WHEELOCK
and
COMPANY
LIMITED

ANNUAL REPORT 2017

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WHEELOCK

WHEELOCK
Founded 1857

www.wheelockcompany.com
Stock Code: 20

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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Non-executive Director

Mignonne Cheng (Mrs)

Independent Non-executive Directors

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

* *Members of the Audit Committee*

SECRETARY

Wilson W S Chan, FCIS

REGISTRARS

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PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

AUDITORS

KPMG, Certified Public Accountants

CHAIRMAN'S STATEMENT

Synchronised recovery led by China, US and the EU propelled the world economy to its strongest since the start of the decade. Clouds of concerns from issues of quantitative easing, rate rises and delicate geopolitical tensions still linger. Trade wars on new tariffs taking a front stage is concerning to all.

In the United States, tax reforms and fiscal spending were keys to driving economic growth by improving business sentiment, boosting corporate earnings and dividend growth. Interest rate hikes by the Federal Reserve in 2017 had been steadily paced and digested.

China, the world's second largest economy, saw GDP growth in 2017 reach 6.9%, accelerating for the first time in seven years. The growth rate topped the official target of 6.5%. This outperformance was buoyed by strong domestic demand, fiscal spending, and economic rebalancing.

In Hong Kong, the SAR celebrated its 20th anniversary. The economy gathered pace in line with global economic recovery. Healthy fundamentals are in place with inflation below 3%. Investment sentiment has been sturdy. With the currency situation returning to more reasonable levels, retail sales have stabilised and tourism has been recovered. We still face a tight labour market. Hong Kong's GDP growth reached 3.8% as business outlook continues to improve. However, the city remains vigilant to externalities.

The Group ended the year with core profit increasing by 2% to HK$12.0 billion, whilst profit attributable to shareholders increased by 26% to HK$20.6 billion.

PERFORMANCE

Hong Kong Properties ("HKP")

Hong Kong Properties recorded solid achievements in 2017, with total transactions increasing by 18% to a record high of HK$26.1 billion.

The positive results were mainly driven by sustained market demand. MONTEREY and OASIS KAI TAK, the two residential projects that were launched in 2017, presold 963 units for HK$8.9 billion. MOUNT NICHOLSON, our luxury residential joint venture project on the Peak, continued to redefine super luxury with record breaking valuation. The project sold another five houses and 14 apartments during the year and generated HK$9.4 billion (translating to HK$4.7 billion on an attributable basis). ONE HOMANTIN and NAPA, low density projects that were launched in 2016, also presold 299 units for HK$2.8 billion.

Commercial project 8 Bay East, located in the heart of the new CBD – Kowloon East – was transacted en bloc for HK$9.0 billion. Eight commercial projects by the Group has contributed to a total of HK$37.0 billion in revenue for the Group. Further to 8 Bay East, the Group has no commercial project under construction.

The land bank under management stands at 7.9 million square feet as at 9 March 2018. The urban-focused nature of our land bank offers a diverse mix of products and the size is adequate to fulfill development needs for the next four to five years.

We have embarked on our digitisation journey for several years and using an incremental approach, we aim to execute digital transformation in our daily business, to enhance understanding of customer needs and improve operations.

The Wharf (Holdings) Limited ("WHL")

During the year, the Hong Kong investment properties ("IP") unit of WHL was demerged and separately listed in November 2017 as Wharf REIC. Wheelock's position after this spin-off is neutral. The shareholders and investors are supportive of this exercise, which enables a clearer strategic and investment profile within the Group while increasing operational and financial transparency.

Wharf achieved solid results in 2017. MOUNT NICHOLSON continued to cater to demands for luxury properties and setting new price records. The redevelopment of other Peak projects was progressing as planned. In the Mainland, following the successful opening of Chengdu IFS in 2014, the second IFS mall was opened in Chongqing to tap the huge retail potential in Southwestern China. The third IFS will open in 2018 in Changsha. The logistics segment continued with steady contribution.

WHL has additional capacity to build land bank, and projects are proceeding in accordance with plans.

Wharf Real Estate Investment Company Limited ("Wharf REIC")

Wharf REIC's shares began trading on 23 November, 2017. The company focuses on Hong Kong IPs and holds a portfolio of six prime quality IPs in key business and shopping districts. It has been assigned a first-time A2 issuer rating by Moody's, reflecting the new company's size and quality of assets.

Wharf REIC enjoyed steady rental growth from Hong Kong IPs. In particular, Harbour City continued to outperform the market in 2017 as it benefitted from a recovery of retail sentiment and visitor arrivals. Wheelock House and Crawford House also performed well. In December, The Murray, an integral part of the Government's Conserving Central initiative, was completed and marked by a ceremony officiated by the Chief Executive of the HKSAR. This marked the end of a four-year preservation journey for the iconic building and the beginning of its new lease of life as a contemporary luxury hotel.

Wheelock Properties (Singapore) Limited

Our subsidiary in Singapore continued to deliver stable performance. Both the Wheelock Place office tower and Scotts Square retail mall maintained high occupancy, while residential projects drew favourable response.

CORPORATE SOCIAL RESPONSIBILITY ("CSR")

For Wheelock, CSR is about shaping our present and future by making the right decisions, so that our business can continue to progress and stay relevant for the long-term. Building for tomorrow, with a nod to the past.

In 2017, the Company was inducted into the Hang Seng Corporate Sustainability Benchmark Index as a constituent member, reflecting recognition of our CSR performance.

Our sustainability efforts continued to focus on green building and business-in-community initiatives. For green building, our commercial project 8 Bay East was awarded LEED Platinum Pre-certification by the US Green Building Council, representing the highest building rating from the certification body. Other awards received for sustainable building practices include "Sustainability Achievement of the Year – Certificate of Excellence" from RICS Hong Kong, and Gold Label from WWF-Hong Kong's LOOP Labelling Scheme. Our CSR Report was published according to GRI G4 standard.

Business-in-Community continued to be a core element of our CSR, embodied in Project *WeCan* and Swim for Millions. As you will read from other sections of this Report, Project *WeCan* has expanded to 50,000 students in 53 secondary schools, and enlisted the support of 34 organisations. We look forward to even greater support from the business sector and general community as the initiative grows. For Swim for Millions, although the event was interrupted by weather conditions and had to be cancelled due to safety policies, it was able to raise HK$3 million to benefit a range of youth services under the Community Chest, as the latter celebrated its 50th anniversary in 2017.

OUTLOOK

2018 started with serious market volatility, reminding us that monetary tightening and rates hike remain as long-term challenges. The world remains mindful of movements in market liquidity, foreign exchange, geopolitical uncertainties and dangers from protectionist policies. Global growth forecasts of 3.9% for 2018 and 2019 have been predicted on the back of the first sustained expansion since the 2008 financial crisis. A stable macro environment is crucial to continual, synchronised global economic growth. However, the grey rhinos remain.

2018 marks the 40th anniversary of China's reform and opening up. The first wave (1978 – 2012) was about capacity building and urbanisation, which resulted in rapid economic growth for three decades. The second wave (from 2012) established a new normal for economic growth with the shifting towards the service sector and the growing of a middle class. Further, the recent 13th Five-Year Plan aims to propel the country forward by upgrading industrial manufacturing by 2025, and innovation and AI by 2030. At the conclusion of the 19th CPC National Congress, with full support President Xi will likely be at the helm for the foreseeable future as China continues on a challenging journey in this period of strategic opportunity.

In our home base of Hong Kong, efforts continue to build our core values and strengthen our position as an international financial hub. The new leadership team in Government is actively supporting innovation and digitisation as new growth drivers. In the near future, the completion of two major infrastructure projects will take Hong Kong's connectivity to another level: Hong Kong to Beijing in nine hours via the high-speed rail network connection, and less than an hour to the west bank of Pearl River Delta. Over the next decade, we also expect to see growing economic input from the Belt-and-Road and Greater Bay Area initiatives. The tale of two cities — Shenzhen and Hong Kong — will continue to be the big dynamic story coming out of this region.

Wheelock will build further on positive past achievements, and be proactive in keeping pace with emerging trends and changes.

CLOSING

It is only with the full support of a dedicated team that we are able to achieve the results this year. I speak for the Board in expressing my gratitude to all our staff, and have confidence that together we are well positioned to continue to offer the products and services that meet our customers' needs.

I also wish to thank our Board of Directors for their continued support, valuable advice and contribution.

Douglas C K Woo
Chairman

Hong Kong, 12 March 2018

FINANCIAL HIGHLIGHTS

RESULTS AND FINANCIAL POSITION

	2017 HK$ Million	2016 HK$ Million	Change
Results			
Revenue	**70,953**	60,579	+17%
Operating profit	**23,857**	21,135	+13%
Core profit (Note 1)	**11,989**	11,811	+2%
Profit before property revaluation gain	**14,839**	15,987	–7%
Profit attributable to equity shareholders	**20,570**	16,294	+26%
Total dividend for the year	**2,909**	2,644	+10%
Earnings per share			
Core profit	**HK$5.88**	HK$5.81	+1%
Before property revaluation gain	**HK$7.28**	HK$7.86	–7%
Attributable to equity shareholders	**HK$10.09**	HK$8.02	+26%
Dividend per share			
First interim	**47.50¢**	45.00¢	+6%
Second interim	**95.00¢**	85.00¢	+12%
Total for the year	**142.50¢**	130.00¢	+10%
Financial Position			
Total assets	**569,672**	520,435	+9%
Total business assets (Note 2)	**487,297**	468,116	+4%
Total investment properties	**346,442**	329,057	+5%
Net debt	**57,717**	50,977	+13%
Shareholders' equity	**241,684**	215,365	+12%
Total equity	**387,823**	349,520	+11%
Number of issued shares (in million)	**2,042**	2,035	+0.3%
Net asset value per share	**HK$118.37**	HK$105.85	+12%
Net debt to total equity	**14.9%**	14.6%	+0.3%pt

							Earnings per share			
Financial year/period	Core profit HK$ Million	Profit before property revaluation gain HK$ Million	Profit attributable to equity shareholders HK$ Million	Total equity HK$ Million	Shareholders' equity HK$ Million	Net asset value per share HK$	Core profit HK$	Before property revaluation gain HK$	Attributable to equity shareholders HK$	Dividends per share ¢
2008	3,385	2,284	3,432	135,902	65,108	32.04	1.67	1.12	1.69	12.50
2009	3,711	4,408	10,459	158,551	76,898	37.85	1.83	2.17	5.15	12.50
2010	4,582	4,974	20,194	193,076	100,372	49.40	2.26	2.45	9.94	12.50
2011	9,038	8,359	22,866	235,194	122,562	60.32	4.45	4.11	11.25	50.00
2012	7,267	8,734	26,935	285,880	152,041	74.83	3.58	4.30	13.26	110.00
2013	7,822	7,724	16,954	311,572	166,582	81.99	3.85	3.80	8.34	100.00
2014	8,103	7,035	22,009	339,916	191,206	94.11	3.99	3.46	10.83	106.75
2015	10,598	9,974	14,232	340,859	201,667	99.26	5.22	4.91	7.00	115.00
2016	11,811	15,987	16,294	349,520	215,365	105.85	5.81	7.86	8.02	130.00
2017	**11,989**	**14,839**	**20,570**	**387,823**	**241,684**	**118.37**	**5.88**	**7.28**	**10.09**	**142.50**

Notes:

(1) Core profit primarily excludes attributable net investment property revaluation gain and other exceptional items. Please refer to note (a) to the Ten-year Financial Summary on page 159.

(2) Business assets exclude unallocated corporate assets, mainly comprising certain equity and bond investments, deferred tax assets and bank deposits and cash.

(3) Please refer to the Ten-year Financial Summary on pages 158 to 159.

