Independent Non-executive Director of First Pacific Company Limited (publicly listed in Hong Kong) and Hang Seng Qianhai Fund Management Company Limited. He was formerly an Independent Non-executive Director of publicly listed Asia Satellite Telecommunications Holdings Limited.

Professor Chen 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 chairman of HKU SPACE and a member of the board of directors of the Hong Kong Institute for Monetary Research of the Hong Kong Monetary Authority. He was the president of Lingnan University in Hong Kong from September 1995 to August 2007. He was also 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.

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: 74)
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 Honorary Chairman of the Liberal Party and a director of The Federation of Hong Kong Garment Manufacturers. He was formerly 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 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 the Hong Kong Retail Management Association and a member of the Airport Authority of Hong Kong, the Hong Kong Tourism Board, the Hospital Authority and the Operations Review Committee of the Independent Commission Against Corruption.

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: 61)
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.

Mr Jebsen 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, chairman and a board member of the Asian Cultural Council Hong Kong, chairman of the Advisory Council of the Business School of The Hong Kong University of Science and Technology, a trustee of World Wide Fund for Nature Hong Kong and a member of Board of Trustees of Asia Society Hong Kong Center, Hong Kong-Europe Business Council of the Hong Kong Trade Development Council as well as Advisory Board of the Hong Kong Red Cross. Since 2015, he has also been a member of the Operations Review Committee of the Independent Commission Against Corruption.

After schooling in Germany and Denmark, Mr Jebsen 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. In 2015, he was awarded Doctor of Business Administration honoris causa of The Hong Kong University of Science and Technology.

Ms Elizabeth Law, *MH, JP, Director* (Age: 63)
Ms Law has been an Independent Non-executive Director of the Company since August 2017. She also serves as a member of the Audit Committee.

Ms Law is currently an Independent Non-executive Director of Clifford Modern Living Holdings Limited and Sunwah Kingsway Capital Holdings Limited (both being publicly listed in Hong Kong). She also serves as an Independent Non-executive Director of Sunwah International Limited (being publicly listed on the Toronto Stock Exchange).

Ms Law graduated from McGill University, Canada in 1976. She is currently a managing director of Law & Partners CPA Limited, and the proprietor of Stephen Law & Company. Ms Law is a Certified Public Accountants (Practising) in Hong Kong, a member of the Chartered Professional Accountants Canada, a fellow member of The Institute of Chartered Accountants in England & Wales, a fellow member of Certified Public Accountants Australia, and a certified tax adviser in Hong Kong.

Ms Law is also a member of Employees Compensation Assistance Fund Board and deputy convenor of Administration and Finance Committee of Equal Opportunities Commission. She was appointed a Justice of the Peace in 2009.

Ms Law served as President of The Society of Chinese Accountants and Auditors, a council member of Hong Kong Institute of Certified Public Accountants, and the founding president of Association of Woman Accountants (Hong Kong) Limited. She had been an Independent Non-executive Director of China Vanke Company Limited (being publicly listed in Hong Kong) since 2012 until her retirement in June 2017.

Mr David Muir Turnbull, *Director* (Age: 62)
Mr Turnbull has been an Independent Non-executive Director of the Company since November 2013. He also serves as a member of the Audit Committee, Nomination Committee and Remuneration Committee.

Mr Turnbull is currently chairman and executive director of Pacific Basin Shipping Limited (being publicly listed in Hong Kong). He also serves as a non-executive director of G3 Exploration Limited (Formerly known as "Green Dragon Gas Limited") (being publicly listed on the London Stock Exchange).

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 and a non-executive director of Greka Drilling Limited from February 2011 to October 2017.

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 five Directors named under (A) (i) above, led by the Chairman and Managing Director. Only those five 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 2017, 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), one fellow subsidiary of the Company, namely, Wharf REIC, one subsidiary of the Company, namely, Modern Terminals Limited ("Modern Terminals"), and one associated corporation of the Company (of which the Company is interested in more than 20% of its issued shares), namely, 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	9,445 (0.0003%)	Personal Interest
Andrew O K Chow	490,000 (0.0161%)	Personal Interest
K P Chan	230,000 (0.0076%)	Personal Interest
Vincent K Fang	100,000 (0.0033%)	Personal Interest
Wheelock		
Stephen T H Ng	176,000 (0.0086%)	Personal Interest
Paul Y C Tsui	300,000 (0.0147%)	Personal Interest
Wharf REIC		
Stephen T H Ng	1,009,445 (0.0332%)	Personal Interest
Andrew O K Chow	10,000 (0.0003%)	Personal Interest
K P Chan	230,000 (0.0076%)	Personal Interest
Vincent K Fang	100,000 (0.0033%)	Personal Interest
Modern Terminals		
Hans Michael Jebsen	3,787 (5.40%)	Corporate Interest
Greentown		
Andrew O K Chow	260,000 (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 2017. 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 2017 by Directors (and/or their respective associates(s)) of the Company to subscribe for ordinary shares of the Company granted/exercisable under the share option scheme of the Company:

			No. of Shares under Option				
Name of Director	Total no. as at 31 December 2017 *(percentage based on no. of shares in issue)*	Date of grant *(Day/Month/Year)*	As at 1 January 2017	Exercised during the year	As at 31 December 2017	Subscription Price per Share *(HK$)*	Vesting/Exercise Period *(Day/Month/Year)*
Stephen T H Ng	5,000,000 (0.16%)	05/06/2013	400,000	(400,000) [(1)]	–	23.83[(6)]	06/06/2013 – 05/06/2018
			400,000	(400,000) [(1)]	–		06/06/2014 – 05/06/2018
			400,000	(200,000) [(1)]	200,000		06/06/2015 – 05/06/2018
			400,000	–	400,000		06/06/2016 – 05/06/2018
			400,000	–	400,000		06/06/2017 – 05/06/2018
		Sub-total	2,000,000	(1,000,000) [(1)]	1,000,000		
		07/07/2016	1,000,000	(1,000,000) [(1)]	–	15.92[(6)]	08/07/2016 – 07/07/2021
			1,000,000	–	1,000,000		08/07/2017 – 07/07/2021
			1,000,000	–	1,000,000		08/07/2018 – 07/07/2021
			1,000,000	–	1,000,000		08/07/2019 – 07/07/2021
			1,000,000	–	1,000,000		08/07/2020 – 07/07/2021
		Sub-total	5,000,000	(1,000,000) [(1)]	4,000,000		
Andrew O K Chow	4,000,000 (0.13%)	05/06/2013	400,000	(400,000) [(2)]	–	23.83[(6)]	06/06/2013 – 05/06/2018
			400,000	–	400,000		06/06/2014 – 05/06/2018
			400,000	–	400,000		06/06/2015 – 05/06/2018
			400,000	–	400,000		06/06/2016 – 05/06/2018
			400,000	–	400,000		06/06/2017 – 05/06/2018
		Sub-total	2,000,000	(400,000) [(2)]	1,600,000		
		07/07/2016	600,000	(600,000) [(2)]	–	15.92[(6)]	08/07/2016 – 07/07/2021
			600,000	–	600,000		08/07/2017 – 07/07/2021
			600,000	–	600,000		08/07/2018 – 07/07/2021
			600,000	–	600,000		08/07/2019 – 07/07/2021
			600,000	–	600,000		08/07/2020 – 07/07/2021
		Sub-total	3,000,000	(600,000) [(2)]	2,400,000		
Doreen Y F Lee	3,800,000 (0.13%)	05/06/2013	400,000	–	400,000	23.83[(6)]	06/06/2013 – 05/06/2018
			400,000	–	400,000		06/06/2014 – 05/06/2018
			400,000	–	400,000		06/06/2015 – 05/06/2018
			400,000	–	400,000		06/06/2016 – 05/06/2018
			400,000	–	400,000		06/06/2017 – 05/06/2018
		Sub-total	2,000,000	–	2,000,000		
		07/07/2016	600,000	(600,000) [(3)]	–	15.92[(6)]	08/07/2017 – 07/07/2021
			600,000	–	600,000		08/07/2018 – 07/07/2021
			600,000	–	600,000		08/07/2019 – 07/07/2021
			600,000	–	600,000		08/07/2020 – 07/07/2021
		Sub-total	2,400,000	(600,000) [(3)]	1,800,000		

Name of Director	Total no. as at 31 December 2017 *(percentage based on no. of shares in issue)*	Date of grant *(Day/Month/Year)*	No. of Shares under Option As at 1 January 2017	Exercised during the year	As at 31 December 2017	Subscription Price per Share *(HK$)*	Vesting/Exercise Period *(Day/Month/Year)*
Paul Y C Tsui	1,900,000 (0.06%)	05/06/2013	200,000	–	200,000	23.83 (6)	06/06/2013 – 05/06/2018
			200,000	–	200,000		06/06/2014 – 05/06/2018
			200,000	–	200,000		06/06/2015 – 05/06/2018
			200,000	–	200,000		06/06/2016 – 05/06/2018
			200,000	–	200,000		06/06/2017 – 05/06/2018
		Sub-total	1,000,000	–	1,000,000		
		07/07/2016	300,000	(300,000) (4)	–	15.92 (6)	08/07/2017 – 07/07/2021
			300,000	–	300,000		08/07/2018 – 07/07/2021
			300,000	–	300,000		08/07/2019 – 07/07/2021
			300,000	–	300,000		08/07/2020 – 07/07/2021
		Sub-total	1,200,000	(300,000) (4)	900,000		
K P Chan	1,350,000 (0.04%)	05/06/2013	150,000	–	150,000	23.83 (6)	06/06/2013 – 05/06/2018
			150,000	–	150,000		06/06/2014 – 05/06/2018
			150,000	–	150,000		06/06/2015 – 05/06/2018
			150,000	–	150,000		06/06/2016 – 05/06/2018
			150,000	–	150,000		06/06/2017 – 05/06/2018
		Sub-total	750,000	–	750,000		
		07/07/2016	200,000	(200,000) (5)	–	15.92 (6)	08/07/2016 – 07/07/2021
			200,000	(200,000) (5)	–		08/07/2017 – 07/07/2021
			200,000	–	200,000		08/07/2018 – 07/07/2021
			200,000	–	200,000		08/07/2019 – 07/07/2021
			200,000	–	200,000		08/07/2020 – 07/07/2021
		Sub-total	1,000,000	(400,000) (5)	600,000		
		Total	**20,350,000**	**(4,300,000)**	**16,050,000**		

Notes:

(1) *The weighted average closing price of the Company's shares immediately before the date(s) of exercise(s) of the options by Mr Stephen T H Ng during the year was HK$68.84 per share.*

(2) *The weighted average closing price of the Company's shares immediately before the date(s) of exercise(s) of the options by Mr Andrew O K Chow during the year was HK$49.97 per share.*

(3) *The closing price of the Company's shares 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$79.65 per share.*

(4) *The closing price of the Company's shares immediately before the date(s) of exercise(s) of the options (all exercised on the same day) by Mr Paul Y C Tsui during the year was HK$79.65 per share.*

(5) *The weighted average closing price of the Company's shares immediately before the date(s) of exercise(s) of the options by Mr K P Chan during the year was HK$64.63 per share.*

(6) *With the successful spin-off of Wharf REIC and the special interim dividend declared by the board of directors of the Company by way of allotment and issue of new shares in Wharf REIC (the "Distribution"), the subscription prices applicable to the share options of the Company granted on 5 June 2013 and 7 July 2016 have been adjusted from HK$70.20 to HK$23.83 and from HK$46.90 to HK$15.92 respectively with effect from 30 November 2017 as a result of the Distribution.*

(7) *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 2017 by Directors (and/or their respective associate(s)) 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 2017 *(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 2017	Exercised during the year	As at 31 December 2017	Subscription Price per Share *(HK$)*	Vesting/Exercise period *(Day/Month/Year)*
Paul Y C Tsui	900,000 (0.04%)	14/06/2013	1,500,000	(1,500,000)	–	39.98	15/06/2017-14/06/2018
		07/07/2016	300,000	(300,000)	–	36.60	08/07/2017-07/07/2021
			300,000	–	300,000		08/07/2018-07/07/2021
			300,000	–	300,000		08/07/2019-07/07/2021
			300,000	–	300,000		08/07/2020-07/07/2021
		Total	**2,700,000**	**(1,800,000)**	**900,000**		

Note:

(1) Except as disclosed above, no share option of Wheelock held by Directors of the Company (and/or their associate(s)) lapsed or was exercised or cancelled during the financial year and no share option of Wheelock was granted to any Director of the Company and/or their associate(s) 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), there were no interests, both long and short positions, held or deemed to be interested as at 31 December 2017 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), nor had there been any rights to subscribe for any shares, underlying shares or debentures of the Company and its associated corporations held or deemed to be interested by any of them as at 31 December 2017.

(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 2017, 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	1,882,506,608 (61.99%)
(ii)	HSBC Trustee (C.I.) Limited	1,882,506,608 (61.99%)

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"), High Fame Investments Limited ("HFIL") and Wheelock Investments Limited ("WIL"), with 254,929,072 shares (8.40%) being the deemed interests held by LL, 1,367,849,536 shares (45.05%) being the deemed interests held by WIPL, 259,728,000 shares (8.55%) being the deemed interests held by HFIL and 1,882,506,608 shares (61.99%) being the deemed interests held by WIL.

All the interests stated above represented long positions. As at 31 December 2017, there were no short position interests recorded in the Register.

(D) Share Option Scheme

(I) Summary of 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:
9.09%

(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 3 years (expiring on 8 June 2021)

(II) Details of Share Options Granted

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

Set out below are particulars and movement(s), if any, during the financial year of all of the Company's outstanding share options which were granted to certain employees (five of them being present Directors of the Company), 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 2017**	**Exercised during the year**	**As at 31 December 2017**	**Vesting/Exercise Period** *(Day/Month/Year)*	**Subscription Price per Share** *(HK$)*
05/06/2013	2,100,000	(800,000)[1]	1,300,000	06/06/2013 – 05/06/2018	23.83[2]
	2,100,000	(400,000)[1]	1,700,000	06/06/2014 – 05/06/2018	
	2,100,000	(200,000)[1]	1,900,000	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	(1,400,000)[1]	9,100,000		
07/07/2016	1,800,000	(1,800,000)[1]	–	08/07/2016 – 07/07/2021	15.92[3]
	2,900,000	(1,300,000)[1]	1,600,000	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	
	13,400,000	(3,100,000)[1]	10,300,000		
Total:	**23,900,000**	**(4,500,000)[1]**	**19,400,000**		

Notes:

(1) *The weighted average closing price of the Company's shares immediately before the date(s) of exercise(s) of the option during the financial year was HK$66.63 per share.*

(2) *The subscription price of the Company's share option granted on 5 June 2013 was adjusted from HK$70.20 per share to HK$23.83 per share with effect from 30 November 2017 as a result of the Distribution.*

(3) *The subscription price of the Company's share option granted on 7 July 2016 was adjusted from HK$46.90 per share to HK$15.92 per share with effect from 30 November 2017 as a result of the Distribution.*

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

(E) Retirement Benefits Schemes

The Group's principal retirement benefits schemes available to its 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, Wharf REIC, and/or certain subsidiary(ies) and/or associate(s) of Wheelock and/or Wharf REIC, are considered as having an interest in Wheelock and/or Wharf REIC 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 and Wharf REIC are considered as competing businesses for the Group. However, given the Group itself has adequate experience in property and hotel businesses, it is capable of carrying on independently of Wheelock and Wharf REIC.