GROUP PROFIT AND ASSETS COMPOSITION

	Profit attributable to equity shareholders				Shareholders' equity			
	2017 HK$ Million	**%**	2016 HK$ Million	%	**2017 HK$ Million**	**%**	2016 HK$ Million	%
Wheelock & Company Limited	**1,109**	**9**	3,085	26	**40,294**	**15**	37,765	15
The Wharf (Holdings) Limited (Note 1)	**4,564**	**38**	3,160	27	**88,583**	**33**	195,062	80
Wharf Real Estate Investment Company Limited (Note 1)	**5,851**	**49**	5,138	43	**127,874**	**47**	–	–
Wheelock Properties (Singapore) Limited	**465**	**4**	428	4	**13,945**	**5**	12,212	5
Core profit	**11,989**	**100**	11,811	100	**270,696**	**100**	245,039	100
Exceptional items (Note 2)	**2,850**		4,176					
	14,839		15,987					
Investment property revaluation gain	**5,731**		307					
Profit to shareholders	**20,570**		16,294					
Earnings per share	**HK$10.09**		HK$8.02					
Corporate items (Note 3)					**(29,012)**		(29,674)	
Shareholders' equity					**241,684**		215,365	
Net asset value per share					**HK$118.37**		HK$105.85	

Notes:

(1) WHL's and Wharf REIC's profit is stated as if the demerger of Wharf REIC has been completed prior to 1 January 2016.

(2) Please refer to note (a) to the Ten-year Financial Summary on page 159.

(3) Corporate items represent the net debt of the Company and other subsidiaries.

BUSINESS REVIEW

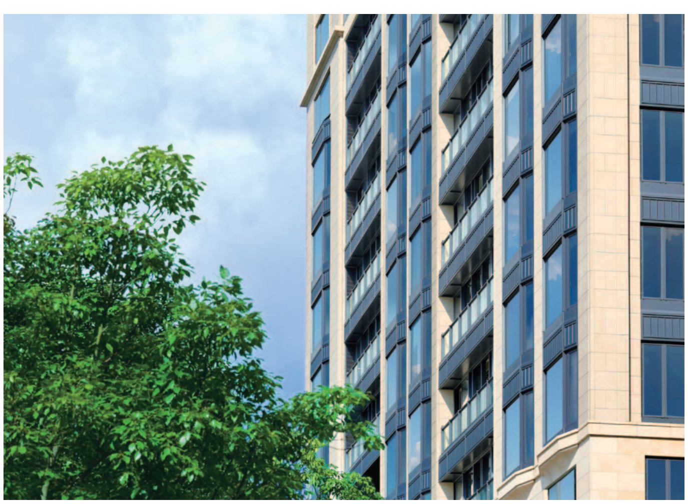
HONG KONG PROPERTIES ("HKP")

Total **HKP transactions** increased by 18% to a new record of **HK$26.1 billion**.

On **commercial sales**, 8 Bay East was disposed en bloc for **HK$9.0 billion**. It is a Grade A commercial building located in the heart of Hong Kong's new CBD, at Kowloon East overlooking the Victoria Harbour and currently under development. The transaction was completed on 29 December 2017 and once again demonstrated strong demand for quality office premises in Kowloon East, which will boost the area's future development. Following the successful en bloc sales of One Bay East and One HarbourGate, 8 Bay East is the eighth office tower sold since 2010. Altogether, these office transactions have generated HK$37.0 billion of sales to the Group.

On **residential sales**, a steady momentum has been maintained during the year to achieve **HK$17.1 billion**, affirming our established brand recognition and proven sales capabilities. A total of 1,325 residential units were sold or presold with over 95% of sell-through rate on launched units.

MONTEREY, the grand finale in the O'SOUTH portfolio, had presold 657 units for **HK$5.9 billion** since its debut in March 2017. It is a low density residential development surrounded by a green field and offers panoramic harbour view. A 40,000 square feet prestigious clubhouse and a well-developed transportation network nearby amplify its uniqueness. Together with previous developments in O'SOUTH, namely, THE PARKSIDE, CAPRI and SAVANNAH, a total of HK$21.0 billion in sales was generated from the O'SOUTH portfolio, about one third of the region's sales. The remaining 269 units with the best harbour views and facings are collectively branded as GRAND MONTEREY, and will be selectively launched in 2018.



MOUNT NICHOLSON

OASIS KAI TAK, a riverside residential development within a minute's walking distance to the future Kai Tak MTR station, is the last of the six residential sites tendered by the Government in Kai Tak back in 2014. Its debut in September 2017 received positive market feedback with over ten times over-subscription. All 306 residential units launched during the year were presold for **HK$3.0 billion**. This development is situated in the heart of the Kai Tak New Development Area with Kai Tak river views. Club Oasis, a luxurious clubhouse, and Oasis Garden, the central garden designed by a world-class landscaping team, further enhance the greenness of living.

Mount Nicholson

8 Mount Nicholson Road, The Peak


OASIS
10 Muk Ning Street, Kai Tak

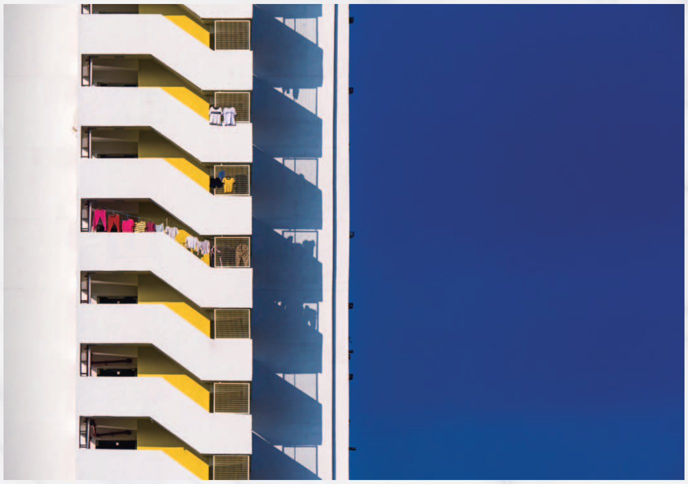
MONTEREY

MOUNT NICHOLSON, an ultra-luxury residential development on the Peak, successfully generated HK$19.1 billion of sales since its debut in February 2016. During the year, 14 apartments and five houses were sold for **HK$9.4 billion**, of which HK$4.7 billion was attributable to the Group. House No. 3 was sold for HK$1.2 billion. Apartments 12C & D, two adjoining units, were sold for a new record of HK$132,000 per square foot. This promising result once again reflected the continuous demand for prestigious and exclusive living on the Peak. Remaining apartments and houses will be selectively launched in 2018, and we expect to see continuous demand for distinguished living at an exclusive address.

ONE HOMANTIN presold an additional 109 residential units for **HK$1.4 billion** during the year. Altogether, 471 units were presold for HK$5.7 billion since its debut in March 2016. This development is located in Kowloon's traditional high-end district, with renowned schools network and proximity to Ho Man Tin MTR station. Moreover, the green environment and numerous recreational facilities nearby further enhance its attractiveness and market demand.

NAPA presold an additional 190 residential units for **HK$1.3 billion** during the year. Up to December 2017, more than 80% of 400 apartments were presold for HK$2.3 billion. The launch of GRAND NAPA, featuring 60 houses surrounded by lush green hills, is progressing to plan. This development is strategically located in close proximity to the Hong Kong International Airport and the soon-to-be-completed Hong Kong-Zhuhai-Macau Bridge.

Sales recognition increased to HK$33.2 billion. On the residential side, five developments obtained occupation permits during the year, including CAPRI, ONE HOMANTIN, SAVANNAH, NAPA and ISLAND RESIDENCE. Together with MOUNT NICHOLSON, totally HK$24.2 billion of residential sales were recognised. On the commercial side, the disposal of 8 Bay East of HK$9.0 billion was completed during the year. Presold but not yet completed contracted sales, i.e. **net order book**, was HK$8.8 billion, driven mainly by the successful launches of MONTEREY and OASIS KAI TAK.



National Geographic Wheelock Youth Photo Competition 2017, Places in Hong Kong – Merit, Leung Wai Yum

Land bank under management amounted to **7.1 million square feet** as at 31 December 2017. The size of this land bank is adequate to fulfill development needs over the coming years. Our diverse land bank contains Peak collection, MTR residences, waterfront living, suburban houses and commercial properties. A waterfront residential site in Kowloon West, adjacent to the Nam Cheong MTR interchange station, was acquired through a joint-venture with Sino Land, K. Wah, SEA Holdings and Shimao in November 2017. Following this acquisition, our urban-focused land bank spans over Hong Kong's key strategic regions, including the Peak, CBDs, O'SOUTH and O'EAST. A significant portion of this land bank is situated in Kowloon East. Though there are no office developments under construction presently, it is evident from multinational corporations' keen interest in setting up their regional offices in the area, that our land bank is well-positioned to benefit from the clustering of international financial institutions, re-energizing of Kwun Tong town center and improving transportation connectivity, including the planned Cross Bay Link and Tseung Kwan O–Lam Tin Tunnel to LOHAS.

Subsequent to 31 December 2017, a residential site in Kowloon Tong, commanding a total GFA of 436,000 square feet, was acquired by WHL in January 2018 via public tender. The site is strategically located at the junction of Lion Rock Tunnel Road and Lung Cheung Road, near the traditional luxury residential area of Beacon Hill, with a prestigious school network. On 8 March 2018, the Group entered into a Binding Offer to acquire a residential site in Kai Tak, which commands a maximum GFA of 425,361 square feet. The transaction offers an opportunity for the Group to expand its development property portfolio in Kai Tak area, which at present comprises OASIS KAI TAK.

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

The Company has been admitted to be a constituent member of the Hang Seng Corporate Sustainability Benchmark Index, reflecting the recognition of our effort in corporate sustainability.

In June 2017, Wheelock and its Hong Kong properties arm, Wheelock Properties Limited ("WPL"), jointly published the 2016 CSR Report. This CSR Report, consistent with previous years, was prepared in accordance with Global Reporting Initiative (GRI) G4 standard and independently verified. Featuring a maximised 20% of greenery area by fully utilising the roof, vertical wall and podium, 8 Bay East has been awarded U.S. LEED Platinum Pre-certification (the highest standard) and HK BEAM Plus Gold Pre-certification in recognition of its contribution to sustainability.

WPL has not only been awarded "Corporate Social Responsibility Project of the Year" by the Royal Institution of Chartered Surveyors Hong Kong for four consecutive years, but also the "Top 10 Developers Award" by BCI Asia for six consecutive years. These prominent achievements once again demonstrate their confidence in our project quality and recognition of our commitment to sustainable and green development.

Project *WeCan* continues to be the Group's key business-in-community initiative, providing students who are disadvantaged in learning with opportunities and care to empower them to pursue higher education and future career. With the support of corporate sponsors and volunteers, the programme currently has 53 secondary schools participating, benefitting 50,000 students in Hong Kong. During the year, the 5th Young Innovators Bazaar was held in February 2017 to give 1,000 participating students a first-hand experience of entrepreneurship by developing a viable business plan to source and sell their products at the Bazaar. It was also our first time to partner with the Global Business programme of the Hong Kong University of Science and Technology to form coaching teams to support participating students. Fung Kai No. 1 Secondary School and Ng Yuk Secondary School, the two secondary schools supported by the Company and WPL, won seven prizes in total, including the "Most Favourite Booth" and "Best Team Spirit".

National Geographic Wheelock Youth Photo Competition 2017
Mobile Photography – 1st Place, Ho Wai Hon Caleb

Meanwhile, the Wheelock Internship Program expanded the candidate pool from one to four education institutions in Hong Kong, offering more opportunities for aspiring interior design graduates. This program was established by WPL in 2016 and aims to sponsor outstanding interior design graduates to undertake internships in overseas professional design practices, helping them to become well-rounded professionals with exposure to the right skill sets.