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 Wheelock and Wharf REIC.

(G) Major Customers and Suppliers

For the financial year ended 31 December 2017:

(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 2017 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 145 and 146. Those which would fall due for repayment after a period of one year are particularised in Note 20 to the Financial Statements on pages 145 and 146.

(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 2017.

(J) Disclosure of Connected Transactions

Pre-Demerger

(i) Master Tenancy Agreements

During the financial year, there existed various tenancy agreements entered into by certain subsidiaries of Wharf REIC ("Wharf REIC Group", which were wholly-owned subsidiaries of the Company prior to the Demerger) as landlords for the purpose of the letting by the landlords to the tenants certain commercial premises owned by the Wharf REIC Group to Wheelock and its subsidiaries/associates ("Wheelock Group Tenants").

On 26 September 2014, the Company entered into a master tenancy agreement (the "MTA") with Wisdom Gateway Limited ("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 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.

Wheelock Group Tenants, being affiliates of WGL, are regarded as connected persons of the Company under the Listing Rules due to Wheelock being a substantial shareholder of the Company. Therefore, the tenancy agreements with Wheelock Group Tenants and various transactions contemplated hereunder constitute continuing connected transactions of the Company under the Listing Rules and were governed by the MTA until the completion of the spin-off and separate listing of Wharf REIC on 23 November 2017 ("Demerger Date").

The annual aggregate amount of rental under the MTA, which is subject to the relevant aggregate annual cap amount previously disclosed in the abovementioned announcement dated 26 September 2014, received by the Group from Wheelock Group Tenants for the period ended on the Demerger Date amounted to HK$73 million.

Post-Demerger

Prior to the Demerger, the Company and/or its subsidiaries (collectively, the "Group") have entered into certain transactions with Wharf REIC and/or its subsidiaries which have become connected persons of the Company upon the Demerger Date. Such pre-existing transactions have become continuing connected transactions of the Company under the Listing Rules following the completion of the Demerger. In order to regulate these pre-existing transactions and any new continuing connected transactions to be entered into between the Group and Wharf REIC Group from time to time, the Company entered into the Master Hotel Services Agreement and the Wharf Leasing Framework Agreement, particulars of which were disclosed in the announcement of the Company dated 8 November 2017.

Set out below is information in relation to such continuing connected transactions of the Group and is required under the Listing Rules to be disclosed in the Annual Report and Financial Statements of the Company.

(ii) Master Hotel Services Agreement

On 8 November 2017, the Master Hotel Services Agreement (the "MHSA") was entered into between the Company and Wharf REIC commencing on 23 November 2017, the Demerger Date, and expiring on 31 December 2019. The MHSA is for the purpose of, *inter alia*, regulating the provision of hotel management services comprising management, marketing and technical services and/or any other services relating to the development and/or operation of hotels and/or serviced apartment property(ies) ("Hotel Services") by the Group to Wharf REIC Group from time to time in respect of the hotels owned by Wharf REIC Group, and stipulating, *inter alia*, the annual cap amount of remuneration receivable by the Group from Wharf REIC Group in relation thereto at HK$30 million, HK$135 million and HK$160 million for the two months ending 31 December 2017 and the two financial years ending 31 December 2018 and 2019 respectively.

The aggregate amount of remuneration receivable by the Group under the MHSA, which is subject to the relevant annual cap amount as abovementioned for the period from the Demerger Date to 31 December 2017 amounted to HK$15 million.

(iii) Wharf Leasing Framework Agreement

On 8 November 2017, the Wharf Leasing Framework Agreement (the "WLFA") was entered into between the Company and Wharf REIC commencing on 23 November 2017, the Demerger Date, and expiring on 31 December 2019. The WLFA is for the purpose of, *inter alia*, regulating the provision of rental services (i.e. leases, tenancies or licenses) ("Rental Services") provided by Wharf REIC Group to the Group from time to time in respect of the premises (including office premises, car parking spaces and building areas but excluding hotel premises) owned by Wharf REIC Group and stipulating, *inter alia*, the annual cap on the amounts payable by the Group to Wharf REIC Group in relation thereto at HK$8 million, HK$44 million and HK$44 million for the two months ending 31 December 2017 and the two financial years ending 31 December 2018 and 2019 respectively.

The aggregate amount payable by the Group under the WLFA, which is subject to the relevant annual cap amount as abovementioned for the period from the Demerger Date to 31 December 2017 amounted to HK$4 million.

Upon the Demerger Date, Wharf REIC had ceased to be a subsidiary of the Company but remains as a subsidiary of Wheelock which in turn is a substantial shareholder of the Company, Wharf REIC is regarded as a connected person of the Company within the meaning under the Listing Rules and the transactions mentioned under Sections (J)(ii) and (iii) above constitute continuing connected transactions for the Company.

(iv) Confirmation from the Directors and the Auditors

(a) The Directors, including the Independent Non-executive Directors, of the Company have reviewed the continuing connected transactions mentioned under Sections (J)(i) to (J)(iii) above (the "Transactions") and have confirmed that the 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 relevant agreements governing the 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 of Directors engaged the Company's auditors to perform procedures on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

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

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

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

(3) the relevant cap amounts, where applicable, have been exceeded during the financial year ended 31 December 2017; 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 all material respects, in accordance with the pricing policies of the Group.

(v) With regard to the Material Related Parties Transactions as disclosed under Note 26 to the Financial Statements on page 159, the transactions stated under paragraphs (a)(ii) and (b) 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 significant 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 organisation so as to take prevent evictions to avoid or mitigate their adverse impacts.

Risks pertaining to Development Properties ("DP")

DP segment is the Group's 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 minimise the commercial and legal risks.

Risks pertaining to Investment Properties ("IP")

IP segment is another Group's core business with IP assets accounted for 37% of the Group's total. With the majority of the properties located in Mainland China, the general economic climate, regulatory changes, government policies and the political conditions in 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 capitalised 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 consolidated 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. In addition, long-range planned and tactical promotions are seamlessly executed for maintaining the IPs' leading brands and value.

Risks pertaining to Logistic Segment

The Group operates container terminals both in Hong Kong and Mainland China. A tepid recovery of global trade flows and a temporary adjustment on the newly-formed alliances phased-in their new vessels, however we expect the first few months of 2018 will be a challenge given we had a strong growth in 2017. We still expect a robust global trade growth which will help the throughput to align with the market.

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 implemented our multi-year programme to increase our operational efficiency and infrastructure capability, the benefits of which will flow through in 2018.

Risks pertaining to Hotel Segment

The Group operates 16 hotels in the Asia Pacific region, three 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 in the 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 Equity Investments

The Group has a portfolio of equity investments, which accounted for about 9% of the Group's total assets. The portfolio is held for long term growth potential with reasonable return that in line with the general market and so diversified as consisting of mainly blue chips with each investment individually immaterial to the Group's total asset. Given that the volatility of the stock market, the portfolio is subject to market fluctuation and may affect the net asset value of the Group yet impacts on Group's results should be insignificant. The performance of the portfolio is assessed and monitored by top management regularly.

Legal and Regulatory Compliance risks

Whilst the Group has a portfolio of business operations across Hong Kong, various Mainland cities and Asia Pacific regions, any failure to anticipate the trend of regulatory changes or cope with relevant requirements may result in non-compliance of local laws or regulation, leading to not only financial loss but also reputational damage to the Group. In mitigation of relevant risks, the Group actively assesses the effect of relevant developments and engages closely with regulatory authorities and external advisors on new laws and regulations and also trending 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 150 to 156.

(L) Environmental, Social and Governance

The Group is committed to integrating social and environmental factors throughout our operations and taking an active part in community investment projects. A three-tier governance structure, consisting of a group-level CSR Steering Committee, Cross-Business Unit ("BU") CSR Group and CSR governance bodies at each business unit, formulates the overall CSR strategy and reviews CSR Guidelines to align with the Group's goals and commitments and improve performance. Executives from BUs oversee the day-to-day management of programmes and meet regularly to exchange ideas and best practices.

In 2016, the Group issued environmental guidelines to govern pollution prevention and waste management, sustainable use of resources, carbon emissions, environmental protection, biodiversity and the restoration of natural habitats. The Group leverages mature technologies to improve energy efficiency, reduce waste and manage resource consumption, and has executed environmental initiatives commensurate with each BU's scale, operations and locations.

The Group's Business Code of Ethics and Code of Conduct clearly state our expectations of ethical behaviour for our employees and other stakeholders, and strictly prohibit any form of bribery and corruption. Whistleblowing Policy and Procedures are in place to enable all employees and business partners to report any misconduct or malpractice in a confidential manner. The Group complies with the Competition Ordinance (Cap 619 of the laws of Hong Kong). Guidelines and trainings were provided to employees to prevent them from engaging in anti-competitive behaviours.

The Group focuses our efforts on further improving the quality of life of our customers. Trainings are provided to equip employees with the knowledge and skills necessary to provide the highest quality of services to our valued customers. Measures tailored to the business nature of the BUs are adopted to protect customer health and safety. The Group complies with legislation in Hong Kong and Mainland China [(1)] while planning and executing our marketing and communications projects and ensures that the information contained is accurate, fair and transparent. To protect customers' personal information, the Group adheres to the Personal Data (Privacy) Ordinance (Cap 486 of the laws of Hong Kong) and follows a standard procedure in handling customers' information. To better manage our supply chain, vendor management systems are implemented to assess suppliers' social, environmental and technical capabilities.

The Group's development is attributed to our loyal and talented employees. The Group adopts a fair and transparent recruitment process, remunerates employees with welfare packages commensurate to their qualifications and experience, invests in their career development and promotes an inclusive and safe workplace. All company policies and practices conform to the relevant statutory requirements of the respective jurisdiction. The Group complies with the Occupational Safety and Health standards recommended by the government and has safety manuals and management systems in place tailored to different BUs.

The Group believes that our responsibilities go beyond contributing to economic growth. Through our diverse portfolio, the Group provides financial and manpower support for various community programmes, focusing on youth fostering, economic development and social welfare. Employees are encouraged to volunteer and help those in need.

Detailed discussions of the Group's environmental policies and its relationship with customers, suppliers, employees, and other key stakeholders are contained on pages 48 to 59 of this Annual Report. Further details can also be found in the Group's standalone Sustainability Report which is available for download on the Group's corporate website (http://www.wharfholdings.com).

Note:

(1) *Anti-Unfair Competition Law, Regulation on Telecommunications, The People's Republic of China; Trade Descriptions Ordinance* (Cap 362), HKSAR; consumer rights protection legislation and logo guidelines.

(M) Directors of Subsidiaries

The names of all persons who, during the financial year and up to 8 March 2018 (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 2017 are set out below:

CHAK Hoi Kit Jacques
CHAN Kwok Pong
CHAN Sik Wah
CHAN Wing Sang Wilson
Chavalit Uttasart
CHEUNG Mark Quintin
CHOW On Kiu
FU Wai Hung
GUO Guanghui
GUO Yong
HENNIG Hans Helmuth
HUI Chung Ying Kevin
LEE Yuk Fong Doreen
LENG Yen Thean
LEUNG Kam Cheung*
LEVESQUE Peter Jon
LI Jun
LI Lei
LI Qingan
LI Yongqian*
LI Yubin
LING Miu Ngan
LO Wai Man
NG Tin Hoi Stephen
OON Hock Neo
PAO Zen Kwok Peter
SIU Wing Koon
SIU Yau Chung Joseph
SUN Ligan
TAN Bee Kim
TANG See Chui*
TSO Hok Chiu Vivian
TSUI Yiu Cheung
WEI Qing Shan
WONG Kwong Yiu
WONG Yee Lut Eliot
WOO Chun Kuen Douglas
WU Guan
YICK Chi Ming Frankie
YIM Kong
YOUNG Stephen Ying Yuen
ZHANG Lu
ZHANG Vicky Yuanyuan
ZHANG Yi
毛立鵬*
王佳宏
王玲
周建罡
郭志成
陸美麗*
凌學風
陳小平
陳信霖
劉鳴
聶煥新

* *ceased to be a director of the Group's subsidiaries on or before 8 March 2018.*

KPMG

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 112 to 191, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRS") 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 investment properties (primarily retail and offices) located in Hong Kong and in major cities across Mainland China which accounted for 37% of the Group's total assets as at 31 December 2017.

The fair values of the investment properties as at 31 December 2017 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 investment properties recorded in the consolidated income statement represented 8% of the Group's profit before taxation for the year ended 31 December 2017.

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 investment property, including market rents and market yields, with available market data and government statistics; and
- conducting site visits to IP and comparing tenancy information, including market rents and occupancy rates adopted by the external property valuer with underlying contracts and related documentation, on a sample basis.

For IPUD our audit procedures also included the following:

- evaluating the design, implementation and operating effectiveness of key internal controls over the preparation, monitoring and management of the budgeted construction and other costs for each property development;
- 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 property development 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 l(ii) and note 14 to the consolidated financial statements

The key audit matter

The Group had a number of property development projects located in major cities across Mainland China which were stated at the lower of cost and net realisable value at an aggregate amount of HK$25.2 billion as at 31 December 2017.