On **art and culture**, WPL organised the 5th photo competition by joining force with National Geographic, offering emerging photographers in Hong Kong with an international platform to showcase their work. The "Sharing Your Moments in Kai Tak" Facebook campaign for charity sale was held to support local art development. All proceeds donated went to the "kaitak, Centre for Research and Development in Visual Arts" of the Hong Kong Baptist University to support their research in community-engaged arts. Last but not least, Wheelock Gallery in Admiralty supported the "2017 where to find heART" Charity Art Exhibition, co-hosted by Find Arts Studio and iCare Edutainment in July 2017, to showcase over 200 child painters' drawings. All donations would be used to support i-Care's service for underprivileged SEN students.

8 Bay East

On **community service**, WPL joined hands again with Hong Chi Association to organise the Christmas eCard Design Competition and unleashed Hong Chi students' creativity. During the year, staff volunteers also participated in Hong Chi's flag day, as well as mooncake and cookies charity sales. Furthermore, staff volunteers actively participated in other community and charity events, including Hunger Run 2017 and Hike for Hospice, to build a caring Hong Kong together with community partners.

Wheelock and Company Limited is the majority shareholder of The Wharf (Holdings) Limited, Wharf Real Estate Investment Company Limited and Wheelock Properties (Singapore) Limited. Below is a report on their operations and achievements during 2017.

The Wharf (Holdings) Limited ("WHL") 62.5% Equity Investment

HKP delivered solid result during the year with operating profit increased by 21% to HK$2,907 million. Raising the bar for luxury living, WHL's Peak Portfolio showcases a landmark collection of the most prestigious residences nestled on the Peak. While launches of MOUNT NICHOLSON are progressing well, redevelopment of the other Peak projects including 77 Peak Road, 1 Plantation Road and 11 Plantation Road are also progressing to plan. WHL's "Kowloon East Waterfront Portfolio" is poised to tap the opportunities emerging from CBD2; among which the Kowloon Godown is pending redevelopment. The general building plan for the open yard was approved in 2016 and the general building plan for revitalisation scheme was submitted in September 2017.

China IP continued to benefit from International Finance Square's ("IFS") steady contribution. During the year, Chongqing IFS retail mall was opened to tap the huge, experience-based retail or consumer markets in the region and to take the retail experience to the next level. Changsha IFS, inclusive of an enormous 246,000 square metre mall, is scheduled to open in mid-2018. On China development properties ("DP"), attributable interest in contracted sales decreased by 19% to RMB25.3 billion, mainly due to a series of sustained cooling measures in China. However, operating profit surged by 99% to HK$10,207 million, thanks to the full completion of good-margin Suzhou Times City. DP land bank was maintained at 3.9 million square metres.

The logistics segment constituted a steady source of cash flow. WHL manages 16 hotels in China, Hong Kong and The Philippines under the brands Marco Polo Hotels and Niccolo Hotels.

Wharf Real Estate Investment Company Limited ("Wharf REIC") 61.7% Equity Investment

Harbour City continued to outperform the market in an improving retail environment, with 6% increase in operating profit to HK$8,311 million. Times Square's operating profit declined by 1% to HK$2,518 million. Meanwhile, constant enhancement of retail offer and compelling marketing strategies continued to drive the performance of Plaza Hollywood, with operating profit increased by 6% to HK$439 million. At the same time, office revenue reflected solid rental reversion and stable rents for new commitments.

Wheelock House and Crawford House, part of our Central Portfolio, performed solidly with 15% increase in operating profit and positive rental reversions.

The Murray, Hong Kong, a Niccolo Hotel, was opened in January 2018. As an integral part of the Conserving Central initiative, the ceremony officiated by guest-of-honour Mrs. Carrie Lam, Chief Executive of the HKSAR, was held on 20 December 2017 to commemorate the completion of the preservation of The Murray and to celebrate the 20th anniversary of the HKSAR.

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

WPSL continued to deliver stable performance. On DP, 233 residential units were sold for S$460.1 million. On IP, Wheelock Place office tower and retail portion achieved 97% occupancy whilst Scotts Square retail was 98% occupied as at 31 December 2017.

National Geographic Wheelock Youth Photo Competition 2017
Future of Hong Kong – 1st Place, Chow Marcus Zi Hao

(I) REVIEW OF 2017 RESULTS

Wheelock and Company (before consolidation of listed subsidiaries WHL, Wharf REIC and WPSL)

Wheelock and Company's own core profit decreased by 64% to HK$1,109 million (2016: HK$3,085 million), mainly due to recognition of One HarbourGate's profit in 2016.

Wheelock Group

Group's core profit increased by 2% to HK$11,989 million (2016: HK$11,811 million).

Group profit attributable to equity shareholders increased by 26% to HK$20,570 million (2016: HK$16,294 million), mainly due to higher IP revaluation surplus in 2017.

Revenue and Operating Profit

Group revenue and operating profit increased by 17% and 13% to HK$70,953 million (2016: HK$60,579 million) and HK$23,857 million (2016: HK$21,135 million) respectively.

Investment Property

Revenue and operating profit both increased by 5% to HK$16,529 million (2016: HK$15,736 million) and HK$13,520 million (2016: HK$12,837 million) respectively. In Hong Kong, both revenue and operating profit increased by 4%. Harbour City's revenue and operating profit achieved growth by 5% and 6% respectively. In Mainland China, revenue and operating profit increased by 12% and 16% respectively, supported by Chengdu IFS in particular.

Development Property

Revenue and operating profit increased by 31% and 28% to HK$47,836 million (2016: HK$36,539 million) and HK$9,312 million (2016: HK$7,253 million) respectively.

In Hong Kong, recognised property sales increased by 40% to HK$18,908 million (2016: HK$13,497 million) while operating profit decreased by 70% to HK$1,142 million (2016: HK$3,772 million). CAPRI, ONE HOMANTIN, SAVANNAH, NAPA and ISLAND RESIDENCE were completed in 2017, enabling revenue recognition of HK$4,077 million, HK$5,767 million, HK$5,527 million, HK$2,337 million and HK$1,088 million respectively.

In Mainland China, recognised property sales increased to HK$23,396 million (2016: HK$21,670 million) and operating profit increased by 142% to HK$7,841 million (2016: HK$3,234 million) with completion of higher margin projects.

Hotels

Revenue and operating profit increased by 6% and 32% to HK$1,686 million (2016: HK$1,587 million) and HK$381 million (2016: HK$289 million) respectively. Hong Kong revenue increased with improved occupancies while the newly opened hotels in Mainland China have started to contribute.

Logistics

Logistic revenue increased by 3% at HK$2,817 million (2016: HK$2,748 million) while operating profit decreased by 7% to HK$667 million (2016: HK$719 million), mainly attributable to higher operating cost from Modern Terminals.

Communications, Media and Entertainment ("CME")

i-CABLE was disposed in September 2017 and Wharf T&T in November 2016. The Group has exited the CME segment and will reinvest in CME2. This led to significant decline of revenue to HK$874 million (2016: HK$3,145 million) and operating loss to HK$294 million (2016: profit of HK$59 million).

Investment and Others

Operating profit of investment and others increased by 13% and amounted to HK$811 million (2016: HK$719 million), partly contributed from the Group's equity and bond investments.

Fair Value Gain of IP

The book value of the Group's IP portfolio as at 31 December 2017 increased by 5% to HK$346.4 billion (2016: HK$329.1 billion), with HK$324.7 billion thereof stated at fair value based on independent valuation as at that date. That resulted in a revaluation gain of HK$9,860 million for the year (2016: HK$597 million), which was credited to the consolidated income statement.

IP under development of HK$21.7 billion is carried at cost and will not be carried at fair value until the earlier of when the fair values first become reliably measurable or the dates of their respective completion.

Other Net Income

Other net income amounted to HK$4,478 million (2016: HK$6,341 million), comprising mainly a gain of HK$4,499 million arising from the disposal of 8 Bay East by WHL (2016: mainly a gain of HK$7,260 million arising from the disposal of WHL's entire equity interest in Wharf T&T).

Finance Costs

Finance costs charged to the consolidated income statement were HK$1,154 million (2016: HK$1,484 million). Excluding the unrealised mark-to-market gain of HK$300 million (2016: HK$261 million) on swaps, finance costs decreased by 22% to HK$2,547 million (2016: HK$3,262 million) before capitalisation of HK$1,093 million (2016: HK$1,517 million), and HK$1,454 million (2016: HK$1,745 million) after capitalisation. The Group's effective borrowing rate for the year was 3.2% (2016: 3.2%) per annum.

Share of Results of Associates and Joint Ventures

Share of profits of associates increased by 24% to HK$1,471 million (2016: HK$1,190 million), mainly due to increase in profit contributions from DP in Mainland China.

Share of profits of joint ventures increased to HK$2,954 million (2016: HK$1,984 million), mainly attributable to MOUNT NICHOLSON in Hong Kong and higher profit contribution from DP in Mainland China.

Income Tax

The taxation charge was HK$8,435 million (2016: HK$4,691 million), which included deferred taxation of HK$572 million (2016: HK$23 million) provided for the revaluation gain of IP located in Mainland China.

Excluding the above deferred taxation, the taxation charge increased by 68% to HK$7,863 million (2016: HK$4,668 million), mainly due to DP segment in Mainland China, coupled with the increased land appreciation tax provision on certain DP projects in Mainland China sold at relatively high profit margin, and higher profits from IP segment.

Non-controlling Interests ("NCI")

Profit attributable to NCI increased by 42% to HK$12,461 million (2016: HK$8,778 million), mainly due to increase in net profit of WHL and Wharf REIC.

Profit attributable to Equity Shareholders

Group profit attributable to equity shareholders increased by 26% to HK$20,570 million (2016: HK$16,294 million). Earnings per share were HK$10.09 based on weighted average of 2,039 million issued shares (2016: HK$8.02 based on 2,033 million issued shares).

Excluding the attributable IP revaluation gain (after deducting related deferred tax and NCI) of HK$5,731 million (2016: HK$307 million), Group profit attributable to equity shareholders decreased by 7% to HK$14,839 million (2016: HK$15,987 million).

Further stripping out the exceptional items, core profit increased by 2% to HK11,989 million (2016: HK$11,811 million). Core earnings per share were HK$5.88 (2016: HK$5.81).

Set out below is an analysis of the Group profit attributable to equity shareholders as contributed by each of Wheelock and Company, WHL, Wharf REIC and WPSL as if the demerger of Wharf REIC has been completed prior to 1 January 2016.

	2017 HK$ Million	2016 HK$ Million
Profit attributable to		
Wheelock and Company	**1,109**	3,085
WHL group	**4,564**	3,160
Wharf REIC group	**5,851**	5,138
WPSL group	**465**	428
Core profit	**11,989**	11,811
Attributable gain arising from the disposal of 8 Bay East	**2,775**	–
Attributable gain arising from the disposal of Wharf T&T	**–**	4,416
Others	**75**	(240)
Profit before IP revaluation gain	**14,839**	15,987
IP revaluation gain (after deferred tax)	**5,731**	307
Profit attributable to equity shareholders	**20,570**	16,294

WHL's profit for the year ended 31 December 2017 increased to HK$21,876 million (2016: HK$21,440 million). Excluding the exceptional items, WHL's core profit increased by 14% to HK$15,718 million (2016: HK$13,754 million).

Wharf REIC's profit for the year ended 31 December 2017 was HK$17,218 million. Excluding the exceptional items, Wharf REIC's core profit was HK$9,500 million.

WPSL's profit for the year ended 31 December 2017 was S$115.2 million (2016: S$58.3 million), according to the accounting standards adopted in Singapore. In accordance with Hong Kong Financial Reporting Standards, WPSL's contributed profit to the Group was HK$686 million (2016: HK$296 million).