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 development 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 86% of the Group's revenue for the year ended 31 December 2017. Deposits from pre-sale of properties as at 31 December 2017 totalled HK$9.1 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 revenue recognition for IP and DP as a key audit matter because of its significance to the Group and because small errors in the revenue recognition, either individually or in aggregate, for each property could have a material impact on the Group's profit for the year.	Our audit procedures to assess the revenue recognition 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 investment property and development property segments; • comparing fixed rental revenue received and receivable with underlying tenancy information, including monthly rents and rental periods as set out in the signed rental agreements, on a sample basis, and assessing whether fixed rental revenue had been recorded in the appropriate accounting period; • re-performing the calculation of contingent rental received and receivable with reference to turnover reports submitted by the relevant retail outlets, on a sample basis, and assessing whether the contingent rental had been recorded and accounted for in the appropriate accounting period; and • inspecting occupation permits or completion certificates which had had been issued by the relevant government authorities on a sample basis for sales and pre-sales for each development property project and assessing whether the cash, for the s ample 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 the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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 of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
8 March 2018

CONSOLIDATED INCOME STATEMENT

For The Year Ended 31 December 2017

	Note	2017 HK$ Million	2016 HK$ Million
Revenue	1	**43,273**	46,627
Direct costs and operating expenses		**(19,403)**	(25,145)
Selling and marketing expenses		**(929)**	(1,485)
Administrative and corporate expenses		**(1,381)**	(1,526)
Operating profit before depreciation, amortisation, interest and tax		**21,560**	18,471
Depreciation and amortisation	2	**(938)**	(1,406)
Operating profit	2	**20,622**	17,065
Increase in fair value of investment properties		**2,310**	910
Other net income	3	**4,362**	6,252
		27,294	24,227
Finance costs	4	**(1,013)**	(1,361)
Share of results after tax of:			
Associates	10	**1,331**	923
Joint ventures	11	**2,958**	1,983
Profit before taxation		**30,570**	25,772
Income tax	5	**(7,967)**	(4,107)
Profit for the year		**22,603**	21,665
Profit attributable to:			
Equity shareholders		**21,876**	21,440
Non-controlling interests		**727**	225
		22,603	21,665
Earnings per share	7		
Basic		**HK$7.21**	HK$7.07
Diluted		**HK$7.21**	HK$7.07

The notes and principal accounting policies on pages 118 to 191 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 2017

	2017 HK$ Million	2016 HK$ Million
Profit for the year	**22,603**	21,665
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Fair value changes on equity investments	**2,660**	(827)
Revaluation on reclassification of other properties	**1,427**	–
	4,087	(827)
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of foreign operations	**4,290**	(5,139)
Share of other comprehensive income of associates/joint ventures	**1,054**	(1,088)
Others	**(1)**	14
Other comprehensive income for the year	**9,430**	(7,040)
Total comprehensive income for the year	**32,033**	14,625
Total comprehensive income attributable to:		
Equity shareholders	**30,896**	14,813
Non-controlling interests	**1,137**	(188)
	32,033	14,625

The notes and principal accounting policies on pages 118 to 191 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Note	31 December 2017 HK$ Million	31 December 2016 HK$ Million
Non-current assets			
Investment properties	8	**82,128**	319,298
Property, plant and equipment	9	**13,201**	20,735
Interest in associates	10	**16,608**	14,437
Interest in joint ventures	11	**13,837**	16,710
Equity investments	12	**19,109**	5,723
Goodwill and other intangible assets	13	**298**	298
Deferred tax assets	22	**954**	654
Derivative financial assets	16	**180**	247
Other non-current assets		**134**	252
		146,449	378,354
Current assets			
Properties for sale	14	**25,200**	23,874
Inventories		**–**	29
Trade and other receivables	15	**5,192**	4,281
Derivative financial assets	16	**109**	332
Bank deposits and cash	17	**45,697**	36,957
		76,198	65,473
Total assets		**222,647**	443,827
Non-current liabilities			
Derivative financial liabilities	16	**(578)**	(1,539)
Deferred tax liabilities	22	**(11,252)**	(10,633)
Other deferred liabilities		**–**	(305)
Bank loans and other borrowings	20	**(26,267)**	(45,616)
		(38,097)	(58,093)
Current liabilities			
Trade and other payables	18	**(16,982)**	(24,245)
Deposits from sale of properties	19	**(9,083)**	(18,937)
Derivative financial liabilities	16	**(343)**	(685)
Taxation payable	5(d)	**(2,529)**	(1,283)
Bank loans and other borrowings	20	**(10,142)**	(15,178)
		(39,079)	(60,328)
Total liabilities		**(77,176)**	(118,421)
NET ASSETS		**145,471**	325,406
Capital and reserves			
Share capital	24	**29,760**	29,497
Reserves		**112,214**	287,297
Shareholders' equity		**141,974**	316,794
Non-controlling interests		**3,497**	8,612
TOTAL EQUITY		**145,471**	325,406

The notes and principal accounting policies on pages 118 to 191 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 2017

	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 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 and 1 January 2017	**29,497**	**(2,024)**	**(3,531)**	**292,852**	**316,794**	**8,612**	**325,406**
Changes in equity for 2017:							
Profit	**–**	**–**	**–**	**21,876**	**21,876**	**727**	**22,603**
Other comprehensive income	**–**	**3,952**	**5,064**	**4**	**9,020**	**410**	**9,430**
Total comprehensive income	**–**	**3,952**	**5,064**	**21,880**	**30,896**	**1,137**	**32,033**
Shares issued under the share option scheme	**263**	**(38)**	**–**	**–**	**225**	**–**	**225**
Transfer to revenue reserves upon de-recognition of equity investments	**–**	**(14)**	**–**	**14**	**–**	**–**	**–**
Equity settled share-based payments	**–**	**40**	**–**	**–**	**40**	**–**	**40**
Disposal of subsidiaries	**–**	**(590)**	**(345)**	**–**	**(935)**	**(5,618)**	**(6,553)**
2016 second interim dividend paid	**–**	**–**	**–**	**(4,762)**	**(4,762)**	**–**	**(4,762)**
2017 first interim dividend paid	**–**	**–**	**–**	**(1,943)**	**(1,943)**	**–**	**(1,943)**
Net capital repatriation to non-controlling interests of subsidiaries	**–**	**–**	**–**	**–**	**–**	**(344)**	**(344)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(290)**	**(290)**
Dividend by way of distribution in specie	**–**	**–**	**–**	**(198,341)**	**(198,341)**	**–**	**(198,341)**
At 31 December 2017	**29,760**	**1,326**	**1,188**	**109,700**	**141,974**	**3,497**	**145,471**

The notes and principal accounting policies on pages 118 to 191 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2017

	Note	2017 HK$ Million	2016 HK$ Million
Operating cash inflow	(a)	**20,968**	17,965
Changes in working capital	(a)	**(12,754)**	14,406
Cash generated from operations	(a)	**8,214**	32,371
Net interest paid		**(1,245)**	(1,497)
Interest paid		**(1,702)**	(1,939)
Interest received		**457**	442
Dividends received from associates/joint ventures		**1,140**	1,572
Dividends received from equity investments		**151**	102
Hong Kong profits tax paid		**(1,774)**	(1,631)
Overseas tax paid		**(1,278)**	(1,833)
Net cash generated from operating activities		**5,208**	29,084
Investing activities			
Additions to investment properties		**(3,720)**	(11,871)
Additions to property, plant and equipment		**(1,576)**	(2,084)
Additions to programming library		**(72)**	(122)
Net (increase)/decrease in interest in associates		**(3,524)**	2,828
Net decrease in interest in joint ventures		**5,994**	1,451
Net proceeds from disposal of property, plant and equipment		**2**	44
Purchase of equity investments		**(13,775)**	(371)
Acquisition of interest in subsidiaries		**(50)**	(49)
Net proceeds from disposal of subsidiaries	(d)	**824**	9,388
Proceeds from disposal of an associate		**850**	–
Proceeds from disposal of investment properties		**5,525**	711
Net receipt of inter-group balance settlement upon spin-off	6(d)	**41,953**	–
Proceeds from disposal of equity investments		**514**	1,923
Net placement of bank deposits with maturity greater than three months		**3,725**	(4,326)
Net cash generated from/(used in) investing activities		**36,670**	(2,478)
Financing activities			
Proceeds from the issue of shares under the share option scheme		**225**	52
Drawdown of bank loans and other borrowings	(c)	**4,748**	16,234
Repayment of bank loans and other borrowings	(c)	**(28,449)**	(25,839)
Net capital repatriation to non-controlling interests of subsidiaries		**(344)**	(48)
Dividends paid to equity shareholders		**(6,705)**	(5,850)
Dividends paid to non-controlling interests		**(290)**	(590)
Net cash used in financing activities		**(30,815)**	(16,041)
Increase in cash and cash equivalents		**11,063**	10,565
Cash and cash equivalents at 1 January		**32,530**	23,409
Effect of exchange rate changes		**1,402**	(1,444)
Cash and cash equivalents at 31 December		**44,995**	32,530
Analysis of the balance of cash and cash equivalents			
Bank deposits and cash	(b)	**44,995**	32,530

The notes and principal accounting policies on pages 118 to 191 form part of these financial statements.

NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

a. Reconciliation of operating profit to cash generated from operations

	2017 HK$ Million	2016 HK$ Million
Operating profit	**20,622**	17,065
Adjustments for:		
Interest income	**(489)**	(460)
Dividends receivable from equity investments	**(151)**	(102)
Depreciation and amortisation	**938**	1,406
Loss on disposal of property, plant and equipment	**8**	5
Equity settled share-based payment expenses	**40**	51
Operating cash inflow	**20,968**	17,965
Increase in properties under development for sale	**(16,891)**	(6,210)
Decrease in completed properties for sale	**13,422**	18,703
Decrease in inventories	**3**	7
Increase in trade and other receivables	**(611)**	(789)
Increase in trade and other payables	**2,009**	1,993
(Decrease)/increase in deposits from sale of properties	**(9,854)**	83
(Decrease)/increase in derivative financial instruments	**(858)**	598
Other non-cash items	**26**	21
Changes in working capital	**(12,754)**	14,406
Cash generated from operations	**8,214**	32,371

b. Cash and cash equivalents

	2017 HK$ Million	2016 HK$ Million
Bank deposits and cash in the consolidated statement of financial position (Note 17)	**45,697**	36,957
Less: Bank deposits with maturity greater than three months	**(702)**	(4,427)
Cash and cash equivalents in the consolidated statement of cash flows	**44,995**	32,530

c. Reconciliation of liabilities arising from financing activities

	Bank loans and other borrowings	
	2017 HK$ Million	2016 HK$ Million
At 1 January	**60,794**	70,707
Changes from financing cash flows:		
Drawdown of bank loans and other borrowings	**4,748**	16,234
Repayment of bank loans and other borrowings	**(28,449)**	(25,839)
Total changes from financing activities	**(23,701)**	(9,605)
Exchange adjustments	**1,055**	(190)
Other changes:		
Disposal of subsidiaries	**(1,945)**	–
Fair value gain/(loss)	**206**	(118)
At 31 December	**36,409**	60,794

d. The amount comprises net cash inflow of bank deposits and cash on (i) cash inflow upon disposal of subsidiaries; net of (ii) cash outflow of distribution in specie of i-CABLE (note 6(c)) during the year ended 31 December 2017.

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.

In November 2017, six Hong Kong prime investment properties including Harbour City, Times Square, Plaza Hollywood, Wheelock House, Crawford House and The Murray were spun off through the distribution and separate listing of Wharf REIC.

Investment property segment primarily includes property leasing operations. After Wharf REIC's spinoff, the Group's properties portfolio, which mainly consists of retail, office and serviced apartments is primarily located in 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. After Wharf REIC's spinoff, the Group operates 16 hotels (five of which are owned by Wharf REIC) in the Asia Pacific region, three 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") and Hong Kong Air Cargo Terminals Limited ("Hactl").

CME segment comprises pay television, internet and multimedia and other businesses. The Group completed the exit of CME businesses in September 2017 upon the completion of distribution in specie of i-CABLE Communications Limited ("i-CABLE").

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 2017	Revenue HK$ Million	Operating profit HK$ Million	Investment properties fair value HK$ Million	Other net income HK$ Million	Finance costs HK$ Million	Associates HK$ Million	Joint ventures HK$ Million	Profit before taxation HK$ Million
Investment property	**14,599**	**12,029**	**2,310**	**(10)**	**(1,104)**	**–**	**–**	**13,225**
Hong Kong	**11,964**	**10,571**	**1,199**	**–**	**(944)**	**–**	**–**	**10,826**
Mainland China	**2,635**	**1,458**	**1,111**	**(10)**	**(160)**	**–**	**–**	**2,399**
Development property	**22,608**	**7,753**	**–**	**602**	**(25)**	**1,053**	**2,948**	**12,331**
Hong Kong	**18**	**9**	**–**	**–**	**–**	**2**	**2,389**	**2,400**
Mainland China	**22,590**	**7,744**	**–**	**602**	**(25)**	**1,051**	**559**	**9,931**
Hotels	**1,487**	**328**	**–**	**–**	**(3)**	**–**	**–**	**325**
Logistics	**2,817**	**667**	**–**	**104**	**(184)**	**278**	**12**	**877**
Terminals	**2,703**	**649**	**–**	**145**	**(184)**	**170**	**12**	**792**
Others	**114**	**18**	**–**	**(41)**	**–**	**108**	**–**	**85**
CME	**874**	**(294)**	**–**	**86**	**(7)**	**–**	**–**	**(215)**
Inter-segment revenue	**(156)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Segment total	**42,229**	**20,483**	**2,310**	**782**	**(1,323)**	**1,331**	**2,960**	**26,543**
Investment and others	**1,044**	**579**	**–**	**3,580**	**310**	**–**	**(2)**	**4,467**
Corporate expenses	**–**	**(440)**	**–**	**–**	**–**	**–**	**–**	**(440)**
Group total	**43,273**	**20,622**	**2,310**	**4,362**	**(1,013)**	**1,331**	**2,958**	**30,570**
For the year ended 31 December 2016								
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

b. Analysis of inter-segment revenue

	2017 Total Revenue HK$ Million	2017 Inter-segment revenue HK$ Million	2017 Group Revenue HK$ Million	2016 Total Revenue HK$ Million	2016 Inter-segment revenue HK$ Million	2016 Group Revenue HK$ Million
Investment property	**14,599**	**(126)**	**14,473**	15,289	(168)	15,121
Development property	**22,608**	**–**	**22,608**	23,275	–	23,275
Hotels	**1,487**	**–**	**1,487**	1,587	–	1,587
Logistics	**2,817**	**–**	**2,817**	2,748	–	2,748
CME	**874**	**(2)**	**872**	3,145	(63)	3,082
Investment and others	**1,044**	**(28)**	**1,016**	878	(64)	814
	43,429	**(156)**	**43,273**	46,922	(295)	46,627

c. Analysis of segment business assets

	2017 HK$ Million	2016 HK$ Million
Investment property	**86,613**	320,570
Hong Kong	**22,165**	261,459
Mainland China	**64,448**	59,111
Development property	**56,810**	55,144
Hong Kong	**5,076**	6,040
Mainland China	**51,734**	49,104
Hotels	**1,458**	8,361
Logistics	**16,803**	17,732
Terminals	**15,865**	16,727
Others	**938**	1,005
CME	**–**	1,193
Total segment business assets	**161,684**	403,000
Unallocated corporate assets	**60,963**	40,827
Total assets	**222,647**	443,827

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:

	2017 HK$ Million	2016 HK$ Million
Development property	**25,764**	25,000
Logistics	**4,681**	5,974
Group total	**30,445**	30,974

d. Other segment information

	Capital expenditure		Increase in interests in associates and joint ventures		Depreciation and amortisation	
	2017 HK$ Million	2016 HK$ Million	**2017 HK$ Million**	2016 HK$ Million	**2017 HK$ Million**	2016 HK$ Million
Investment property	**4,231**	12,407	**–**	–	**117**	106
Hong Kong	**1,716**	7,942	**–**	–	**22**	32
Mainland China	**2,515**	4,465	**–**	–	**95**	74
Development property	**–**	–	**6,332**	1,130	**–**	–
Hong Kong	**–**	–	**4**	243	**–**	–
Mainland China	**–**	–	**6,328**	887	**–**	–
Hotels	**994**	1,021	**–**	–	**140**	206
Logistics	**406**	431	**1**	–	**456**	421
Terminals	**406**	431	**1**	–	**454**	418
Others	**–**	–	**–**	–	**2**	3
CME	**135**	497	**–**	–	**225**	673
i-CABLE	**135**	238	**–**	–	**222**	324
Telecommunications	**–**	259	**–**	–	**3**	349
Group total	**5,766**	14,356	**6,333**	1,130	**938**	1,406

In addition, the CME segment incurred HK$74 million (2016: HK$122 million) for its programming library. The Group had no significant non-cash expenses other than i) impairment provision written back of HK$1,104 million (2016: provision HK$1,296 million) made for certain development projects and assets and ii) depreciation and amortisation.

e. Geographical information

	Revenue		Operating Profit	
	2017 HK$ Million	2016 HK$ Million	**2017 HK$ Million**	2016 HK$ Million
Hong Kong	**16,685**	21,716	**11,447**	12,780
Mainland China	**26,537**	24,860	**9,124**	4,234
Singapore	**51**	51	**51**	51
Group total	**43,273**	46,627	**20,622**	17,065

	Specified non-current assets		Total business assets	
	2017 HK$ Million	2016 HK$ Million	**2017 HK$ Million**	2016 HK$ Million
Hong Kong	**31,569**	280,834	**34,221**	282,028
Mainland China	**94,618**	94,239	**127,463**	120,972
Group total	**126,187**	375,073	**161,684**	403,000

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:

	2017 HK$ Million	2016 HK$ Million
After charging/(crediting):		
Depreciation and amortisation on		
– assets held for use under operating leases	**167**	161
– property, plant and equipment	**627**	1,075
– leasehold land	**63**	60
– programming library	**81**	110
Total depreciation and amortisation	**938**	1,406
Impairment of trade receivables	**–**	1
Staff costs (Note (i))	**2,797**	3,545
Auditors' remuneration		
– audit services	**20**	24
– other services	**1**	1
Cost of trading properties for recognised sales	**14,203**	18,634
Rental charges under operating leases in respect of telecommunications equipment and services	**–**	71
Gross rental revenue from investment properties (Note (ii))	**(14,599)**	(15,289)
Direct operating expenses of investment properties	**2,268**	2,626
Rental income under operating leases in respect of owned plant and equipment	**(28)**	(34)
Interest income (Note (iii))	**(489)**	(460)
Dividend income from equity investments	**(151)**	(102)
Loss on disposal of property, plant and equipment	**8**	5

Notes:

i. Staff costs include contributions to defined contribution pension schemes of HK$259 million (2016: HK$291 million), which included MPF schemes after a forfeiture of HK$nil million (2016: HK$1 million) and equity-settled share-based payment expenses of HK$40 million (2016: HK$51 million).

ii. Rental income includes contingent rentals of HK$1,148 million (2016: HK$1,113 million).

iii. Interest income of HK$489 million (2016: HK$460 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	2017 Total emoluments HK$'000	2016 Total emoluments HK$'000
Board of Directors						
Stephen T H Ng (Note iii, vi and vii)	**300**	**7,721**	**84,100**	**12**	**92,133**	19,570
Andrew O K Chow	**200**	**5,668**	**8,000**	**–**	**13,868**	13,814
Doreen Y F Lee (Note vi)	**200**	**5,659**	**8,000**	**17**	**13,876**	13,917
Paul Y C Tsui	**200**	**5,254**	**6,500**	**–**	**11,954**	11,744
Y T Leng (Note iv)	**179**	**3,584**	**6,000**	**354**	**10,117**	8,419
K P Chan	**200**	**3,490**	**4,000**	**519**	**8,209**	8,044
Independent Non-executive Directors						
Alexander S K Au (Note ii and iv)	**268**	**–**	**–**	**–**	**268**	225
Edward K Y Chen	**200**	**–**	**–**	**–**	**200**	150
Vincent K Fang (Note ii)	**300**	**–**	**–**	**–**	**300**	225
Hans Michael Jebsen (Note ii and iii)	**350**	**–**	**–**	**–**	**350**	225
Elizabeth Law (Note ii and v)	**94**	**–**	**–**	**–**	**94**	–
David M Turnbull (Note ii and iii)	**261**	**–**	**–**	**–**	**261**	150
E K Yeoh (Note ii and iv)	**268**	**–**	**–**	**–**	**268**	225
	3,020	**31,376**	**116,600**	**902**	**151,898**	76,708
Total for 2016	2,175	31,826	41,500	1,207	–	76,708

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 2017 and 2016.

ii. Includes Audit Committee Member's fee for the year ended 31 December 2017 of HK$100,000 (2016: HK$75,000) received/receivable by each of relevant Directors.

iii. Includes Remuneration Committee Member's fee for the year ended 31 December 2017 of HK$50,000 (2016: Nil) received/receivable by each of relevant Directors.

iv. Ms. Y T Leng, Mr. Alexander S K Au and Prof. E K Yeoh resigned as Directors of the Company with effect from 23 November 2017.

v. Ms. Elizabeth Law was appointed as a Director of the Company with effect from 1 August 2017.

vi. Since Wharf REIC spinoff, the above emoluments of Mr. Stephen T H Ng and Ms. Doreen Y F Lee excluded amounts borne by Wharf REIC calculated on a pre-determined percentage of the basic remuneration for being executive directors and employees of the Company and Wharf REIC pursuant to a framework agreement entered into between the Company and Wharf REIC.

vii. Included a discretionary one-off Special Entrepreneurial Merit Award of HK$72.6 million for Mr. Stephen T H Ng's contribution to building up and managing Wharf T&T since it was established in 1995 and the realisation of substantial investment value from the disposal of Wharf T&T in 2016.

viii. 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 2017, information regarding emoluments of two (2016: two) 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:

Aggregate emoluments	2017 HK$ Million	2016 HK$ Million
Salaries, allowances and benefits in kind	**13**	15
Equity settled share-based payment expenses (Note)	**2**	4
Contributions to pension scheme and retirement benefit costs	**1**	4
Discretionary bonuses	**20**	17
Total	**36**	40

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.

Bands (in HK$)	2017 Number	2016 Number
$16,500,001 – $17,000,000	**1**	–
$18,500,001 – $19,000,000	**1**	1
$20,500,001 – $21,000,000	**–**	1
	2	2

3. OTHER NET INCOME

Other net income for the year which amounted to HK$4,362 million (2016: HK$6,252 million) mainly comprises:

a. A gain of HK$4,499 million arose from disposal of an investment property.

b. Net foreign exchange loss of HK$706 million (2016: gain HK$301 million) which included a fair value loss on forward foreign exchange contracts of HK$345 million (2016: fair value gain of HK$83 million).

c. Write-back of impairment provision of HK$1,104 million (2016: provision charge of HK$1,296 million) on certain development projects and assets.

d. 2016 included a gain of HK$7,260 million arose from disposal of the entire equity interests in Wharf T&T Limited.

4. FINANCE COSTS

	2017 HK$ Million	2016 HK$ Million
Interest charged on:		
Bank loans and overdrafts	**907**	858
Other borrowings	**635**	1,036
Total interest charge	**1,542**	1,894
Other finance costs	**132**	269
Less: Amount capitalised	**(369)**	(565)
	1,305	1,598
Fair value (gain)/loss:		
Cross currency interest rate swaps	**(433)**	72
Interest rate swaps	**141**	(309)
	(292)	(237)
Total	**1,013**	1,361

a. Interest was capitalised at an average annual rate of approximately 2.3% (2016: 2.1%).

b. Included in the total interest charge are amounts totalling HK$1,167 million (2016: HK$1,527 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:

	2017 HK$ Million	2016 HK$ Million
Current income tax		
Hong Kong		
– provision for the year	**1,676**	1,748
– overprovision in respect of prior years	**(10)**	(7)
Outside Hong Kong		
– provision for the year	**2,608**	1,133
– (over)/under-provision in respect of prior years	**(36)**	9
	4,238	2,883
Land appreciation tax (“LAT”) (Note c)	**2,431**	718
Deferred tax		
Change in fair value of investment properties	**572**	23
Origination and reversal of temporary differences	**726**	537
Benefit of previously unrecognised tax losses now recognised	**–**	(54)
	1,298	506
Total	**7,967**	4,107

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% (2016: 16.5%).

b. Income tax on assessable profits outside Hong Kong is mainly China corporate income tax calculated at a rate of 25% (2016: 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 consolidated 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 2017 of HK$1,420 million (2016: HK$1,170 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 2017, the Group has provided HK$1,387 million (2016: HK$159 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:

	2017 HK$ Million	2016 HK$ Million
Profit before taxation	**30,570**	25,772
Notional tax on profit before taxation calculated at applicable tax rates	**5,309**	4,129
Tax effect of non-deductible expenses	**428**	959
Tax effect of non-taxable income	**(1,690)**	(1,763)
Tax effect of non-taxable fair value gain on investment properties	**(198)**	(212)
Net (over)/under provision in respect of prior years	**(46)**	2
Tax effect of tax losses not recognised	**171**	374
Tax effect of previously unrecognised tax losses utilised	**(68)**	(191)
Tax effect of previously unrecognised tax losses now recognised as deferred tax assets	**–**	(54)
Tax effect on temporary difference not recognised	**(52)**	–
LAT on trading properties	**2,431**	718
Deferred LAT on change in fair value of investment properties	**295**	(14)
Withholding tax on distributed/undistributed earnings	**1,387**	159
Actual total tax charge	**7,967**	4,107

6. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	2017 HK$ per share	2017 HK$ Million	2016 HK$ per share	2016 HK$ Million
First interim dividend declared and paid	**0.64**	**1,943**	0.58	1,758
Second interim dividend declared after the end of the reporting period (note b)	**0.95**	**2,887**	1.57	4,762
	1.59	**4,830**	2.15	6,520
Distribution in specie in the form of shares in i-CABLE (note c)	**0.19**	**562**	–	–
Distribution in specie in the form of shares in Wharf REIC (note d)	**65.14**	**197,779**	–	–
	65.33	**198,341**	–	–
Total	**66.92**	**203,171**	2.15	6,520

a. The second interim dividend based on 3,039 million issued ordinary shares (2016: 3,032 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$4,762 million for 2016 was approved and paid in 2017.

c. The distribution in specie comprises (i) the initial distribution in specie of the entire shareholding of 1,485.3 million i-CABLE shares held by the Company with an attributable book value of HK$262 million; and (ii) further distribution in specie of 842.0 million i-CABLE shares held by the Company which were being capitalised from the capitalisation of loan to i-CABLE in the sum of HK$300 million.

d. The distribution in specie was implemented for the purpose of spin-off of Wharf REIC, whereby Wharf REIC shares was allotted and issued to the qualifying Wharf shareholders on the basis of one Wharf REIC share for every one share of the Company held as at 20 November 2017. Following the completion of the spin-off of Wharf REIC, the Company does not retain any interest in the issued share capital of Wharf REIC and Wharf REIC is no longer be a subsidiary of the Company. The carrying amount of net assets of Wharf REIC on the completion date were as follows.

	HK$ Million
Investment Properties	245,801
Property, plant and equipment	7,916
Bank deposits and cash	2,964
Other assets	6,964
Liabilities	(60,332)
Net assets on the completion date	203,313
Non-controlling interests	(5,534)
Net assets distributed	197,779

	HK$ Million
Receipt of inter-group settlement upon spin off	44,917
Less: bank deposits and cash	(2,964)
Net cash receipt of inter-group settlement upon spin off	41,953

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$21,876 million (2016: HK$21,440 million) and the weighted average of 3,034 million ordinary shares in issue during the year (2016: 3,031 million ordinary shares).

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders for the year of HK$21,876 million (2016: HK$21,440 million) and the weighted average of 3,036 million ordinary shares (2016: 3,031 million ordinary shares) which is the weighted average number of ordinary shares in issue during the year after adjusting for the effect of deemed issue of shares under the Company's share option scheme.

8. INVESTMENT PROPERTIES

		Completed HK$ Million	Under development HK$ Million	Total HK$ Million
a.	Cost or valuation			
	At 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 and 1 January 2017	**289,041**	**30,257**	**319,298**
	Exchange adjustment	**2,895**	**1,091**	**3,986**
	Additions	**366**	**3,723**	**4,089**
	Disposal	**–**	**(3,293)**	**(3,293)**
	Disposal of subsidiaries	**(242,282)**	**(3,519)**	**(245,801)**
	Transfer	**1,539**	**–**	**1,539**
	Revaluation surpluses	**1,711**	**599**	**2,310**
	At 31 December 2017	**53,270**	**28,858**	**82,128**
b.	The analysis of cost or valuation of the above assets is as follows:			
	2017 valuation	**53,270**	**12,187**	**65,457**
	At cost	**–**	**16,671**	**16,671**
		53,270	**28,858**	**82,128**
	2016 valuation	289,041	13,556	302,597
	At cost	–	16,701	16,701
		289,041	30,257	319,298

During the year, additions to investment properties under development which are stated at cost amounted to HK$2,398 million (2016: HK$4,382 million).