(II) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL COMMITMENTS

Shareholders' and Total Equity

Shareholders' equity increased by 12% to HK$241.7 billion (2016: HK$215.4 billion), or HK$118.37 per share based on 2,042 million issued shares (2016: HK$105.85 per share based on 2,035 million issued shares) as at 31 December 2017.

Including the NCI, the Group's total equity increased by 11% to HK$387.8 billion (2016: HK$349.5 billion).

Assets and Liabilities

The Group's total assets were HK$569.7 billion (2016: HK$520.4 billion). Total business assets, i.e. excluding bank deposits and cash, financial and deferred tax assets, increased to HK$487.3 billion (2016: HK$468.1 billion).

Geographically, the Group's business assets in Mainland China, mainly properties and terminals, increased to HK$136.9 billion (2016: HK$122.6 billion), representing 28% (2016: 26%) of the Group's total business assets.

Investment Properties

The Group's IP portfolio, included in the Group's total assets, increased by 5% to HK$346.4 billion (2016: HK$329.1 billion), representing 71% of total business assets. Harbour City (excluding the three hotels) and Times Square in Hong Kong were valued at HK$226.9 billion, representing 66% of the value of the portfolio.

Properties for Sale

DP amounted to HK$58.5 billion (2016: HK$70.1 billion), mainly comprised of properties in Hong Kong of HK$31.5 billion, in Mainland China of HK$26.6 billion and in Singapore of HK$0.4 billion, which were held for sale as at 31 December 2017.

Interests in Associates and Joint Ventures

Interests in associates and joint ventures amounted to HK$41.9 billion (2016: HK$35.1 billion), mainly represented by various joint-venture DP projects undertaken in Mainland China and Hong Kong.

Deposits from Sale of Properties

Deposits from sale of properties amounted to HK$14.9 billion (2016: HK$30.6 billion), reflecting contracted sales in Mainland China, Hong Kong and Singapore pending revenue recognition.

Debt and Gearing

The Group's net debt was increased by 13% or HK$6.7 billion to HK$57.7 billion (2016: HK$51.0 billion) as at 31 December 2017. The net debt comprised debt of HK$114.2 billion less bank deposits and cash of HK$56.5 billion (including WHL's and Wharf REIC's deposits and cash of HK$13.5 billion and HK$2.6 billion respectively placed with banks in Mainland China, and Wheelock and Company's own deposits of HK$0.4 billion placed with banks in Hong Kong with maturity over three months). Excluding WHL's net cash of HK$9.3 billion, Wharf REIC's net debt of HK$42.5 billion, and WPSL's net cash of HK$4.5 billion, which were non-recourse to the Company and its wholly-owned subsidiaries, Wheelock and Company's own net debt decreased by HK$0.7 billion to HK$29.0 billion (2016: HK$29.7 billion). An analysis of the net debt by group is shown below:

Net debt/(cash)	2017 HK$ Million	2016 HK$ Million
Wheelock and Company	**29,012**	29,674
WHL group	**(9,288)**	23,837
Wharf REIC group	**42,476**	–
WPSL group	**(4,483)**	(2,534)
Group	**57,717**	50,977

As at 31 December 2017, the net debt to total equity (on a consolidated basis) was increased to 14.9% (2016: 14.6%). Excluding the net debt of WHL and Wharf REIC and net cash of WPSL, Wheelock and Company's own net debt to shareholders' equity (on an attributable net asset value basis) declined to 12.0% (2016: 13.8%).

Finance and Availability of Facilities

As at 31 December 2017, the Group's available loan facilities and issued debt securities amounted to HK$157.7 billion (2016: HK$146.5 billion), of which HK$114.2 billion were utilised. An analysis is shown below:

	Available Facilities HK$ Billion	Total Debt HK$ Billion	Undrawn Facilities HK$ Billion
Wheelock and Company	60.3	32.2	28.1
WHL group	43.0	36.4	6.6
Wharf REIC group	54.4	45.6	8.8
WPSL group	–	–	–
Group	157.7	114.2	43.5

Of the above debt, HK$12.1 billion (2016: HK$13.6 billion) was secured by mortgages over certain DP, IP and property, plant and equipment with a total carrying value of HK$42.3 billion (2016: HK$43.5 billion).

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

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

The Group continued to maintain a strong financial position with ample surplus cash denominated principally in RMB, HKD, USD and Singapore dollars, and undrawn committed facilities to facilitate the Group's business and investment activities. The Group also maintained a portfolio of equity and bond investments with an aggregate market value of HK$29.0 billion (2016: HK$9.5 billion) as at 31 December 2017, which is immediately available for liquidation for the Group's use when in need.

Cash Flows from the Group's Operating and Investing Activities

For the year under review, the Group's operating cash inflows was HK$23.9 billion (2016: HK$21.8 billion). The changes in working capital and others of HK$6.7 billion (2016: HK$9.8 billion) decreased the net cash inflow from operating activities to HK$17.2 billion (2016: increased to HK$31.6 billion). For investing activities, the Group recorded a net cash outflow of HK$15.7 billion (2016: HK$5.9 billion), mainly due to the acquisition of equity and bond investments.

Major Capital and Development Expenditure and Commitments

The Group's major capital and development expenditure incurred in 2017 is analysed as follows:

A. Major Capital and Development Expenditure

	Hong Kong/ Singapore HK$ Million	Mainland China HK$ Million	Total HK$ Million
Wheelock and Company			
IP	548	–	548
DP	7,397	–	7,397
	7,945	–	7,945
WHL group			
IP	1,716	2,515	4,231
DP	207	26,003	26,210
Non property and others	1,523	12	1,535
	3,446	28,530	31,976
Wharf REIC group			
IP	111	342	453
DP	–	1	1
Non property and others	635	1	636
	746	344	1,090
WPSL group			
IP	5	–	5
DP	124	237	361
	129	237	366
Analysis by segment:			
IP	2,380	2,857	5,237
DP	7,728	26,241	33,969
Non property and others	2,158	13	2,171
Group total	12,266	29,111	41,377

i. Wheelock and Company's own expenditure for IP and DP amounted to HK$7.9 billion, mainly attributable to the construction cost payments for its Hong Kong DP projects.

ii. WHL's expenditure totalled HK$32.0 billion, comprising expenditure of HK$4.2 billion for IP (mainly construction costs of the IFS projects in Mainland China), HK$26.2 billion for DP and HK$1.6 billion for Hotels, Modern Terminals and i-CABLE.

iii. Wharf REIC's expenditure totalled HK$1.1 billion, comprising expenditure of HK$0.5 billion for IP (mainly construction costs of the Suzhou IFS project) and HK$0.6 billion for Hotels for the period from 21 November 2017 (date of spin-off from WHL) to 31 December 2017.

iv. WPSL's expenditure of HK$0.4 billion was mainly for construction cost payments for its Singapore and Mainland China DP projects.

B. Commitments to Capital and Development Expenditure

As at 31 December 2017, the Group's major commitments to capital and development expenditure to be incurred in the forthcoming years were estimated at HK$53.3 billion, of which HK$22.1 billion was committed. By segment, the commitments are analysed as follows:

	As at 31 December 2017		
	Committed HK$ Million	Uncommitted HK$ Million	Total HK$ Million
Wheelock and Company			
IP	–	–	–
DP	12,372	6,022	18,394
	12,372	6,022	18,394
WHL group			
IP	3,260	5,409	8,669
DP	4,641	12,517	17,158
Non property and others	113	26	139
	8,014	17,952	25,966
Wharf REIC group			
IP	1,557	3,371	4,928
DP	119	2,113	2,232
Non property and others	16	120	136
	1,692	5,604	7,296
WPSL group			
IP	2	–	2
DP	64	1,577	1,641
	66	1,577	1,643
Analysis by segment:			
IP	4,819	8,780	13,599
DP	17,196	22,229	39,425
Non property and others	129	146	275
Group total	22,144	31,155	53,299
Hong Kong IP	1,091	468	1,559
Hong Kong DP	12,372	6,022	18,394
China IP	3,726	8,312	12,038
China DP	4,824	16,207	21,031
Singapore	2	–	2
Properties total	22,015	31,009	53,024
Non property and others	129	146	275
Group total	22,144	31,155	53,299

i. Wheelock and Company's own commitments of HK$18.4 billion mainly relate to construction costs for DP in Hong Kong.

ii. WHL's commitments of HK$26.0 billion mainly comprise of expenditure of HK$8.7 billion for IP, HK$17.2 billion construction costs for DP and HK$0.1 billion mainly for Modern Terminals.

iii. Wharf REIC's commitments of HK$7.3 billion mainly comprise of expenditure of HK$4.9 billion for IP, HK$2.3 billion construction costs for DP and HK$0.1 billion mainly for Hotels.

iv. WPSL's commitments of HK$1.6 billion mainly relate to construction costs of HK$1.6 billion for DP in Mainland China.

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

(III) HUMAN RESOURCES

The Group had approximately 12,600 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 trends, with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the respective group's achievement and results.

(IV) BUSINESS MODEL

Wheelock and Company's core business is Hong Kong DP. Its urban-focused land bank under management amounts to 7.1 million square feet, including one of the largest collections of ultra-luxury residential developments on the Peak, low-density and waterfront O'SOUTH residential developments, riverside residence in the heart of Kai Tak New Development Area, MTR-linked residential developments in O'EAST, a significant share of residential properties in Kowloon East and urban portfolio in Kowloon South.

In 2017, Hong Kong properties transactions totalled HK$26.1 billion. Looking forward to 2018, residential sales will continue to maintain the momentum with more than five developments in the sales pipeline.

WHL and Wharf REIC are Wheelock's equity investments in the form of listed company. WHL's focus is on IP and DP in Mainland China, other Hong Kong properties, logistics and hotels management. Its attributable land bank in the Mainland comprises 3.9 million square metres while 2017 China DP contracted sales totalled RMB25.3 billion. Separately, Wharf REIC focuses on Hong Kong IP and holds a portfolio of six prime IP in strategic locations, including Harbour City, Times Square and The Murray.

Development in Singapore is spearheaded by WPSL. It currently operates two prime commercial properties on Orchard Road, the retail heart of the city.

(V) BUSINESS STRATEGY

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

1. Building and maintaining a diversified and competitive land bank with timely acquisitions and constant turning of assets;

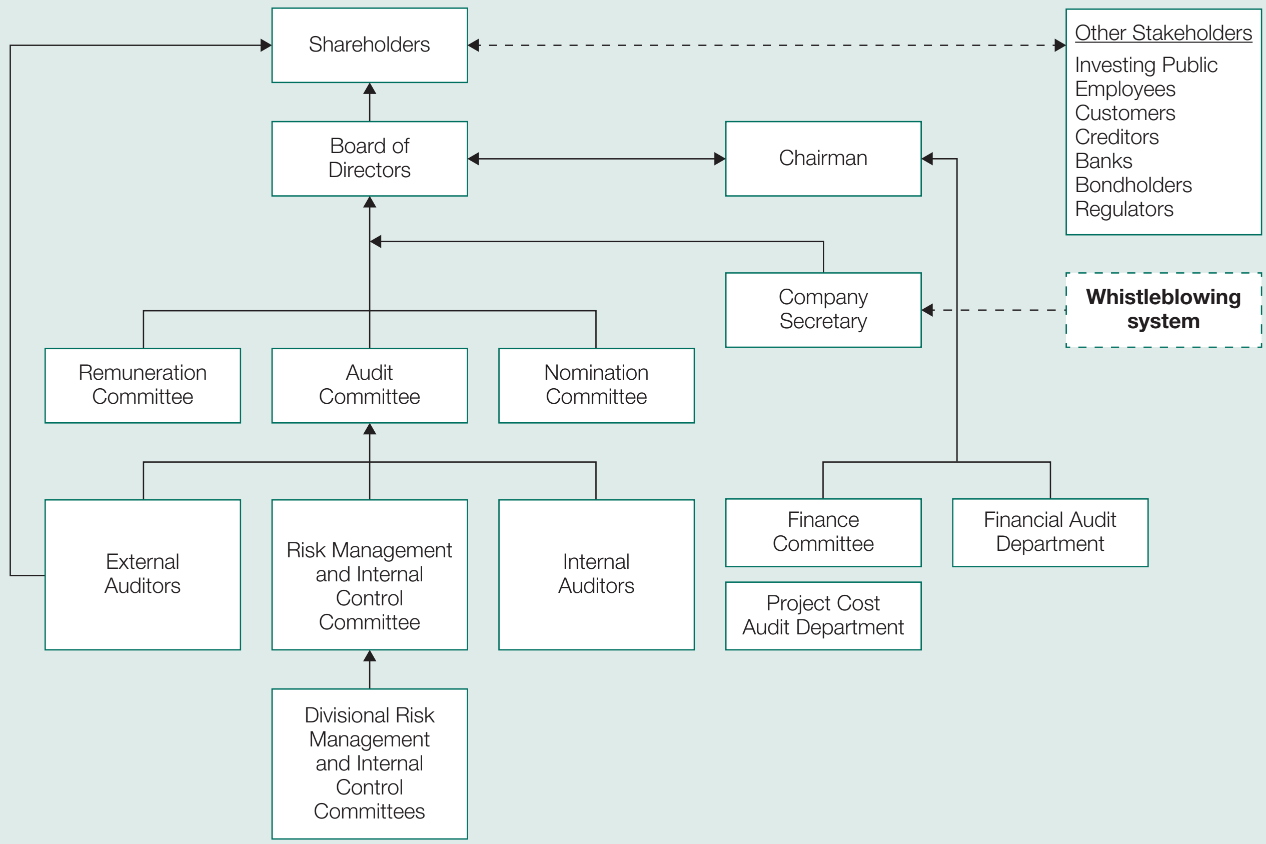
2. Competence in selection and acquisition, planning and design, execution, sales and marketing;

3. Building organisation and focusing professional team efforts in building brand; and

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

(A) CORPORATE GOVERNANCE STRUCTURE

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



(B) CORPORATE GOVERNANCE PRACTICES

During the financial year ended 31 December 2017, all the code provisions set out in the Corporate Governance Code (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") were met by the Company, with the exception of two deviations, namely, (i) Code Provision A.2.1 (the "First Deviation") providing for the roles of chairman and chief executive to be performed by different individuals; and (ii) Code Provision F.1.3 (the "Second Deviation") providing for the company secretary to report to the board chairman or the chief executive.

The reason for the First Deviation from the relevant Code Provision is stated under section (E) below. Regarding the Second Deviation, the Company Secretary of the Company has for some years directly reported to, and continues to report to, the Deputy Chairman of the Company, which is considered appropriate and reasonable given the size of the Group. In the view of the Directors, this reporting arrangement in no way adversely affects the efficient discharge by the Company Secretary of his job duties.

(C) CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

A set of the Company's own code of conduct (the "Company's Code") was adopted by the Company in 2014 to govern Directors' securities transactions with terms thereof being no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors of the Company, and all the Directors have complied with the required standard set out in the Company's Code during the financial year.

(D) BOARD OF DIRECTORS

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

The Company's Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business, and a balanced composition of executive and non-executive directors. Four Board meetings and one general meeting were held during the financial year ended 31 December 2017. The composition of the Board and attendance of the Directors are set out below:

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

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

During the year ended 31 December 2017, the Chairman of the Company held a meeting with the Non-executive Directors (including Independent Non-executive Director ("INED(s)")) without the presence of the Executive Directors.

(II) Operation of the Board

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

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

(III) Directors' Continuous Professional Development

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

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

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

Remarks:

A: attending seminars and/or conferences and/or forums

B: giving talks at seminars and/or conferences and/or forums

C: reading journals, updates, articles and/or materials, etc.

(E) CHAIRMAN AND CHIEF EXECUTIVE

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

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

(F) NON-EXECUTIVE DIRECTORS

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

(G) BOARD COMMITTEES

(I) Audit Committee

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

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

Five AC meetings were held during the financial year ended 31 December 2017. Attendance of the AC members is set out below:

Members	Attendance/Number of Meetings
Alan H Smith *(Chairman of AC)*	5/5
Kenneth W S Ting	5/5
Nancy S L Tse	5/5
Glenn S Yee	4/5

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

(A) Relationship with the Company's External Auditors

(a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of their resignation or dismissal;

(b) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The AC should discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences; and

(c) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The AC should report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

(B) Review of Financial Information of the Company

(a) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the AC should focus particularly on:

(i) any changes in accounting policies and practices;

(ii) major judgmental areas;

(iii) significant adjustments resulting from the audit;

(iv) the going concern assumptions and any qualifications;

(v) compliance with accounting standards; and

(vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

(b) regarding (B)(a) above:

(i) members of the AC should liaise with the Company's Board and Senior Management and the AC must meet, at least twice a year, with the Company's external auditors; and

(ii) the AC should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts; it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, or for compliance function, or auditors (internal or external).

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

(a) to review the Company's risk management and internal control systems covering all controls, including financial, operational and compliance controls, with the support of the Risk Management and Internal Control Committee;

(b) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions;

(c) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings, and to review the statements concerning risk management and internal control to be included in the annual report;

(d) to ensure co-ordination between the internal and external auditors, to review and approve the annual internal audit plan, to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company for it to carry out an analysis and independent appraisal of the adequacy and effectiveness of the Company's financial reporting system and risk management and internal control systems, and to review and monitor the effectiveness of the internal audit function;

(e) to review the Group's financial and accounting policies and practices;

(f) to review the external auditors' management letter, any material queries raised by the auditors to management about accounting records, financial accounts or systems of control and management's response;

(g) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;

(h) to report to the Board on the matters in the Code Provisions in the Listing Rules;

(i) to review arrangements which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The AC should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

(j) to act as the key representative body for overseeing the Company's relations with the external auditors; and

(k) to consider other topics, as defined by the Board.

(D) Oversight of the Company's Corporate Governance Matters

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of Directors and Senior Management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to consider other topics, as defined by the Board.

(ii) Whistleblowing Policy & Procedures have been adopted by the Group, with the authority and responsibility being delegated to the AC, further information of which is set out in the third paragraph of the subsection headed "(II) Practices & Processes" on page 36.

(iii) The other work performed by the AC for the financial year ended 31 December 2017 is summarised below:

(a) approval of the remuneration, appointment and terms of engagement of the external auditors;

(b) review of the external auditors' independence, objectivity and effectiveness of audit process in accordance with applicable standards;

(c) review of the half-year and annual financial statements before submission to the Board, with particular consideration of the points mentioned in paragraph (i)(B) above regarding the duties of the AC;

(d) discussion with the external auditors before the audit commences, the nature and scope of the audit;

(e) review of the audit programme of the internal audit function;

(f) review of the Group's financial controls, risk management and internal control systems;

(g) meeting with the external auditors without executive Board members present;

(h) review of the drafts of the representation letters to be provided by the Company to the external auditors, namely, KPMG, in connection with, *inter alia*, audit of the consolidated financial statements of the Company and its subsidiaries, and making suggestions for prior vetting by in-house professional advisor and for identifying new items in the letters as compared to the previous year; and

(i) review of continuing connected transactions entered into during the financial year under review, and making suggestions for improving the system regarding the monitoring and identification of relevant transactions with connected persons in future.

(II) Remuneration Committee

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

During the financial year ended 31 December 2017, one RC meeting was held and the attendance of the RC members is set out below:

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

Apart from that RC meeting, certain matters regarding discretionary bonus to Directors of the Company were approved by RC members by means of written resolutions.

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

(a) to make recommendations to the Board on the Company's policy and structure for all Directors' and Senior Management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) to review and approve the management's remuneration proposals by reference to the Board's corporate goals and objectives;

(c) either:

(i) to determine, with delegated responsibility, the remuneration packages of individual Executive Directors and Senior Management; or

(ii) to make recommendations to the Board on the remuneration packages of individual Executive Directors and Senior Management.

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

(d) to make recommendations to the Board on the remuneration of Non-executive Directors;

(e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

(f) to review and approve compensation payable to Executive Directors and Senior Management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

(h) to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration; and

(i) to advise Shareholders on how to vote with respect to any service contracts of Directors that require Shareholders' approval under the Listing Rules.

(ii) The work performed by the RC, which has the delegated authority and responsibility, for the financial year ended 31 December 2017 is summarised below:

(a) review of the Company's policy and structure for all remuneration of Directors and Senior Management;

(b) consideration and approval of the emoluments for all Directors and Senior Management; and

(c) review of the level of fees for Directors, AC members and RC members.

The basis of determining the emoluments payable to its Directors and Senior Management by the Company is by reference to the level of emoluments normally paid by a listed company in Hong Kong to directors and senior executives of comparable calibre and job responsibilities, so as to ensure a fair and competitive remuneration package as is fit and appropriate. The basis of determining the fee payable to the Chairman of the Company, currently at the rate of HK$250,000 per annum, the fee payable to each of the other Directors of the Company, currently at the rate of HK$200,000 per annum, the fee payable to each of those Directors who are also members of the AC of the Company, currently at the rate of HK$100,000 per annum, and the fee payable to each of those Directors who are also members of the RC of the Company at the rate of HK$50,000 per annum, is by reference to the level of fees of similar nature normally paid by a listed company in Hong Kong to its directors.

(III) Nomination Committee

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

During the financial year ended 31 December 2017, no NC meeting was held.

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

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(c) to assess the independence of INEDs; and

(d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman of the Board and the chief executive.

(ii) The Board has adopted a Board Diversity Policy. Under the Policy, the Company recognises and embraces the benefits of having a diverse Board towards enhancement of its overall performance. With a vision to achieving a sustainable and balanced development, the Company regards increasing diversity at the Board level as an essential element in achieving a diversity of perspectives and supporting the attainment of its strategic goals. Appointments of Directors are made on merits having due regard for the benefits of diversity on the Board.

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

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

(IV) Corporate Governance Functions

While the Board is and remains to be principally responsible for the corporate governance functions of the Company, it has delegated the relevant duties to the AC to ensure the proper performance of corporate governance functions of the Company. In this connection, the terms of reference of the AC including various duties relating to corporate governance matters are set out in paragraph "(D) Oversight of the Company's Corporate Governance Matters" on page 31.

(H) AUDITORS' REMUNERATION

The fees in relation to the audit and other services for the financial year ended 31 December 2017 provided by KPMG, the external auditors of the Company, amounted to HK$42 million and HK$5 million respectively.

(I) RISK MANAGEMENT & INTERNAL CONTROL SYSTEMS

(I) Risk Governance Structure

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

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

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

Risk Management and Internal Control Committee ("RMICC")

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

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

Objective	Assist the AC in discharge of its oversight responsibility over risk management and internal control systems of the Group.
Composition	Chaired by Mr Paul Y C Tsui. Three other members comprising Mr Stewart C K Leung, Mr Ricky K Y Wong and Mr Horace W C Lee.
Structure	Accountable to the AC on all matters relating to risk management and internal control. Supervision on Divisional Risk Management and Internal Control Committees ("DRMICCs") which in turn are responsible for the identification and reporting of functional risks, and the ongoing supervision and monitoring of the risk management and internal control systems.
Scope & Duties	Assist the AC to conduct periodical reviews of the effectiveness of the risk management and internal control systems of the Group based on the certification procedure as further explained below. Report to the AC on identified risks, relevant evaluations and risk management strategy. Direct and monitor the proper functioning of DRMICCs and report to the AC on any major internal control issues from time to time. Assume an advisory role on objective settings, formulation of internal control framework, policies and procedures.