	Completed HK$ Million	Under development HK$ Million	Total HK$ Million
c. Tenure of title to properties:			
At 31 December 2017			
Held in Hong Kong			
Medium term leases	**7,449**	**12,210**	**19,659**
	7,449	**12,210**	**19,659**
Held outside Hong Kong			
Medium term leases	**45,821**	**16,648**	**62,469**
	53,270	**28,858**	**82,128**
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

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 2017 were revalued by Knight Frank Petty Limited ("Knight Frank"), an independent firm of professional surveyors who have among their staff Fellows of the Hong Kong Institute of Surveyors with extensive experience in valuing properties in Hong Kong and 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 HK$ Million	**Office HK$ Million**	**Residential HK$ Million**	**Others HK$ Million**	**Total HK$ Million**
Recurring fair value measurements					
At 31 December 2017					
Hong Kong	**305**	**–**	**14,686**	**4,645**	**19,636**
Mainland China	**20,305**	**21,438**	**4,078**	**–**	**45,821**
	20,610	**21,438**	**18,764**	**4,645**	**65,457**
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

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 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 and 1 January 2017	**289,041**	**13,556**	**302,597**
Exchange adjustment	**2,895**	**–**	**2,895**
Additions	**366**	**1,325**	**1,691**
Disposal	**–**	**(3,293)**	**(3,293)**
Disposal of subsidiaries	**(242,282)**	**–**	**(242,282)**
Transfer	**1,539**	**–**	**1,539**
Revaluation surplus	**1,711**	**599**	**2,310**
At 31 December 2017	**53,270**	**12,187**	**65,457**

During the years ended 31 December 2016 and 2017, 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	
	2017	2016	**2017**	2016
Hong Kong			**HK$ psf**	HK$ psf
– Retail	**5.0%**	5.1%	**40**	287
– Office	**N/A**	4.2%	**N/A**	51
– Residential	**1.8%**	4.0%	**60**	58
Mainland China			**RMB psm**	RMB psm
– Retail	**7.0%**	7.1%	**350**	346
– Office	**6.5%**	6.4%	**180**	171
– Residential	**4.3%**	6.4%	**144**	305

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 five 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:

	2017 HK$ Million	2016 HK$ Million
Within 1 year	**2,506**	11,553
After 1 year but within 5 years	**4,755**	16,171
After 5 years	**135**	1,347
	7,396	29,071

9. PROPERTY, PLANT AND EQUIPMENT

	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
a. Cost						
At 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 a subsidiary	–	–	–	(1,367)	(6,960)	(8,327)
Reclassification	–	–	(21)	(150)	234	63
At 31 December 2016 and 1 January 2017	**3,985**	**9,458**	**1,947**	**14,684**	**6,166**	**36,240**
Exchange adjustment	**169**	**166**	**131**	**236**	**–**	**702**
Additions	**–**	**974**	**12**	**561**	**130**	**1,677**
Disposals	**–**	**–**	**–**	**(449)**	**(107)**	**(556)**
Disposal of subsidiaries	**(235)**	**(8,888)**	**–**	**(2,386)**	**(6,189)**	**(17,698)**
Revaluation surplus transfer to reserves	**–**	**–**	**–**	**1,427**	**–**	**1,427**
Reclassification	**–**	**–**	**(480)**	**(1,206)**	**–**	**(1,686)**
At 31 December 2017	**3,919**	**1,710**	**1,610**	**12,867**	**–**	**20,106**
Accumulated depreciation and impairment losses						
At 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 a subsidiary	–	–	–	(1,172)	(5,044)	(6,216)
Reclassification	–	–	–	128	47	175
At 31 December 2016 and 1 January 2017	**954**	**1,528**	**–**	**7,669**	**5,354**	**15,505**
Exchange adjustment	**24**	**48**	**–**	**77**	**–**	**149**
Charge for the year	**63**	**83**	**–**	**580**	**131**	**857**
Written back on disposals	**–**	**–**	**–**	**(439)**	**(107)**	**(546)**
Disposal of subsidiaries	**(80)**	**(1,331)**	**–**	**(2,115)**	**(5,378)**	**(8,904)**
Reclassification	**–**	**–**	**–**	**(156)**	**–**	**(156)**
At 31 December 2017	**961**	**328**	**–**	**5,616**	**–**	**6,905**
Net book value						
At 31 December 2017	**2,958**	**1,382**	**1,610**	**7,251**	**–**	**13,201**
At 31 December 2016	3,031	7,930	1,947	7,015	812	20,735

At 31 December 2016, the hotel properties under development comprise the Murray Building Project of HK$5,868 million which 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 2017						
Held in Hong Kong						
Medium term leases	**792**	**–**	**–**	**2,651**	**–**	**3,443**
	792	**–**	**–**	**2,651**	**–**	**3,443**
Held outside Hong Kong						
Medium term leases	**2,166**	**1,382**	**1,610**	**1,917**	**–**	**7,075**
	2,958	**1,382**	**1,610**	**4,568**	**–**	**10,518**
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

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.

10. INTEREST IN ASSOCIATES

	2017 HK$ Million	2016 HK$ Million
Share of net assets	**7,396**	6,627
Goodwill	**1,853**	1,961
	9,249	8,588
Amounts due from associates	**7,359**	5,849
	16,608	14,437
Amounts due to associates (Note 18)	**(2,933)**	(3,390)
	13,675	11,047

a. Details of principal associates at 31 December 2017 are shown on page 189.

b. Included in amounts due from associates are advances totalling HK$371 million (2016: 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$1,853 million (2016: HK$1,961 million) 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. At 31 December 2017, no associate is considered to be individually material to the Group.

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

	2017 HK$ Million	2016 HK$ Million
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**9,249**	8,588
Aggregate amounts of the Group's share of those associates		
Profit from continuing operations	**1,331**	923
Other comprehensive income	**507**	(503)
Total comprehensive income	**1,838**	420

11. INTEREST IN JOINT VENTURES

	2017 HK$ Million	2016 HK$ Million
Share of net assets	**8,970**	7,812
Amounts due from joint ventures	**4,867**	8,898
	13,837	16,710
Amounts due to joint ventures (Note 18)	**(592)**	(1,875)
	13,245	14,835

a. Details of principal joint ventures at 31 December 2017 are shown on page 190.

b. The Group's interest in the principal joint ventures are accounted for using the equity method in the consolidated financial statements.

c. Included in amounts due from joint ventures are advances totalling HK$315 million (2016: HK$3,363 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.

d. At 31 December 2017, no joint venture is considered to be individually material to the Group. Aggregate information of joint ventures that are not individually material is summarised below:

	2017 HK$ Million	2016 HK$ Million
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**8,970**	7,812
Aggregate amounts of the Group's share of those joint ventures		
Profit from continuing operations	**2,958**	1,983
Other comprehensive income	**547**	(585)
Total comprehensive income	**3,505**	1,398

12. EQUITY INVESTMENTS

	2017 HK$ Million	2016 HK$ Million
Listed investments		
– in Hong Kong	**14,763**	4,265
– outside Hong Kong	**4,262**	1,432
Unlisted investment	**84**	26
	19,109	5,723

Equity investments are designated as financial assets at fair value through other comprehensive income which mainly represent a portfolio of blue chips held for long term growth potential with reasonable dividend return that in line with market and each investment within the portfolio is individually immaterial to the Group's total assets.

13. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill HK$ Million	Other intangible assets HK$ Million	Total HK$ Million
Cost			
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	**298**	**12**	**310**
Accumulated amortisation			
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	**–**	**12**	**12**
Net carrying value			
At 31 December 2017	**298**	**–**	**298**
At 31 December 2016	298	–	298

Goodwill mainly relates to the Group's terminals business. As at 31 December 2017, 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

	2017 HK$ Million	2016 HK$ Million
Properties under development for sale	**19,210**	20,365
Completed properties for sale	**5,990**	3,509
	25,200	23,874

a. At 31 December 2017, properties under development for sale of HK$15,660 million (2016: HK$10,184 million) are expected to be completed after more than one year.

b. Included in properties under development for sale are deposits of HK$11,867 million (2016: HK$296 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 2017 was HK$583 million (2016: HK$3,037 million).

d. At 31 December 2017, 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:

	2017 HK$ Million	2016 HK$ Million
Held in Hong Kong		
Medium term leases	**1**	2
Held outside Hong Kong		
Long term leases	**19,294**	15,788
Medium term leases	**215**	221
	19,510	16,011

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 2017 as follows:

	2017 HK$ Million	2016 HK$ Million
Trade receivables		
0 – 30 days	**177**	411
31 – 60 days	**37**	70
61 – 90 days	**14**	31
Over 90 days	**108**	143
	336	655
Other receivables and prepayments	**4,856**	3,626
	5,192	4,281

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:

	2017 HK$ Million	2016 HK$ Million
At 1 January	**23**	86
Impairment loss recognised	**–**	1
Uncollectible amounts written off	**–**	(1)
Disposal of subsidiaries	**(9)**	(63)
At 31 December	**14**	23

c. Trade receivables that are not impaired

As at 31 December 2017, 98% (2016: 95%) of the Group's trade receivables was not impaired, of which 66% (2016: 78%) 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

	2017		2016	
	Assets HK$ Million	Liabilities HK$ Million	Assets HK$ Million	Liabilities HK$ Million
At fair value through profit or loss				
Fixed-to-floating interest rate swaps	**132**	**39**	264	73
Floating-to-fixed interest rate swaps	**–**	**176**	9	168
Cross currency interest rate swaps	**80**	**706**	152	1,479
Forward foreign exchange contracts	**77**	**–**	154	504
Total	**289**	**921**	579	2,224
Analysis				
Current	**109**	**343**	332	685
Non-current	**180**	**578**	247	1,539
Total	**289**	**921**	579	2,224

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

	2017		2016	
	Assets HK$ Million	Liabilities HK$ Million	Assets HK$ Million	Liabilities HK$ Million
Fixed-to-floating interest rate swaps				
Expiring within 1 year	**1**	**7**	76	2
Expiring after more than 1 year but not exceeding 5 years	**46**	**3**	60	23
Expiring after 5 years	**85**	**29**	128	48
	132	**39**	264	73
Floating-to-fixed interest rate swaps				
Expiring within 1 year	**–**	**26**	–	–
Expiring after more than 1 year but not exceeding 5 years	**–**	**78**	3	131
Expiring after 5 years	**–**	**72**	6	37
	–	**176**	9	168
Cross currency interest rate swaps				
Expiring within 1 year	**12**	**207**	107	3
Expiring after more than 1 year but not exceeding 5 years	**49**	**362**	33	1,152
Expiring after 5 years	**19**	**137**	12	324
	80	**706**	152	1,479
Forward foreign exchange contracts				
Expiring within 1 year	**21**	**–**	5	504
Expiring after more than 1 year but not exceeding 5 years	**56**	**–**	149	–
	77	**–**	154	504
Total	**289**	**921**	579	2,224

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

	2017 HK$ Million	2016 HK$ Million
Fixed-to-floating interest rate swaps	**10,151**	17,671
Floating-to-fixed interest rate swaps	**8,230**	8,230
Cross currency interest rate swaps	**24,343**	29,247
Forward foreign exchange contracts	**13,848**	30,233

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 loss of HK$345 million (2016: gains of HK$83 million) in respect of forward foreign exchange contracts was recognised in the consolidated income statement.

d. During the year, fair value gain on cross currency interest rate swaps in the amounts of HK$433 million (2016: loss of HK$72 million) and loss on interest rate swaps in the amounts of HK$141 million (2016: gain of HK$309 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 2017, the Group did 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

	2017 HK$ Million	2016 HK$ Million
Bank deposits and cash	**45,697**	36,957

At 31 December 2017, bank deposits and cash included:

a. HK$13,473 million equivalent (2016: HK$19,608 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. RMB1,735 million equivalent to HK$2,076 million (2016: RMB1,184 million equivalent to HK$1,324 million) which is solely for certain designated property development projects in Mainland China.

The effective annual interest rate on bank deposits was 1.4% (2016: 1.9%).

Bank deposits and cash are denominated in the following currencies:

	2017 HK$ Million	2016 HK$ Million
RMB	**13,674**	19,988
HKD	**31,159**	15,560
USD	**851**	1,399
SGD	**11**	8
Other currencies	**2**	2
	45,697	36,957

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 2017 as follows:

	2017 HK$ Million	2016 HK$ Million
Trade payables		
0 – 30 days	**313**	349
31 – 60 days	**187**	261
61 – 90 days	**33**	39
Over 90 days	**108**	188
	641	837
Rental and customer deposits	**1,017**	4,129
Construction costs payable	**7,113**	8,112
Amounts due to associates	**2,933**	3,390
Amounts due to joint ventures	**592**	1,875
Other payables	**4,686**	5,902
	16,982	24,245

The amount of trade and other payables that is expected to be settled after more than one year is HK$1,978 million (2016: HK$4,426 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$1,180 million (2016: HK$3,451 million) are expected to be recognised as income in the consolidated income statement after more than one year.

20. BANK LOANS AND OTHER BORROWINGS

	2017 HK$ Million	2016 HK$ Million
Bonds and notes (unsecured)		
Due within 1 year	**4,289**	10,254
Due after more than 1 year but not exceeding 2 years	**9,168**	4,081
Due after more than 2 years but not exceeding 5 years	**6,070**	12,788
Due after more than 5 years	**3,680**	5,474
	23,207	32,597
Bank loans (secured)		
Due within 1 year	**3,494**	985
Due after more than 1 year but not exceeding 2 years	**195**	3,408
Due after more than 2 years but not exceeding 5 years	**818**	1,965
Due after more than 5 years	**335**	335
	4,842	6,693
Bank loans (unsecured)		
Due within 1 year	**2,359**	3,939
Due after more than 1 year but not exceeding 2 years	**712**	2,606
Due after more than 2 years but not exceeding 5 years	**5,289**	14,959
	8,360	21,504
Total bank loans and other borrowings	**36,409**	60,794
Analysis of maturities of the above borrowings:		
Current borrowings		
Due within 1 year	**10,142**	15,178
Non-current borrowings		
Due after more than 1 year but not exceeding 5 years	**22,252**	39,807
Due after more than 5 years	**4,015**	5,809
	26,267	45,616
Total bank loans and other borrowings	**36,409**	60,794

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)):

	2017 HK$ Million	2016 HK$ Million
HKD	**26,109**	50,121
RMB	**10,300**	10,673
	36,409	60,794

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:

	2017 Effective interest rate %	2017 HK$ Million	2016 Effective interest rate %	2016 HK$ Million
Fixed rate borrowings				
Bonds and notes	**3.1**	**5,270**	3.0	8,060
Bank loans	**2.6**	**8,831**	2.6	8,230
		14,101		16,290
Floating rate borrowings				
Bonds and notes	**3.2**	**17,937**	3.5	24,537
Bank loans	**3.4**	**4,371**	2.6	19,967
		22,308		44,504
Total borrowings		**36,409**		60,794

c. All the interest bearing borrowings are carried at amortised cost except for loans in an amount of HK$12,138 million (2016: HK$11,978 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$8,151 million (2016: HK$12,552 million) borrowed by certain subsidiaries in Mainland China and Modern Terminals. The loans are without recourse to the Company and its other subsidiaries.

e. As at 31 December 2017, 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$18,601 million (2016: HK$17,705 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 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	
– on 5 June 2013	11,750,000	5 years after
– on 7 July 2016	14,500,000	the date of grant
Options granted to employees:		
– on 4 July 2011 (lapsed in 2016)	3,100,000	5 years after
– on 5 June 2013	1,500,000	the date of grant
Total share options granted	39,850,000	

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 date using the Binomial Model, taking into account the terms and conditions upon which the options were granted. During the year ended 31 December 2017, no new share options were granted.

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

For 2017 before adjustment	Date of grant	Exercise price (HK$)	Exercise period	Number of share options: At 1 January 2017	Exercised during the period	At 29 November 2017
	5 June 2013	**70.20**	**6 June 2013 – 5 June 2018**	**10,500,000**	**(1,000,000)**	**9,500,000**
	7 July 2016	**46.90**	**8 July 2016 – 7 July 2021**	**13,400,000**	**(3,100,000)**	**10,300,000**
				23,900,000	**(4,100,000)**	**19,800,000**
Weighted average exercise price (HK$)				**57.14**	**52.58**	**58.08**

As a result of Wharf REIC spin-off of, the exercise price applicable to 19,800,000 share options outstanding on 20 November 2017 (on the record date of distribution of Wharf REIC) has been adjusted with effect from 30 November 2017.