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

(II) Practices & Processes

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

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

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

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

(III) Periodical Reviews

Under the leadership of RMICC, system reviews in a comprehensive approach on 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 AC and the Board. Such reviewing exercise is carried out on a regular basis and affords good opportunities for the Group to identify and prioritise risks, and to develop and manage appropriate measures to control risks within acceptable levels and with a greater focus on anti-fraud measures.

(IV) Annual Confirmation

During the financial year ended 31 December 2017, the AC, with assistance of RMICC and DRMICCs, has conducted a review of the effectiveness of the Group's risk management and internal control systems and procedures covering all material controls, including financial, operational and compliance control and risk management, and the adequacy of, *inter alia*, resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions. Confirmations from management in the form of certification that risk management and internal control systems are functioning effectively to meet the respective financial reporting, operational and compliance needs, are submitted by business and corporate unit heads to RMICC for consolidation and reporting to the AC.

Based on the result of the review as reported by the AC, in respect of the financial year ended 31 December 2017, the Directors considered that the risk management and internal control systems and procedures of the Group were effective and adequate.

A discussion on the principal risks and uncertainties encountered by the Group is set out on pages 54 to 56 in the Report of the Directors.

(J) DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of financial statements for the financial year ended 31 December 2017, which give a true and fair view of the affairs of the Company and of the Group and of the Group's results and cash flow for the year then ended and in compliance with the requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("CO") and the applicable disclosure provisions of the Listing Rules.

In preparing the financial statements for the financial year ended 31 December 2017:

(i) appropriate accounting policies are selected, applied consistently and in accordance with the Hong Kong Financial Reporting Standards;

(ii) prudent and reasonable judgements and estimates are made; and

(iii) the reasons for any significant departure from applicable accounting standards are stated, if applicable.

(K) COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

(L) SHAREHOLDERS' RIGHTS

(I) Convene a General Meeting

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

(II) Send Enquiries to the Board

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

(III) Make Proposals at General Meetings

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

(ii) The procedures for proposing resolution(s) to be moved at the Company's annual general meeting(s) are as follows:

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

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

The relevant written requisition must –

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

(b) be authenticated by the person or persons making it; and

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

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

(M) AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents during the financial year ended 31 December 2017.

REPORT OF THE DIRECTORS

The Directors have 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 137 to 143.

BUSINESS REVIEW

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

— Chairman's Statement (pages 3 to 5)

— Business Review (pages 8 to 16)

— Financial Highlights (pages 6 to 7) and Financial Review (pages 17 to 24)

— Principal Risks and Uncertainties (pages 54 to 56)

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

In addition, the Group's policies and performance in the area of environment, social and governance are discussed in section (K) "Environment, Social and Governance" on pages 56 to 57.

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 65 and 66.

Appropriations of profits and movements in reserves of the Group and of the Company during the financial year are set out in the Consolidated Statement of Changes in Equity on page 68 and Note 24 to the Financial Statements on pages 108 to 109.

DIVIDENDS

A first interim dividend of 47.5 cents per share was paid in September 2017. In lieu of a final dividend, a second interim dividend of 95.0 cents per share will be paid on 27 April 2018 to Shareholders on record as at 13 April 2018. Total distribution for the year 2017 will amount to HK$1.425 (2016: HK$1.300) per share.

SHARE CAPITAL

During the financial year, as a result of exercises of share options previously granted under the Company's share option scheme, a total of 7,050,000 ordinary shares of the Company, credited as fully paid, were allotted and issued for a total consideration of HK$276,789,000.

Details of movements in share capital of the Company during the financial year are set out in Note 24(a) to the Financial Statements on page 108.

DONATIONS

The Group made donations during the financial year totalling HK$45 million.

DIRECTORS

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

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

A list of names of all persons who serve/served as directors of the Company's subsidiaries during the financial year and/or during the period from the end of the financial year to the date of this report is set out in section (L) "Directors of Subsidiaries" on page 58.

INDEMNITY TO DIRECTORS

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

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

INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

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

MANAGEMENT CONTRACTS

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

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

During the financial year, a total of 7,050,000 ordinary shares of the Company were allotted and issued to three Directors of the Company, namely, Mr Stewart C K Leung, Mr Paul Y C Tsui and Mr Ricky K Y Wong, and a total of 2,300,000 ordinary shares of WHL were allotted and issued to two Directors of the Company, namely, Mr Stephen T H Ng and Mr Paul Y C Tsui, on their exercises of options respectively under the Company's and/or WHL's share option schemes. Further information of the share option schemes of the Company and WHL is set out on pages 50 to 52.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

AUDITORS

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

By Order of the Board
Wilson W S Chan
Secretary

Hong Kong, 12 March 2018

SUPPLEMENTARY CORPORATE INFORMATION

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

(I) Directors

Douglas C K WOO, *JP, Chairman & Managing Director (Age: 39)*
Mr Woo has been Chairman of the Company since 2014 and a Director and Managing Director since 2013. He is chairman and member of the Nomination Committee and a member of the Remuneration Committee. He is also vice chairman and managing director of Wheelock Properties Limited ("WPL") and a director of certain other subsidiaries of the Company.

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

Mr Woo holds a Bachelor degree in Architecture from Princeton University in USA and a Master of Business Administration degree (EMBA Program) from The HKUST Business School and The Kellogg School of Management of Northwestern University. He was awarded an Honorary Doctor of Humane Letters degree by Savannah College of Art and Design (Hong Kong). Under the existing service contract between the Group and Mr Woo, his basic salary and various allowances for the year 2018, calculated on an annualised basis, would be approximately HK$6.48 million (2017: HK$6.22 million) per annum.

Stephen T H NG, *Deputy Chairman (Age: 65)*
Mr Ng has been a Director of the Company since 1988 and became Deputy Chairman in 1995. He is chairman and managing director of The Wharf (Holdings) Limited ("WHL") and Wharf Real Estate Investment Company Limited ("Wharf REIC"), both major publicly listed subsidiaries of the Company. Among other subsidiaries of the Company of which he serves as a director, Mr Ng is chairman of publicly listed Harbour Centre Development Limited ("HCDL") and Wheelock Properties (Singapore) Limited ("WPSL"). Furthermore, he is non-executive chairman of publicly listed Joyce Boutique Holdings Limited ("JBHL"), and a non-executive director of Hotel Properties Limited (a publicly listed associate of the Company). Mr Ng formerly served as chairman and chief executive officer of publicly listed i-CABLE Communications Limited ("i-CABLE") until his resignation in September 2017 and also as a non-executive director of Greentown China Holdings Limited ("Greentown") until his resignation on 27 March 2015.

Mr Ng was born in Hong Kong in 1952 and grew up in Hong Kong. He attended Ripon College in Ripon, Wisconsin, USA and the University of Bonn, Germany, from 1971 to 1975, and graduated with a major in mathematics. He is the chairman of the Hong Kong General Chamber of Commerce ("HKGCC"), a council member of the Employers' Federation of Hong Kong ("EFHK") and the Hong Kong Trade Development Council. Under the existing service contract between the Group and Mr Ng, his basic salary and various allowances for the year 2018, calculated on an annualised basis, would be approximately HK$8.39 million (2017: HK$8.06 million) per annum.

Stewart C K LEUNG, *Vice Chairman (Age: 79)*
Mr Leung has been Vice Chairman of the Company since 2012. He is currently the chairman of WPL and Wheelock Properties (Hong Kong) Limited ("WPHKL"), both being wholly-owned subsidiaries of the Company. Mr Leung has extensive experience in property development, construction, management and related businesses in Hong Kong. He was formerly a director of two publicly listed companies, namely, New World Development Company Limited and New World China Land Limited. Mr Leung is currently the chairman of the Executive Committee of REDA. Under the existing service contract between the Group and Mr Leung, his basic salary and various allowances for the year 2018, calculated on an annualised basis, would be approximately HK$5.49 million (2017: HK$5.47 million) per annum.

Paul Y C TSUI, *Executive Director & Group Chief Financial Officer (Age: 71)*
Mr Tsui, *FCCA, FCPA, FCMA, CGMA, CPA, CGA*, has been a Director of the Company since 1998. He became Executive Director of the Company in 2003 and is currently also the Group Chief Financial Officer. He is a vice chairman and the group chief financial officer of WHL; as well as a vice chairman of WPL and a director of certain other subsidiaries of the Company. Mr Tsui is also a director of JBHL. He formerly served as a director of HCDL and WPSL until his resignations in August 2015; as a director of i-CABLE until his resignation in September 2017; and also as a non-executive director of Greentown until his resignation in July 2015. Mr Tsui is currently a general committee member of the 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, calculated on an annualised basis, would be approximately HK$5.47 million (2017: HK$5.25 million) per annum.

Ricky K Y WONG, *Executive Director (Age: 53)*
Mr Wong has been a Director of the Company since 2010 and became an Executive Director in January 2018. He joined the Group in 1989 and is currently the managing director of WPL and WPHKL, as well as a director of certain other subsidiaries of the Company. He is presently responsible for overseeing the property development and related business of the Group in Hong Kong. Mr Wong is currently chairman of the Executive Committee of the EFHK and vice chairman of EFHK's Council and General Committee. He is also a member of the Legal Sub-committee of REDA, a director of the Hong Kong Green Building Council, a fellow member of Royal Institution of Chartered Surveyors, and a board member of Estate Agents Authority.

He was an associate member of Hong Kong Special Administrative Region ("HKSAR") — Central Policy Unit from 2013 to June 2017. Mr Wong has also served as a co-opted member of the Hong Kong Diploma of Secondary Education Examination (HKDSE) — Applied Learning Subject Committee of the Hong Kong Examinations and Assessment Authority from September 2015 to August 2018 and a member of the Advisory Committee on Enhancing Self-reliance through District Partnership Programme of the Home Affairs Department from July 2016 to June 2018. Mr Wong graduated from University of Wisconsin in the US with a Master Degree in Business Administration. Under the existing service contract between the Group and Mr Wong, his basic salary and various allowances for the year 2018, calculated on an annualised basis, would be approximately HK$4.96 million (2017: HK$4.55 million) per annum.

Tak Hay CHAU, *GBS, Director (Age: 75)*
Mr Chau has been an Independent Non-executive Director ("INED") of the Company since 2012. He graduated from The University of Hong Kong in 1967. Mr Chau served in a number of principal official positions in the Hong Kong Government between 1988 and 2002, including Secretary for Commerce and Industry, Secretary for Broadcasting, Culture and Sport, and Secretary for Health and Welfare. Mr Chau was awarded the Gold Bauhinia Star by the Government of HKSAR in 2002. He is an INED of two companies publicly listed in Hong Kong, namely, SJM Holdings Limited and Tradelink Electronic Commerce Limited.

Mignonne CHENG, *Director (Age: 71)*
Mrs Cheng has been a Non-executive Director of the Company since 2012. Mrs Cheng, a seasoned banker, has amassed over 35 years of experience in the financial sector with over 25 years in senior management positions in corporate and commercial banking as well as investment banking. She joined BNP Paribas in 1990 and has held various senior positions in BNP Paribas group in the past 27 years. Mrs Cheng is currently the chairman of BNP Paribas Wealth Management for Asia Pacific and a member of the executive committee of BNP Paribas Wealth Management, since the appointment in 2010.

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

In October 2006, Mrs Cheng was granted the "Top 100 Outstanding Women in Greater China Award" by The Chinese Women Entrepreneurs Association. In October 2007, Mrs Cheng was decorated "Chevalier de l'Ordre National du Mérite", a French national award, and subsequently "Chevalier de l'Ordre de la Légion d'Honneur" in May 2012. In August 2011, Mrs Cheng was honored as Top 20 Women in Finance by FinanceAsia. Mrs Cheng was granted the "Private Banker of the Year-Hong Kong" by The Asset in September 2015 and "Outstanding Private Banker-Asia Pacific 2016" by Private Banker International in October 2016.

Winston K W LEONG, *Director (Age: 58)*
Mr Leong has been an INED of the Company since 2013. He holds a Bachelor of Arts degree in economics and law from the University of Cambridge and a Bachelor of Laws degree from the University of British Columbia. He qualified to practise law in England & Wales, New York State and the Province of British Columbia, Canada, before working in investment banking and then management of private equity funds for investment in the Asia Pacific region. During the course of his career, he has worked in London, Vancouver, New York as well as Hong Kong. Mr Leong is currently a director of various private business enterprises.

Alan H SMITH, *JP, Director (Age: 74)*
Mr Smith has been an INED of the Company since 2012. He also serves as a member and chairman of the Company's Audit Committee, and a member of the Company's Nomination Committee and Remuneration Committee. He was the vice chairman, Pacific Region, of Credit Suisse First Boston ("CSFB"), a leading global investment bank from 1997 until he retired in December 2001. Prior to joining CSFB, he was chief executive of the Jardine Fleming group from 1983 to 1994 and was chairman of the Jardine Fleming group from 1994 to 1996. Mr Smith has over 27 years of investment banking experience in Asia. He was elected a council member of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on two occasions. He was a member of the Economic Advisory Committee of the Government of HKSAR, and had for 10 years been a member of the Hong Kong Government's Standing Committee on Company Law Reform. He was a trustee of the Hospital Authority Provident Fund Scheme from 2002 to 2014.

Mr Smith graduated with an LLB (Honours) degree from Bristol University, England in 1964, and was admitted as a solicitor in England in 1967 and in Hong Kong in 1970. Mr Smith is also a director of Genting Hong Kong Limited and Guangdong Land Holdings Limited, which are both listed on the Stock Exchange.

Mr Smith was a director of Noble Group Limited, which is listed on Singapore Exchange Securities Trading Limited, until he resigned from the office on 14 April 2016. He was also a director of American Indochina Resorts Limited, a private company incorporated in the British Virgin Islands which owned Nam Hai Resort in Danang, Vietnam, until his resignation on 16 May 2016.

Richard Y S TANG, *SBS, JP, Director (Age: 65)*
Mr Tang, *BSc, MBA*, has been an INED of the Company since 2012. He is an MBA graduate from the University of Santa Clara, California, USA and a holder of Bachelor of Science degree in Business Administration from Menlo College, California, USA. Mr Tang is currently chairman and managing director of Richcom Company Limited. He is also chairman of King Fook Holdings Limited, an executive director of Miramar Hotel and Investment Company, Limited and an INED of Hang Seng Bank Limited; all three companies are publicly listed on the Stock Exchange. Furthermore, he is a director of various private business enterprises and an advisor of Tang Shiu Kin and Ho Tim Charitable Fund.

Kenneth W S TING, *SBS, JP, Director (Age: 75)*
Mr Ting has been an INED of the Company since 2003. He also serves as a member and chairman of the Company's Remuneration Committee as well as a member of the Company's Audit Committee and Nomination Committee. Mr Ting is the chairman and managing director of publicly listed Kader Holdings Company Limited and chairman of Kader Industrial Company Limited. He is also an INED of publicly listed Cheuk Nang (Holdings) Limited. Mr Ting currently serves as the honorary president of HK Wuxi Trade Association Limited, the Federation of Hong Kong Industries, the Chinese Manufacturers' Association of Hong Kong and the Toys Manufacturers' Association of Hong Kong Limited, and also the Honorary Life President of Hong Kong Plastics Manufacturers' Association Limited.

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

Nancy S L TSE, *JP, Director (Age: 65)*
Ms Tse, *FCPA (HKICPA), CPA, CA (Canada)*, has been an INED of the Company since 2013. She also serves as a member of the Company's Audit Committee. Ms Tse is currently an INED of Link Asset Management Limited (as manager of Link Real Estate Investment Trust, a publicly listed company in Hong Kong), DBS Bank (Hong Kong) Limited and HSBC Provident Fund Trustee (Hong Kong) Limited. She has also served as a member of the Board of Governors of the Prince Philip Dental Hospital since 1 August 2017. Ms Tse obtained her Bachelor of Arts (Honours) degree in Mathematics and Master of Business Administration degree in Finance/Accounting from the University of California, Los Angeles, United States; and qualified as Chartered Accountant in Toronto, Canada. She was the Chief Financial Officer and Director (Finance and Information Technology Services) of the Hong Kong Hospital Authority ("HA") until her retirement at the end of August 2013. She joined the HA in 1991 when it was established. She is an Adjunct Professor of The Jockey Club School of Public Health and Primary Care of The Chinese University of Hong Kong. She also serves as a member of Audit Committee of The University of Hong Kong and sits on the boards and committees of a number of other charitable organisations and non-government organisations.

Glenn S YEE, *Director (Age: 67)*
Mr Yee has been an INED of the Company since 2010. He also serves as a member of the Company's Audit Committee. Mr Yee is the founder, managing director and chairman of Pacific Can China Holdings Limited ("Pacific Can"), which is one of the leading beverage can manufacturers in China. Mr Yee obtained a B.S. in Mechanical Engineering from Worcester Polytechnic Institute ("WPI") in Massachusetts, and an MBA Degree from Columbia University in New York. He started his career in General Electric Company in New York and later on joined Continental Can Company in Stamford, Connecticut. Mr Yee held senior positions in Marketing and Finance areas and was made managing director of Continental Can Hong Kong Ltd. in 1988. He resigned in 1991 and subsequently started Pacific Can. Mr Yee is a member of the Board of Trustees at WPI.

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

(II) Senior Management

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

(B) DIRECTORS' INTERESTS IN SECURITIES

(I) Interests in Shares & Debt Securities

At 31 December 2017, Directors of the Company had the following interests, all being personal, beneficial and long position interests, in the shares and/or debt securities of the Company, of three subsidiaries of the Company, namely, WHL, Wharf REIC and Wheelock Finance Limited, and also of Greentown, which is regarded as an associated corporation of the Company, and the percentages which the relevant shares represented as compared to the total number of shares in issue of the relevant companies respectively are also set out below:

	Quantity (percentage, where applicable) **held**
The Company	
Stephen T H Ng — Ordinary Shares	176,000 (0.0086%)
Stewart C K Leung — Ordinary Shares	753,000 (0.0369%)
Paul Y C Tsui — Ordinary Shares	300,000 (0.0147%)
Ricky K Y Wong — Ordinary Shares	600,000 (0.0294%)
WHL	
Stephen T H Ng — Ordinary Shares	9,445 (0.0003%)
Kenneth W S Ting — Ordinary Shares	659,024 (0.0217%)
Wharf REIC	
Stephen T H Ng — Ordinary Shares	1,009,445 (0.0332%)
Kenneth W S Ting — Ordinary Shares	659,024 (0.0217%)
Wheelock Finance Limited	
Ricky K Y Wong — USD Guaranteed Notes due 2018	US$1,300,000
Ricky K Y Wong — HKD Guaranteed Notes due 2022	HK$5,000,000
Greentown	
Ricky K Y Wong — USD Fixed Rate Notes due 2020	US$600,000

Note: The interests in shares disclosed above do not include interests in share options of the Company and/or its subsidiary(ies) held by Directors of the Company as at 31 December 2017. Details of such interests in share options are separately set out below under subsection (B)(II) "Interests in Share Options of the Company" and subsection (B)(III) "Interests in Share Options of WHL".

(II) Interests in Share Options of the Company

Set out below are particulars of all interests (all being personal interests) in options held during the financial year ended 31 December 2017 by Directors (and/or their respective associate(s)) of the Company to subscribe for ordinary shares of the Company ("the Company's share(s)" or "Wheelock's share(s)") granted/exercisable under the share option scheme of the Company:

Name of Director	Total No. of Wheelock's shares under option held as at 31 December 2017 (percentage based on all issued shares)	Date of grant (Day/Month/Year)	No. of Wheelock's shares under option: As at date of grant	As at 1 January 2017	Exercised during the year	As at 31 December 2017	Subscription price per share (HK$)
Douglas C K Woo (Note b)	8,000,000 (0.39%)	14/06/2013	3,000,000	3,000,000	–	3,000,000	39.98
		07/07/2016	5,000,000	5,000,000	–	5,000,000	36.60
Stewart C K Leung	1,800,000 (0.09%)	14/06/2013	3,000,000	2,400,000	(2,400,000) (Note c)	–	39.98
		07/07/2016	3,000,000	2,400,000	(600,000) (Note c)	1,800,000	36.60
Paul Y C Tsui	900,000 (0.04%)	14/06/2013	1,500,000	1,500,000	(1,500,000) (Note d)	–	39.98
		07/07/2016	1,500,000	1,200,000	(300,000) (Note d)	900,000	36.60
Ricky K Y Wong	2,400,000 (0.12%)	14/06/2013	3,000,000	2,250,000	(1,650,000) (Note e)	600,000	39.98
		07/07/2016	3,000,000	2,400,000	(600,000) (Note e)	1,800,000	36.60

Notes:

(a) Regarding the share options granted to the abovementioned Directors on each of the dates of grant as set out above, each of the relevant share options as originally granted (i.e. the original total quantity of options granted on the relevant date(s) of grant) was/is vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant options, i.e. exercisable to the extent of one-fifth of the relevant total number of Wheelock's shares, and with the 1st tranche exercisable from the day immediately following the date(s) of grant, and the 2nd, 3rd, 4th and 5th tranches exercisable from the day immediately following the 1st, 2nd, 3rd and 4th anniversary dates of the relevant date(s) of grant respectively; all the options will lapse at the close of business on the 5th anniversary date of the respective date(s) of grant.

(b) As at both 1 January 2017 and 31 December 2017, an associate of Mr Douglas C K Woo, namely, Mr Peter K C Woo, who is the father of Mr Douglas C K Woo, held certain options for Wheelock's shares, particulars of which are set out below under section (C) "Substantial Shareholders' Interests". The share options so held by Mr Peter K C Woo are not included in the options held by Mr Douglas C K Woo as stated above.

(c) The weighted average closing price of Wheelock's shares immediately before the date(s) of exercise(s) of the options by Mr Stewart C K Leung during the year was HK$58.21 per share.

(d) The weighted average closing price of Wheelock's shares immediately before the date(s) of exercise(s) of the options by Mr Paul Y C Tsui during the year was HK$58.06 per share.

(e) The weighted average closing price of Wheelock's shares immediately before the date(s) of exercise(s) of the options by Mr Ricky K Y Wong during the year was HK$60.71 per share.

(III) Interests in Share Options of WHL

There was in existence during the financial year a share option scheme of WHL (the "WHL's Scheme"). 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 WHL granted/exercisable under the WHL's Scheme:

Name of Director	Total No. of WHL's shares under option held as at 31 December 2017 (percentage based on all issued shares)	Date of grant (Day/Month/Year)	No. of WHL's shares under option: As at date of grant	As at 1 January 2017	Exercised during the year	As at 31 December 2017	Subscription price per share (Note 3) (HK$)
Stephen T H Ng	5,000,000 (0.16%)	05/06/2013	2,000,000	2,000,000	(1,000,000) (Note 4)	1,000,000	23.83
		07/07/2016	5,000,000	5,000,000	(1,000,000) (Note 4)	4,000,000	15.92
Paul Y C Tsui	1,900,000 (0.06%)	05/06/2013	1,000,000	1,000,000	–	1,000,000	23.83
		07/07/2016	1,500,000	1,200,000	(300,000) (Note 5)	900,000	15.92

Notes:

(1) Regarding the share options granted to the abovementioned Directors on each of the dates of grant as set out above, each of the relevant share options as originally granted (i.e. the original total quantity of options granted on the relevant date(s) of grant) was/is vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant options, i.e. exercisable to the extent of one-fifth of the relevant total number of WHL's shares, and with the 1st tranche exercisable from the day immediately following the date(s) of grant, and the 2nd, 3rd, 4th and 5th tranches exercisable from the day immediately following the 1st, 2nd, 3rd and 4th anniversary dates of the relevant date(s) of grant respectively; all the options will lapse at the close of business on the 5th anniversary date of the respective date(s) of grant.