For 2017 after adjustment				Number of share options				
	Date of grant	Exercise price (HK$)	Exercise period	At 30 November 2017	Exercised during the period	At 31 December 2017	Exercisable at 31 December 2017	Remaining contractual life
	5 June 2013	23.83	6 June 2013 – 5 June 2018	9,500,000	(400,000)	9,100,000	9,100,000	0.5 years
	7 July 2016	15.92	8 July 2016 – 7 July 2021	10,300,000	–	10,300,000	1,600,000	3.5 years
				19,800,000	(400,000)	19,400,000	10,700,000	
Weighted average exercise price (HK$)				19.72	23.83	19.63	22.65	

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

The weighted average share price at the date of exercise for shares options exercised during the year was HK$65.24 (2016: HK$55.63).

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 2016 and 2017, estimated in accordance with the Group's accounting policy in note (v)(i), was as follows:

	2017 HK$'000	2016 HK$'000
Stephen T H Ng	**12,657**	14,857
Andrew O K Chow	**8,205**	10,319
Doreen Y F Lee	**8,205**	10,319
Paul Y C Tsui	**4,102**	5,160
Y T Leng (resigned on 23 November 2017)	**2,500**	3,586
Kevin Chan	**2,799**	3,586
	38,468	47,827

22. DEFERRED TAXATION

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

	2017 HK$ Million	2016 HK$ Million
Deferred tax liabilities	**11,252**	10,633
Deferred tax assets	**(954)**	(654)
Net deferred tax liabilities	**10,298**	9,979

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 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 and 1 January 2017	**3,297**	**7,075**	**(40)**	**(353)**	**9,979**
Charged to the consolidated income statement	**313**	**572**	**416**	**(3)**	**1,298**
Disposal of subsidiaries	**(1,885)**	**–**	**(15)**	**356**	**(1,544)**
Exchange adjustment	**66**	**515**	**(16)**	**–**	**565**
At 31 December 2017	**1,791**	**8,162**	**345**	**–**	**10,298**

b. Deferred tax assets not recognised

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

	2017		2016	
	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
Future benefit of tax losses				
– Hong Kong	**1,307**	**216**	4,529	747
– Outside Hong Kong	**3,413**	**853**	3,446	862
	4,720	**1,069**	7,975	1,609
	4,720	**1,069**	8,454	1,729

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 2017. 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 (2016: HK$9,529 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 2017, after taking into account of IRS and CCS, approximately 61% (2016: 73%) of the Group's borrowings were at floating rates and the remaining 39% (2016: 27%) were at fixed rates (see Note 20(b)).

Based on a sensitivity analysis performed as at 31 December 2017, it was estimated that a general increase/decrease of 1% (2016: 1%) in interest rates, with all other variables held constant, would have increased/decreased the Group's post-tax profit and total equity by approximately HK$245 million (2016: decreased/increased by HK$141 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 2016.

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.

	2017					2016				
	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	**89**	**304**	**–**	**1**	**–**	155	517	–	–	–
Equity investments	**–**	**–**	**–**	**–**	**–**	184	–	–	–	–
Trade and other receivables	**–**	**–**	**–**	**–**	**–**	3	–	–	–	–
Trade and other payables	**(8)**	**–**	**(3)**	**–**	**(2)**	(31)	(8)	(28)	(1)	(2)
Bank loans and other borrowings	**(617)**	**(5,800)**	**(11,962)**	**(260)**	**(110)**	(1,895)	(5,800)	(11,958)	(260)	(110)
Inter-company balances	**25**	**4,259**	**–**	**(250)**	**–**	24	4,331	–	(250)	–
Gross exposure arising from recognised assets and liabilities	**(511)**	**(1,237)**	**(11,965)**	**(509)**	**(112)**	(1,560)	(960)	(11,986)	(511)	(112)
Notional amount of forward foreign exchange contracts										
– at fair value through profit or loss	**1,670**	**–**	**7,000**	**–**	**–**	2,870	–	52,764	–	–
Notional amount of cross currency IRS	**(1,008)**	**1,800**	**5,000**	**510**	**110**	(838)	1,800	(40,764)	510	110
Highly probable forecast purchases	**–**	**–**	**–**	**–**	**–**	(53)	–	–	–	–
Overall net exposure	**151**	**563**	**35**	**1**	**(2)**	419	840	14	(1)	(2)

In addition, at 31 December 2017, the PRC subsidiaries of the Group with RMB as their functional currency are exposed to foreign currency risk with respect to HKD/USD by holding HKD/USD denominated bank deposits and cash, trade and other payables, bank loans and inter-company borrowings in the amount of HK$163 million, HK$6 million, HK$524 million and HK$342 million respectively (2016: HK$225 million, HK$6 million, HK$526 million and HK$334 million respectively).

Based on the sensitivity analysis performed on 31 December 2017, it was estimated that the impact on the Group's post tax profit and total equity would not be material in response to possible changes in the foreign exchange rates of foreign currencies to which the Group is exposed.

It is further analysed that the sensitivity on the translation of the Mainland operations from 1% (2016: 1%) increase/decrease of exchange rate against RMB and HKD, the Group's total equity would have increased/decreased by HK$970 million (2016: HK$843 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 2017, 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$1,903 million (2016: HK$570 million). The analysis has been performed on the same basis as for 2016.

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 2017						
Bank loans and other borrowings	**(36,409)**	**(40,136)**	**(9,424)**	**(12,196)**	**(13,783)**	**(4,733)**
Trade and other payables	**(16,982)**	**(16,982)**	**(15,004)**	**(1,154)**	**(794)**	**(30)**
Forward foreign exchange contracts	**77**	**77**	**21**	**20**	**29**	**7**
Cross currency interest rate swaps	**(626)**	**(527)**	**(148)**	**(162)**	**(140)**	**(77)**
Interest rate swaps	**(83)**	**(68)**	**(73)**	**(1)**	**26**	**(20)**
	(54,023)	**(57,636)**	**(24,628)**	**(13,493)**	**(14,662)**	**(4,853)**
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)

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 2017 was HK$29.3 billion (2016: HK$53.4 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 2017 categorised into		
	Level 1 HK$ Million	Level 2 HK$ Million	Total HK$ Million
Assets			
Equity investments:			
– Listed investments	19,025	–	19,025
– Unlisted investments	–	84	84
Derivative financial instruments:			
– Forward foreign exchange contracts	–	77	77
– Interest rate swaps	–	132	132
– Cross currency interest rate swaps	–	80	80
	19,025	373	19,398
Liabilities			
Derivative financial instruments:			
– Interest rate swaps	–	215	215
– Cross currency interest rate swaps	–	706	706
Bank loans and other borrowings:			
– Bonds and notes	–	12,138	12,138
	–	13,059	13,059

	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

During the years ended 31 December 2016 and 2017, 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 2017 and 2016.

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 2017 and 2016 were as follows:

	2017 HK$ Million	2016 HK$ Million
Bank loans and other borrowings (Note 20)	**36,409**	60,794
Less: Bank deposits and cash (Note 17)	**(45,697)**	(36,957)
Net (cash)/debt	**(9,288)**	23,837
Shareholders' equity	**141,974**	316,794
Total equity	**145,471**	325,406
Net debt-to-shareholders' equity ratio	**N/A**	7.5%
Net debt-to-total equity ratio	**N/A**	7.3%

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

24. SHARE CAPITAL AND RESERVES

a. Share capital

	2017 No. of shares Million	2016 No. of shares Million	**2017 HK$ Million**	2016 HK$ Million
Issued and fully paid ordinary shares				
At 1 January	**3,032**	3,031	**29,497**	29,441
Shares issued under the share option scheme	**5**	1	**263**	56
At 31 December	**3,037**	3,032	**29,760**	29,497

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, 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), property revaluation reserve for dealing with the revaluation of properties held for own use in accordance with the accounting policy note (d)(iv) 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 2017 included HK$2,088 million (2016: HK$1,710 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 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 and 1 January 2017	**29,497**	**207**	**62,190**	**91,894**
Profit	**–**	**–**	**13,054**	**13,054**
Shares issued under the share option scheme	**263**	**(38)**	**–**	**225**
Equity settled share-based payments	**–**	**40**	**–**	**40**
2016 second interim dividend paid	**–**	**–**	**(4,762)**	**(4,762)**
2017 first interim dividend paid	**–**	**–**	**(1,943)**	**(1,943)**
Dividend by way of distribution in specie	**–**	**–**	**(1,562)**	**(1,562)**
At 31 December 2017	**29,760**	**209**	**66,977**	**96,946**

c. Reserves of the Company available for distribution to equity shareholders of the Company as at 31 December 2017 amounted to HK$66,977 million (2016: HK$62,190 million).

d. After the end of the reporting period, the Directors declared a second interim cash dividend of HK$0.95 per share (2016: second interim cash dividend of HK$1.57 per share) amounting to HK$2,887 million based on 3,039 million issued ordinary shares (2016: HK$4,762 million based on 3,032 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	2017 HK$ Million	2016 HK$ Million
Non-current assets			
Interest in subsidiaries		**119,681**	107,548
Loan to a subsidiary		**4,785**	4,472
Amount due from an associate		**371**	371
		124,837	112,391
Current assets			
Receivables		**22**	13
Bank deposits and cash		**34**	5
		56	18
Total assets		**124,893**	112,409
Non-current liabilities			
Bank loans and other borrowings		**(4,785)**	(4,472)
		(4,785)	(4,472)
Current liabilities			
Payables		**(98)**	(87)
Amounts due to subsidiaries		**(22,531)**	(15,423)
Amount due to an associate		**(533)**	(533)
		(23,162)	(16,043)
Total liabilities		**(27,947)**	(20,515)
NET ASSETS		**96,946**	91,894
Capital and reserves			
Share capital	24	**29,760**	29,497
Reserves		**67,186**	62,397
TOTAL EQUITY		**96,946**	91,894

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 2017 are as follows:

a. In respect of the year ended 31 December 2017, the Group earned rental income totalling HK$1,010 million (2016: HK$1,150 million) which included the following:

   (i) there was HK$937 million (2016: HK$706 million) received 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.

   (ii) there was HK$73 million (2016: HK$444 million) received from various tenants which are subsidiaries of the Company's ultimate holding company, which also constitute connected transactions as defined under the Listing Rules.

b. Remuneration for key management personnel of the Group, including amounts paid to the Directors of the Company and the five highest paid employees are disclosed in Notes 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 2017, 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$35,324 million (2016: HK$64,438 million). There were also contingent liabilities in respect of guarantees given by the Company on behalf of joint ventures and associates of HK$2,664 million (2016: HK$4,233 million) of which HK$892 million (2016: HK$3,095 million) had been drawn.

As at 31 December 2017, there were guarantees of HK$5,285 million (2016: HK$8,811 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$3,468 million (2016: HK$3,202 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 2017 are detailed as below:

a. Planned expenditure

	2017 Committed HK$ Million	2017 Uncommitted HK$ Million	2017 Total HK$ Million	2016 Committed HK$ Million	2016 Uncommitted HK$ Million	2016 Total HK$ Million
(I) Properties						
Investment properties						
Hong Kong	**748**	**–**	**748**	990	429	1,419
Mainland China	**2,512**	**5,409**	**7,921**	4,035	6,301	10,336
	3,260	**5,409**	**8,669**	5,025	6,730	11,755
Development properties						
Mainland China	**4,641**	**12,517**	**17,158**	7,959	12,729	20,688
	4,641	**12,517**	**17,158**	7,959	12,729	20,688
Properties total						
Hong Kong	**748**	**–**	**748**	990	429	1,419
Mainland China	**7,153**	**17,926**	**25,079**	11,994	19,030	31,024
	7,901	**17,926**	**25,827**	12,984	19,459	32,443
(II) Non-properties						
Hotels	**–**	**–**	**–**	1,379	412	1,791
Modern Terminals	**113**	**26**	**139**	247	126	373
i-CABLE	**–**	**–**	**–**	18	211	229
	113	**26**	**139**	1,644	749	2,393
Total	**8,014**	**17,952**	**25,966**	14,628	20,208	34,836

i. Properties commitments are mainly for construction costs to be incurred in the forthcoming years including HK$2.0 billion (2016: HK$1.7 billion) attributable land costs.

ii. The expenditure for development properties included attributable amounts for developments undertaken by joint ventures and associates of HK$7,211 million (2016: HK$9,669 million) in Mainland China.

b. The Group leases a number of properties under operating leases. The leases typically run for an initial period of three 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:–

	2017 HK$ Million	2016 HK$ Million
Expenditure for operating leases		
Within one year	**23**	7
After one year but within five years	**5**	24
Over five years	**–**	7
	28	38

29. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") which are first effective for the current accounting period of the Group. The amendments do not have significant impact on the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for HKFRS 9, Financial instruments, since the consolidated financial statements for the year ended 31 December 2016.

The "Principal accounting policies" set out on pages 165 to 184 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 2017 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
HKFRS 15, Revenue from contracts with customers	1 January 2018
Amendments to HKFRS 2, Share-based payment: Classification and measurement of share-based payment transactions	1 January 2018
Amendments to HKAS 40, Investment property: Transfers of investment property	1 January 2018
HK(IFRIC) 22, Foreign currency transactions and advance consideration	1 January 2018
HKFRS 16, Leases	1 January 2019
HK(IFRIC) 23, Uncertainty over income tax treatments	1 January 2019
Amendments to HKFRS 10 and HKAS 28, Sale or contribution of assets between an investor and its associate or joint venture	A date to be determined by HKICPA

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 15, the actual impacts upon the initial adoption of the standard may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

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.

Based on the assessment completed to date, the Group has identified the following areas which are expected 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 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.

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from rental income from investment properties and income from logistics and hotels operation. However, revenue recognition for sales of development properties is expected to be affected. Currently the Group's property development activities are carried out in Hong Kong and the PRC. Taking into account the contract terms, the Group's business practice and the legal and regulatory environment of Hong Kong and the PRC, the Group has assessed that its property sales contracts will not meet the criteria for recognising revenue over time and therefore revenue from property sales will continue to be recognised at a point in time. Currently the Group recognises revenue from property sales upon the later of the signing of the sale and purchase agreement and the completion of the property development, which is taken to be the point in time when the risks and rewards of ownership of the property have been transferred to the customer. The Group has assessed that under the transfer-of-control approach in the new standard revenue from property sales will generally be recognised when the legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. This may result in revenue being recognised later than at present.

(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, which is not common in the Group's arrangements with its customers.

The Group plans to elect to use the cumulative effect transition method for the adoption of HKFRS 15 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. As allowed by HKFRS 15, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. Since the number of "open" contracts for sales of development properties at 31 December 2017 is limited, the Group expects that the transition adjustment to be made upon the initial adoption of HKFRS 15 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial results from 2018 onwards.

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 of profit or loss over the period of the lease. As disclosed in note 28(b), at 31 December 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to HK$28 million for properties, 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.

Given the Group does not have material operating lease as a lessee, the Group considered that it is unlikely to have a significant financial impact on the consolidated financial statement of the Group upon the adoption of HKFRS 16.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019.

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. PARENT AND ULTIMATE HOLDING COMPANY

The Directors consider the parent and ultimate holding company at 31 December 2017 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.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Directors on 8 March 2018.

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 30 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 ended 31 December 2017 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).

If the property was previously held for own use, then it is accounted for as property, plant and equipment up to the date of the change in use. Any difference at the date of the change in use between the carrying amount of the property and its fair value is recognised as a revaluation of property, plant and equipment in accordance with note (d)(iv) below, even if the property was previously measured at cost. Any existing or arising revaluation surplus previously recognised in other comprehensive income is not transferred to consolidated income statement at the date of transfer or on subsequent disposal of the investment property. However, on subsequent disposal, any existing revaluation surplus that was recognised when revaluation model was applied to the property may be transferred to revenue reserves.

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)) or fair value.

Changes arising on the revaluation of properties held for own use under fair value model are generally dealt with in other comprehensive income and are accumulated separately in equity in the property revaluation reserve. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to consolidated income statement to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

– when a surplus arises on revaluation, it will be credited to consolidated income statement to the extent that a deficit on revaluation in respect of that same asset had previously been charged to consolidated income statement.

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. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

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 other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

All financial assets not classified and measured at amortised cost or 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 FVOCI 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 such as in the Group's trading.

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.

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 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.

At 31 December 2017

	Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
	Properties				
#	**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
	New Tech Centre Limited	Hong Kong	HK$10,000 divided into 10,000 shares	100	Property
#	**Wharf China Holdings (0004) Limited**	British Virgin Islands	5,129,000,000 US$1 shares	100	Holding company
	Wharf China Estates (0004) 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 (0004) 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 share	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 share	100	Ownership of trade marks
	Topusko Limited	Hong Kong	HK$20 divided into 2 shares	100	Holding company
	Treasure Board (0004) Limited	British Virgin Islands	1 US$1 share	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$144,000,000	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$1,580,000,000	100	Property
ii	成都時代奧特萊斯商業有限公司	The People's Republic of China	HK$170,000,000	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

At 31 December 2017

	Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
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 Estates Limited	Hong Kong	HK$1 divided into 1 share	100	Management services
	Wharf Estates China Limited	Hong Kong	HK$2 divided into 2 shares	100	Holding company
	Harriman China Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
	Rising Chain International Limited	British Virgin Islands	500 US$1 shares	100	Holding company
	Broader Link Investments Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
i	成都夏利文物業管理有限公司	The People's Republic of China	RMB5,000,000	100	Property management
i	重慶時代廣場物業管理有限公司	The People's Republic of China	US$70,000	100	Property management
i	大連時代豪庭物業管理有限公司	The People's Republic of China	RMB1,000,000	100	Property management
i	上海夏利文物業管理有限公司	The People's Republic of China	US$500,000	100	Property management
iv	北京西局置業有限公司	The People's Republic of China	RMB100,000,000	100	Property
	Wharf China Development (0004) 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
	Dragon Legacy Holdings Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
	Fame Treasure International (0004) 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 (0004) 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

	Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
	Sky Join Investments Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
	Sky Step (0004) 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 (0004) 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 (0004) 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
	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
	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 (0004) 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$46,000,000	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$70,000,000	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$3,000,000	100	Property
ii	龍嘉房地產開發(成都)有限公司	The People's Republic of China	HK$275,500,000	100	Property
ii	蘇州蘇龍地產發展有限公司	The People's Republic of China	US$6,800,000	100	Property
ii	蘇州瑞龍地產發展有限公司	The People's Republic of China	US$63,000,000	100	Property
ii	蘇州銀龍地產發展有限公司	The People's Republic of China	US$200,000,000	100	Property
ii	無錫港龍置業有限公司	The People's Republic of China	US$94,900,000	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$108,600,000	100	Property
ii	港盈房地產(杭州)有限公司	The People's Republic of China	US$16,990,000	100	Property
ii	九龍倉(杭州)置業有限公司	The People's Republic of China	US$20,000,000	100	Property
ii	堡盈房地產(杭州)有限公司	The People's Republic of China	US$20,000,000	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$16,000,000	100	Property
ii	寧波立成置業有限公司	The People's Republic of China	US$42,000,000	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

At 31 December 2017

	Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
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
	Wharf China Development Limited	Hong Kong	HK$1 divided into 1 share	100	Management services
	Idea Treasure Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
	Master Joy Investments Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
	Promise Well Investments Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
	Sunny Point Holdings Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
	Utmost Success Limited	Hong Kong	HK$2 divided into 2 shares	100	Holding company
	Wharf China Limited	British Virgin Islands	500 US$1 shares	100	Holding company
	Wharf CIM Limited	Hong Kong	HK$2 divided into 2 shares	100	Holding company
	Wharf Ningbo Limited	Hong Kong	HK$2 divided into 2 shares	100	Holding company
	Wharf Properties China Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
	Global Bloom Investments Limited	Hong Kong	HK$100,000,000 divided into 100,000,000 shares	100	Holding company
	Real Sky Investments Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
	Wharf China Holdings Limited	Hong Kong	HK$1 divided into 1 share	100	Management services
i	九龍倉(上海)企業管理有限公司	The People's Republic of China	US$2,000,000	100	Management services
iv	杭州堡華房地產開發有限公司	The People's Republic of China	RMB500,000,000	100	Property
iv	蘇州祥龍地產發展有限公司	The People's Republic of China	RMB64,395,000	100	Property
iv	蘇州兆龍地產發展有限公司	The People's Republic of China	RMB1,823,810,000	100	Property
i	九龍倉置業(重慶)有限公司	The People's Republic of China	US$300,000	100	Property
i	無錫九龍倉物業管理有限公司	The People's Republic of China	US$1,000,000	100	Property management
i	九龍倉(中國)物業管理有限公司	The People's Republic of China	RMB7,000,000	100	Property management
i	九龍倉(中國)投資有限公司	The People's Republic of China	US$30,000,007	100	Holding company
iv	大連時代廣場商業有限公司	The People's Republic of China	US$4,500,000	100	Property
i	大上海時代廣場物業管理(上海)有限公司	The People's Republic of China	US$500,000	100	Property management
i	武漢時代廣場物業管理有限公司	The People's Republic of China	US$550,000	100	Property management
	Logistics				
	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
	Wharf Hotels Management Limited	Hong Kong	HK$20 divided into 2 shares	100	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
	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

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
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
Every Success Holdings Limited	Hong Kong	HK$1 divided into 1 share	100	Finance
Proper Run Limited	Hong Kong	HK$1 divided into 1 share	100	Finance
Wobble Company Limited	Hong Kong	HK$1 divided into 1 share	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
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	35	Property
佛山依雲房地產有限公司	The People's Republic of China	Registered	50	Property
杭州臻祿投資有限公司	The People's Republic of China	Registered	7	Holding company
杭州綠城桂溪房地產開發有限公司	The People's Republic of China	Registered	7	Property
蘇州孚元置業有限公司	The People's Republic of China	Registered	33	Property
蘇州皓龍地產發展有限公司	The People's Republic of China	Registered	60	Property
佛山招商果嶺房地產有限公司	The People's Republic of China	Registered	40	Property
佛山招商光華房地產有限公司	The People's Republic of China	Registered	50	Property
杭州龍昊房地產開發有限公司	The People's Republic of China	Registered	22.5	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

At 31 December 2017

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
Tartar Investments Limited	British Virgin Islands	Ordinary	30	Holding company
Tower Beyond Limited	Hong Kong	Ordinary	50	Holding company
Vanguard Insight Limited	Hong Kong	Ordinary	50	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
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
深圳前晉置業有限公司	The People's Republic of China	Registered	50	Property
重慶尼依格羅酒店有限公司	The People's Republic of China	Registered	50	Hotel

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 2017, 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$200 Million
Wharf Finance Limited	HK$ 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$250 Million
Wharf Finance (No. 1) Limited	RMB Guaranteed Fixed Rate Notes due 2018	RMB800 Million
	HK$ 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 2017

	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)				
Address	**Total**	**Office**	**Retail**	**Residential**	**Others**
HONG KONG					
Properties – Investment					
Others					
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	–
11 Plantation Road, The Peak	46,300	–	–	46,300	–
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	1,032,000	–	–	–	1,032,000
	1,833,500	–	–	235,500	1,598,000
Total Hong Kong Property – Investment	1,833,500	–	–	235,500	1,598,000
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	601,000	–	11,000	590,000	–
Mount Nicholson, 8 Mount Nicholson Road, The Peak	62,000	–	–	62,000	–
	663,000	–	11,000	652,000	–
Total Hong Kong Property – Development	707,500	–	53,600	652,000	1,900
HONG KONG TOTAL	**2,541,000**	**–**	**53,600**	**887,500**	**1,599,900**

(Remarks)	Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
(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	Fitout works in progress	100%
	97,670	RBL 534 S.E., S.F. & R.P.	2028	2021	Superstructure in progress	100%
	76,726	RBL 836	2029	2017	Fitout works in progress	100%
(Industrial)	165,809	NKIL 5805, 5806 & 5982	2047	1984	Planning for redevelopment	100%
	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 2017

	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)				
Address	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	6,042,000	3,092,000	2,195,000	755,000	–
Wuxi International Finance Square Taihu Plaza, Nanchang District, Wuxi	2,042,000	2,042,000	–	–	–
Chongqing International Finance Square Zones A of Jiangbei City, Jiang Bei District, Chongqing (Attributable – Note f)	1,748,000	1,160,000	588,000	–	–
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	–	–
	14,243,800	7,787,800	5,506,000	950,000	–
Investment Properties Under Development					
Changsha International Finance Square Furong District, Changsha	7,535,000	3,274,000	2,649,000	753,000	859,000
	7,535,000	3,274,000	2,649,000	753,000	859,000
Marco Polo Wuhan 160 Yan Jiang Da Dao, Jiangan District, Wuhan	405,000	–	–	–	405,000
Niccolo Chengdu Tower 3, IFS, No.1, Section 3, Hongxing Road Jinjiang District, Chengdu, Sichuan	448,000	–	–	–	448,000
Niccolo Chongqing Tower 1, Chongqing IFS, 38 North Avenue Jiangbeicheng, Jiangbei District, Chongqing (Attributable – Note f)	198,000	–	–	–	198,000
	1,051,000	–	–	–	1,051,000
Total Mainland China Property – Investment	22,829,800	11,061,800	8,155,000	1,703,000	1,910,000

(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%
	(a)	N/A	2053	2008	N/A	100%
	(b)	N/A	2039	2008	N/A	100%
	(c)	N/A	2047	2009	N/A	100%
	(d)	N/A	2049/79	2013/14/16	N/A	100%
	313,867	N/A	2047/57	2014	N/A	100%
	(e)	N/A	2050/60	2017	N/A	50%
	136,432	N/A	2049	2010	N/A	98%
	1,299,000	N/A	2055	2016	N/A	100%
(Two hotels with 500 rooms)	800,452	N/A	2051	2019	Superstructure in progress	100%
(A 356-room hotel)	(a)	N/A	2053	2008	N/A	100%
(A 230-room hotel)	(d)	N/A	2049	2015	N/A	100%
(A 252-room hotel on 100% ownership)	(e)	N/A	2050/60	2017	N/A	50%

SCHEDULE OF PRINCIPAL PROPERTIES

As at 31 December 2017

	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)				
Address	Total	Office	Retail	Residential	Others
Property – Development					
Hangzhou Palazzo Pitti Hangzhou Hangyimian Lot C/D Gongshu District Gongchen Bridge West, Hangzhou	1,000	–	–	1,000	–
Hangzhou Royal Seal Lot#FG05 of Wenhui Road, Hangzhou	130,000	–	–	130,000	–
Hangzhou Santang Lot#XC0502-R21-40, Santang Unit, Xiacheng District, Hangzhou	324,000	–	–	324,000	–
Shi Ji Hua Fu Yingbin North Road/Fenshou Road, Fuchun District, Fuyang, Hangzhou	80,000	–	78,000	2,000	–
Junting Hangzhou Qianjiang Economic Development Area 09 Provincial Road/Kangxin Road, Yuhang District, Hangzhou	1,015,000	–	–	1,015,000	–
Longxi Site GS05-R21-14, Shenhua Unit, Gongshu District, Hangzhou	456,000	–	–	456,000	–
Longxi Site GS05-R21-A01, Shenhua Unit, Gongshu District, Hangzhou	281,000	–	–	281,000	–
Shanghai Pudong Huangpujiang Site #E18 of Pudong Huangpujiang Riverside, Shanghai	448,000	–	–	448,000	–
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	59,000	–	–	59,000	–
Bellagio Wang Wu Lu, Guo Sin Lu, Wu Chong New District, Suzhou	1,979,000	–	–	1,979,000	–
Suzhou Wuzhong Lot #24	320,000	–	–	320,000	–
Suzhou Yangcheng Lake Lot #27	2,185,000	–	12,000	2,173,000	–
Wuxi Glory of Time Nanchang District and abutting on Jinhang Canal, Wuxi	1,518,000	250,000	–	1,268,000	–
Wuxi Times City Taihu Plaza, Nanchang District, Wuxi	943,000	–	–	943,000	–
Wuxi Xiyuan Nanchang District and abutting on Jinhang Canal, Wuxi	278,000	–	–	278,000	–
River Pitti Nanchang District and abutting on Jinhang Canal, Wuxi	1,409,000	–	–	1,409,000	–
The Orion Bounded by Dongdajie south, Jinhua Nan Lu east and Datiankan Jie north, Jinjiang District, Chengdu	113,000	–	–	113,000	–
Tian Fu Times Square Junction of Dong Da Jie & Fu He, Jinjiang District, Chengdu	28,000	–	28,000	–	–
Times Town, Shuangliu Development Zone Junction of Shuang Nan Avenue and Guang Hua Avenue, Shuangliu County, Chengdu	4,101,000	2,348,000	962,000	791,000	–
Chengdu Times City Shuangliu Huayang Street, Qinghe Community Group 8 and Gongxing Street Outang Village Group 5	1,250,000	–	88,000	1,162,000	–

(Remarks)	Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
	914,000	N/A	2080	2016	N/A	100%
	258,358	N/A	2080	2017	N/A	100%
	115,648	N/A	2087	2021	Planning stage	100%
	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	N/A	100%
	585,723	N/A	2081	2017	N/A	100%
	170,825	N/A	2043/63	2018	Superstructure in progress	55%
	526,905	N/A	2083	2016	N/A	100%
	2,501,747	N/A	2081	2019	Superstructure in progress	100%
	181,643	N/A	2087	2020	Planning stage	100%
	1,112,825	N/A	2057/87	2020	Planning stage	100%
	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%
	160,000	N/A	2079	2013	N/A	100%
	761,520	N/A	2045/75	2013	N/A	100%
	(c)	N/A	2047/77	2019	Superstructure in progress	100%
	800,882	N/A	2053/83	2020	Superstructure in progress	100%

SCHEDULE OF PRINCIPAL PROPERTIES

As at 31 December 2017

	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)				
Address	Total	Office	Retail	Residential	Others
Le Palais Lot No. 8 along Section 3 of the 2nd Ring Road East, Chenghua District, Chengdu	53,000	–	51,000	2,000	–
Beijing Fengtai District XiJu Project Near to Lize Bridge NW corner	1,107,000	–	–	1,080,000	27,000
Dalian Times Square 50 Ren Min Road, Zhongshan District, Dalian	10,000	–	–	10,000	–
	18,851,000	2,598,000	1,219,000	15,007,000	27,000
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	83,000	–	–	83,000	–
Evian Riviera Foshan Nanhai District Guicheng A18 and A21 Project	1,000	–	1,000	–	–
Evian Kingbay North of Jihua Bridge, Chancheng District, Foshan	214,000	–	22,000	192,000	–
Evian Capital Beihu Yi Road, Luocun, Shishan, Nanhai District, Foshan	468,000	–	43,000	412,000	13,000
Unique Garden East of Wenhua Lu, Chancheng District, Foshan	286,000	–	12,000	274,000	–
Sunrise Coast South of Jinchang South Lu, Chencunzhen, Shunde District, Foshan	709,000	–	34,000	675,000	–
Rosy Mansion West of Shalong Lu, Jiujiangzhen, Nanhai District, Foshan	1,251,000	–	34,000	1,186,000	31,000
Donghui City Guangzhou Development Zone KXCD-D1-2 Project	5,000	–	1,000	4,000	–
Shenzhen Qianhai Apartment Project Site no. T102-0262, Qianhai, Nanshan District, Shenzhen	274,500	–	16,000	226,000	32,500
Unique Garden Laiguangying Central Street, Chaoyang District, Beijing	15,000	–	11,000	4,000	–
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	511,000	–	60,000	361,000	90,000
Scenery Bay Intersection of Hedong Road and Kunlun Road, Hedong District,Tianjin	182,000	–	50,000	132,000	–
Greentown Zhijiang No.1 Zhuantang Town, Zhijiang National Tourist Holiday Resort, Xihi District, Hangzhou	9,000	–	5,000	4,000	–
Greentown Wharf Qian Tang Bright Moon Hangzhou Xiaoshan Jinhui Road	11,000	–	10,000	1,000	–
Park Mansion Site R21-02-A and Site R21-01, Shenhua Unit, Gongshu District, Hangzhou	36,500	–	20,500	8,000	8,000
Qiantang Bright Moon•Jade Mansion Hangzhou Xiaoshan Chengbei Village Lot A10	280,000	–	5,000	275,000	–

(Remarks)	Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
	1,130,000	N/A	2050/80	2016	N/A	100%
	395,000	N/A	2087	2020	Planning stage	100%
	(b)	N/A	2069	2009	N/A	100%
	1,155,000	N/A	2048/78	2013	N/A	50%
	1,527,000	N/A	2070	2017	N/A	50%
	604,000	N/A	2080	2014	N/A	50%
	639,000	N/A	2083	2017	N/A	50%
	1,069,000	N/A	2083	2018	Superstructure in progress	50%
	305,722	N/A	2055/85	2019	Superstructure in progress	40%
	740,000	N/A	2056/86	2019	Superstructure in progress	40%
	876,000	N/A	2057/87	2020	Superstructure in progress	50%
	1,181,000	N/A	2081	2016	N/A	33%
	80,000	N/A	2057	2020	Planning stage	50%
	783,000	N/A	2082	2017	N/A	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	Foundation in progress	40%
	902,000	N/A	2083	2018	Superstructure in progress	50%
	2,046,685	N/A	2047/77	2017	N/A	50%
	756,000	N/A	2053/83	2017	N/A	50%
	448,224	N/A	2054/84	2017	N/A	50%
	114,539	N/A	2054/84	2018	Superstructure in progress	50%

As at 31 December 2017

	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)				
Address	Total	Office	Retail	Residential	Others
Willow Breeze Hangzhou Binjiang District Site R21-6, 7	410,000	–	–	410,000	–
Hangzhou Osmanthus Grace Hangzhou Xiaoshan Xingyi Road #18 Site	269,000	–	1,000	268,000	–
Tian Ju Mansion Hangzhou Xiaoshan Boxue Road #16 Site	339,000	–	1,000	338,000	–
Suzhou Yuanhe Road Project	976,000	–	–	976,000	–
Suzhou Huangqiao Lot #25	642,000	–	–	642,000	–
The Berylville Site E-4#, 7#, 8#, 12# & 13#, Shuixianglinli Eastern New Town, Ningbo	317,000	–	–	317,000	–
Garden Valley Taoyuan Area, Jiefang Road, Zhongshan District, Dalian	1,027,000	–	–	1,027,000	–
Chengdu ICC South of Shuanggui Road, North of Niusha Road East of Erhuan Road, West of Shahe, Jinjiang District, Chengdu	3,573,000	1,163,000	437,000	1,849,000	124,000
The Throne Zones C of Jiangbei City, Jiang Bei District, Chongqing	1,552,000	–	117,000	1,435,000	–
International Community Zone C of Danzishi, Nanan District, Chongqing	2,099,000	–	841,000	1,258,000	–
	16,452,000	1,163,000	1,766,500	13,011,000	511,500
Total Mainland China Property – Development	35,303,000	3,761,000	2,985,500	28,018,000	538,500
MAINLAND CHINA TOTAL	**58,132,800**	**14,822,800**	**11,140,500**	**29,721,000**	**2,448,500**
GROUP PROPERTY – INVESTMENT	**24,663,300**	**11,061,800**	**8,155,000**	**1,938,500**	**3,508,000**
GROUP PROPERTY – DEVELOPMENT	**36,010,500**	**3,761,000**	**3,039,100**	**28,670,000**	**540,400**
GROUP TOTAL (Note h)	**60,673,800**	**14,822,800**	**11,194,100**	**30,608,500**	**4,048,400**

Notes:

(a) This property forms part of Wuhan Times Square which has a total site area of 188,090 sq. ft.

(b) This property forms part of Dalian Times Square which has a total site area of 171,356 sq. ft.

(c) This property forms part of Chengdu Shuangliu Development Zone which has a total site area of 3,900,589 sq. ft.

(d) This property forms part of Chengdu International Finance Square which has a total site area of 590,481 sq. ft.

(e) This property forms part of Chongqing International Finance Square which has a total site area of 516,021 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 8,449,000 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 22 million sq. ft. mainly in Mainland China.

(i) In January and February 2018, the Group acquired ten sites in Suzhou, Hangzhou and Guangzhou for RMB12.2 billion (GFA: 599,100 square metres) on an attributable basis.

(Remarks)	Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
	415,544	N/A	2055/85	2019	Superstructure in progress	50%
	289,476	N/A	2057/87	2020	Superstructure in progress	35%
	1,506,379	N/A	2057/87	2019	Superstructure in progress	22.5%
	1,206,849	N/A	2087	2020	Planning stage	33%
	724,116	N/A	2087	2020	Planning stage	60%
	708,142	N/A	2080	2018	Superstructure in progress	50%
	922,475	N/A	2083	2019	Superstructure in progress	60%
	2,212,128	N/A	2048/78	2014 and beyond	Superstructure in progress	30%
	2,335,535	N/A	2050/60	2019	Superstructure in progress	50%
	6,080,656	N/A	2047/57	2021	Superstructure in progress	40%

Year ended 31 December	**2017 HK$ Million**	2016 HK$ Million	2015 HK$ Million	2014 HK$ Million	2013 HK$ Million
Consolidated Income Statement					
Revenue	**43,273**	46,627	40,875	38,136	31,887
Operating profit	**20,622**	17,065	14,853	14,283	13,280
Core profit (Note a)	**15,718**	13,754	10,969	10,474	11,298
Profit before property revaluation surplus	**20,143**	20,534	9,793	8,247	12,206
Profit attributable to equity shareholders	**21,876**	21,440	16,024	35,930	29,380
Dividends attributable to shareholders (Note d)	**4,830**	6,520	5,759	5,486	5,151
Consolidated Statement of Financial Position					
Investment properties	**82,128**	319,298	310,177	301,890	261,097
Property, plant and equipment	**13,201**	20,735	22,779	25,027	24,161
Interest in associates/joint ventures	**30,445**	31,147	35,397	41,479	38,790
Equity investments	**19,109**	5,723	8,102	3,740	3,744
Properties for sale	**25,200**	23,874	37,768	47,543	53,764
Bank deposits and cash	**45,697**	36,957	23,510	18,725	24,515
Other assets	**6,867**	6,093	6,183	6,254	8,981
Total assets	**222,647**	443,827	443,916	444,658	415,052
Bank loans and other borrowings	**(36,409)**	(60,794)	(70,707)	(77,984)	(82,587)
Other liabilities	**(40,767)**	(57,627)	(56,029)	(52,563)	(48,210)
Net assets	**145,471**	325,406	317,180	314,111	284,255
Share capital and other statutory capital reserves	**29,760**	29,497	29,441	29,376	29,376
Reserves	**112,214**	287,297	278,287	276,119	246,181
Shareholders' equity (Note e)	**141,974**	316,794	307,728	305,495	275,557
Non-controlling interests	**3,497**	8,612	9,452	8,616	8,698
Total equity	**145,471**	325,406	317,180	314,111	284,255
Net (cash)/debt	**(9,288)**	23,837	47,197	59,259	58,072
Financial Data					
Per share data					
Earnings per share (HK$)					
– Core profit	**5.18**	4.54	3.62	3.46	3.73
– Before property revaluation surplus	**6.64**	6.77	3.23	2.72	4.03
– Attributable to equity shareholders	**7.21**	7.07	5.29	11.86	9.70
Net asset value per share (HK$) (Note e)	**46.75**	104.48	101.53	100.82	90.94
Cash dividends per share (HK$ Cents) (Note d)	**159.00**	215.00	190.00	181.00	170.00
Financial ratios					
Net debt to shareholders' equity (%)	**N/A**	7.5%	15.3%	19.4%	21.1%
Net debt to total equity (%)	**N/A**	7.3%	14.9%	18.9%	20.4%
Interest cover (Times) (Note c)	**12.9**	8.5	7.6	6.1	5.8
Return on shareholders' equity (%) (Note b)	**9.5%**	6.9%	5.2%	12.4%	11.2%
Dividend payout (%)					
– Core profit	**30.7%**	47.4%	52.5%	52.4%	45.6%
– Attributable to equity shareholders	**22.1%**	30.4%	35.9%	15.3%	17.5%

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$4,499 million from disposal of investment properties in 2017, 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).

Year ended 31 December	2012 HK$ Million	2011 HK$ Million	2010 HK$ Million	2009 HK$ Million	2008 HK$ Million
Consolidated Income Statement					
Revenue	30,856	24,004	19,380	17,553	15,940
Operating profit	14,170	11,388	9,372	8,554	7,406
Core profit (Note a)	11,040	8,083	7,088	6,420	4,796
Profit before property revaluation surplus	13,927	6,727	7,905	7,817	4,194
Profit attributable to equity shareholders	47,263	30,568	35,750	19,256	5,816
Dividends attributable to shareholders (Note d)	4,998	3,211	2,930	2,754	2,203
Consolidated Statement of Financial Position					
Investment properties	231,522	184,057	148,241	115,492	98,410
Property, plant and equipment	19,870	18,984	18,397	18,510	21,183
Interest in associates/joint ventures	36,203	27,132	20,860	11,789	11,998
Equity investments	3,868	2,703	3,362	1,331	706
Properties for sale	48,915	47,511	29,732	17,797	17,272
Bank deposits and cash	18,795	32,528	16,900	18,412	15,886
Other assets	9,825	5,058	5,276	7,130	3,099
Total assets	368,998	317,973	242,768	190,461	168,554
Bank loans and other borrowings	(74,420)	(75,993)	(49,589)	(39,844)	(38,009)
Other liabilities	(37,672)	(31,106)	(22,530)	(15,029)	(13,030)
Net assets	256,906	210,874	170,649	135,588	117,515
Share capital and other statutory capital reserves	29,314	29,314	19,327	19,327	19,327
Reserves	219,187	173,943	143,762	109,219	91,748
Shareholders' equity (Note e)	248,501	203,257	163,089	128,546	111,075
Non-controlling interests	8,405	7,617	7,560	7,042	6,440
Total equity	256,906	210,874	170,649	135,588	117,515
Net (cash)/debt	55,625	43,465	32,689	21,432	22,123
Financial Data					
Per share data					
Earnings per share (HK$)					
– Core profit	3.64	2.70	2.51	2.33	1.75
– Before property revaluation surplus	4.60	2.25	2.79	2.84	1.53
– Attributable to equity shareholders	15.60	10.22	12.64	6.99	2.12
Net asset value per share (HK$) (Note e)	82.04	67.10	59.22	46.68	40.33
Cash dividends per share (HK$ Cents) (Note d)	165.00	106.00	100.00	100.00	80.00
Financial ratios					
Net debt to shareholders' equity (%)	22.4%	21.4%	20.0%	16.7%	19.9%
Net debt to total equity (%)	21.7%	20.6%	19.2%	15.8%	18.8%
Interest cover (Times) (Note c)	7.4	7.9	12.9	16.5	8.1
Return on shareholders' equity (%) (Note b)	20.9%	16.7%	24.5%	16.1%	5.9%
Dividend payout (%)					
– Core profit	45.3%	39.7%	41.3%	42.9%	45.9%
– Attributable to equity shareholders	10.6%	10.5%	8.2%	14.3%	37.9%

Notes (continued):

(d) Distribution in specie in the form of shares in i-CABLE and in Wharf REIC of HK$562 million (equivalent to HK$0.19 per share) and HK$197,779 million (equivalent to HK$65.14 per share), respectively, was made during 2017 in addition to the above cash dividend distribution.

(e) Shareholders' equity and net asset value per share decreased over 2016 mainly resulting from the utilisation of HK$197,779 million distributable reserve for the Wharf REIC spinoff implemented by distribution of a special interim dividend.

(f) Certain figures have been reclassified or restated to comply with the prevailing HKFRSs.

ART PIECE CREDIT:

Makoto Fujimura, *Mercy Seat Gold*, p.7
Kim So-Hyung, *The People*, p.16
Relton Marine, *Still Life with Watermelon*, p.48-49

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如有需要，可向本公司索取本年報之中文版本。

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