(2) As at both 1 January 2017 and 31 December 2017, an associate of Mr Douglas C K Woo, namely, Mr Peter K C Woo, who is the father of Mr Douglas C K Woo, held certain options for WHL's shares, particulars of which are set out below under section (C) "Substantial Shareholders' Interests".

(3) The subscription prices applicable to the WHL's share options granted on 5 June 2013 and 7 July 2016 have been adjusted from HK$70.20 and HK$46.90 respectively to HK$23.83 and HK$15.92 with effect from 30 November 2017 as a result of the spin-off of Wharf REIC and the special interim dividend to WHL's shareholders by way of allotment and issue of new shares in Wharf REIC.

(4) The weighted average closing price of WHL'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.

(5) The closing price of WHL'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.

Except as disclosed above:

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

(2) as recorded in the register kept by the Company under Section 352 of the Securities and Futures Ordinance ("SFO") in respect of information required to be notified to the Company and the Stock Exchange by the Directors and/or Chief Executive of the Company pursuant to the SFO or to the Listing Rules, there were no interests, both long and short positions, held as at 31 December 2017 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and/or 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/or its associated corporations held by any of them as at 31 December 2017.

(C) SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties who/which were, directly or indirectly, interested in 5% or more of any class of voting shares of the Company as at 31 December 2017 and the respective relevant numbers of shares (percentages based on all issued shares) in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under Section 336 of the SFO (the "Register"):

	Names	**Number** (percentage) **of Ordinary Shares**
(i)	Mr Peter K C Woo (Notes 1 & 4)	265,490,652 (13.00%)
(ii)	Mrs Bessie P Y Woo (Notes 1 & 4)	265,490,652 (13.00%)
(iii)	HSBC Trustee (C.I.) Limited	995,221,678 (48.74%)

Notes:

(1) The interests of party (i) (who is regarded as an associate of party (ii) and vice versa) and party (ii) stated above do not include the personal interests held by party (i) in certain share options of the Company, particulars of which are given in Note (3) below.

(2) Duplication occurred in respect of the shareholdings stated against parties (i) and (ii) above to the extent that they represented the same block of shares.

(3) As at both 1 January 2017 and 31 December 2017 (and also as at the dates of grant), party (i) stated above held options granted by the Company on 14 June 2013 covering 2,000,000 shares (0.098% based on all issued shares) of the Company, and options granted by WHL on 5 June 2013 covering 2,000,000 WHL's shares, with the subscription prices and vesting/exercise periods thereof being the same as those which are applicable to share options of the Company and of WHL granted on the respective dates to the relevant Director(s) of the Company as stated above in subsections (II) and (III) in section (B) "Directors' Interests in Securities".

(4) For the purpose of disclosure of interests in share options of the Company and of WHL under the Listing Rules, Mr Douglas C K Woo is regarded as an associate of each of party (i) and party (ii). Particulars of Mr Douglas C K Woo's relevant share option interests (not included in the interests held by party (i) and party (ii) mentioned above) are set out above under subsections (II) and (III) in section (B) "Directors' Interests in Securities".

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

(D) SHARE OPTION SCHEMES

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

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

(b) Eligibility:
Eligible participants include any person(s) who is/are full-time and/or part-time employee(s) and/or Director(s) of the Company, any of its subsidiary(ies), and/or any of its associate(s). "Associates" include joint venture(s) and subsidiary(ies) of associates and of joint ventures.

(c) (i) Total number of Wheelock's shares available for issue under the Company's Scheme as at the date of this annual report:
193,284,928

(ii) Percentage which the 193,284,928 ordinary shares represent to the total number of Wheelock's shares in issue as at the date of this annual report:
9.47%

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

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

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

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

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

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

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

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

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

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

(i) The remaining life of the Company's Scheme:
Approximately 3 years (expiring on 8 June 2021)

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

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

	No. of Wheelock's shares under option				
Date of grant (Date/Month/Year)	**As at 1 January 2017**	**Exercised during the year**	**As at 31 December 2017**	**Vesting/Exercise Period** (both dates inclusive) (Day/Month/Year)	**Subscription price per share** (HK$)
(i) 14/06/2013:	1,300,000	(300,000)	1,000,000	15/06/2013 – 14/06/2018	39.98
	2,350,000	(1,350,000)	1,000,000	15/06/2014 – 14/06/2018	39.98
	2,500,000	(1,500,000)	1,000,000	15/06/2015 – 14/06/2018	39.98
	2,500,000	(1,500,000)	1,000,000	15/06/2016 – 14/06/2018	39.98
	2,500,000	(900,000)	1,600,000	15/06/2017 – 14/06/2018	39.98
	11,150,000	(5,550,000)	5,600,000		
(ii) 07/07/2016:	1,000,000	–	1,000,000	08/07/2016 – 07/07/2021	36.60
	2,500,000	(1,500,000)	1,000,000	08/07/2017 – 07/07/2021	36.60
	2,500,000	–	2,500,000	08/07/2018 – 07/07/2021	36.60
	2,500,000	–	2,500,000	08/07/2019 – 07/07/2021	36.60
	2,500,000	–	2,500,000	08/07/2020 – 07/07/2021	36.60
	11,000,000	(1,500,000)	9,500,000		
Total:	**22,150,000**	**(7,050,000)**	**15,100,000**		

Notes:

(1) The weighted average closing price of Wheelock's shares immediately before the date(s) of exercise(s) of the options during the financial year as abovementioned was HK$58.97 per share.

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

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

The terms, conditions, and relevant information of the WHL's Scheme are, *mutatis mutandis*, identical to those of the Company's Scheme (as set out under section (D)(I) above) in all material respects, except that for (c)(i) and (c)(ii) under section (D)(I) above, the relevant number/percentage for the WHL's Scheme are 276,144,732 and 9.09% respectively.

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

Date of grant (Date/Month/Year)	No. of WHL's shares under option As at 1 January 2017	Exercised during the year	As at 31 December 2017	Vesting/Exercise Period (both dates inclusive) (Day/Month/Year)	Subscription price per share (Note 1) (HK$)
(i) 05/06/2013:	2,100,000	(800,000)	1,300,000	06/06/2013 – 05/06/2018	23.83
	2,100,000	(400,000)	1,700,000	06/06/2014 – 05/06/2018	23.83
	2,100,000	(200,000)	1,900,000	06/06/2015 – 05/06/2018	23.83
	2,100,000	–	2,100,000	06/06/2016 – 05/06/2018	23.83
	2,100,000	–	2,100,000	06/06/2017 – 05/06/2018	23.83
	10,500,000	(1,400,000)	9,100,000		
(ii) 07/07/2016:	1,800,000	(1,800,000)	–	08/07/2016 – 07/07/2021	15.92
	2,900,000	(1,300,000)	1,600,000	08/07/2017 – 07/07/2021	15.92
	2,900,000	–	2,900,000	08/07/2018 – 07/07/2021	15.92
	2,900,000	–	2,900,000	08/07/2019 – 07/07/2021	15.92
	2,900,000	–	2,900,000	08/07/2020 – 07/07/2021	15.92
	13,400,000	(3,100,000)	10,300,000		
Total:	**23,900,000**	**(4,500,000)**	**19,400,000**		

Notes:

(1) The subscription prices applicable to the WHL's share options granted on 5 June 2013 and 7 July 2016 have been adjusted from HK$70.20 and HK$46.90 respectively to HK$23.83 and HK$15.92 with effect from 30 November 2017 as a result of the spin-off of Wharf REIC and the special interim dividend to WHL's shareholders by way of allotment and issue of new shares in Wharf REIC.

(2) The weighted average closing price of WHL's shares immediately before the date(s) of exercise(s) of the options during the financial year as abovementioned was HK$66.63 per share.

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

(E) RETIREMENT BENEFITS SCHEMES

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

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

(F) MAJOR CUSTOMERS & SUPPLIERS

For the financial year ended 31 December 2017:

(a) the aggregate amount of purchases (not including the purchases of items which are of a capital nature) attributable to the Group's five largest suppliers represented 19% of the Group's total purchases;

(b) the largest supplier accounted for 6% of the Group's total purchases;

(c) none of the Directors of the Company or their associates holds, nor does any Shareholder owning (to the knowledge of the Directors) more than 5% of the Company's equity capital hold, any interests in any of the Group's five largest suppliers; and

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

(G) BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Particulars of any and all bank loans, overdrafts and/or other borrowings of the Company and of the Group as at 31 December 2017 which were repayable on demand or within a period not exceeding one year or after one year are set out in Note 20 to the Financial Statements on pages 96 to 97.

(H) PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules throughout the financial year ended 31 December 2017.

(I) DISCLOSURE OF CONNECTED TRANSACTIONS

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

(I) Master Tenancy Agreement between the Group and WGL

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

On 26 September 2014, the Group entered into a master tenancy agreement (the "MTA") with WGL for a term of three years from 1 January 2015 to 31 December 2017. The MTA is for the purpose of, *inter alia*, regulating various continuing connected transactions in respect of the leasing of premises owned by members of the Group to the Eligible Tenants (including a six-year tenancy agreement entered into with City Super Limited for renewal of the tenancy for the CitySuper store at Harbour City commencing on 1 March 2017 as disclosed in an announcement of the Company dated 24 February 2017) and the fixing of the aggregate annual cap amount of rentals in relation thereto during the said three-year term.

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

The annual aggregate amount of rental under the MTA, which is subject to the relevant aggregate annual cap amount previously disclosed in the abovementioned announcement dated 26 September 2014, received by the Group from WGL group for the financial year ended 31 December 2017 amounted to HK$899 million.

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

(III) Confirmation from Directors etc.

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

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

(b) on normal commercial terms or better; and

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

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

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

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

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

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

(J) PRINCIPAL RISKS AND UNCERTAINTIES

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

Risks pertaining to Development Properties ("DP")

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

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

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

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

Risks pertaining to Investment Properties ("IP")

IP segment is another core business of the Group accounting for over 62% of the Group's total assets. With the majority of the properties locating in Hong Kong and Mainland China, the general economic climate, regulatory changes, government policies and the political conditions in both Hong Kong and Mainland China may have a significant impact on the Group's overall financial results and positions.

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

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

Non property related businesses

The Group operates container terminals both in Hong Kong and Mainland China. The low global trade growth environment is likely to continue through 2018, impacting volume growth and putting pressure on shipping lines to economise and rationalise their networks further.

The Group operates 16 hotels in the Asia Pacific region, eight 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.

Legal and Regulatory Compliance risks

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

Financial risks

The Group is exposed to financial risks related to interest rate, foreign currency, equity price and credit in the normal course of the business. For further details of such risks and relevant management policies, please refer to Note 23 to the Financial Statements on pages 102 to 108.

(K) ENVIRONMENT, SOCIAL AND GOVERNANCE

Wheelock's Business-in-Community approach describes our commitment to be a driving force for positive change in the places where we live and work. For us, Corporate Social Responsibility ("CSR") is central to future-proofing the business and responding to emerging trends. Every year, we review the most material environmental and social issues for our business to ensure we are managing the major impacts and meeting stakeholder expectations.

Wheelock's CSR Report will be published in June 2018 on the Company's corporate website (www.wheelockcompany.com). The Report will comply with the provisions of the Environmental, Social and Governance Reporting Guide issued by the Stock Exchange and will be prepared in accordance with the latest Global Reporting Initiative (GRI) Standards, and it will be independently audited.

Environment

Wheelock is committed to enhancing efficiency and reducing waste across our offices, managed properties and on construction sites. We strive to exceed regulatory requirements and adopt international best practices, where appropriate. In line with the spirit of sustainable living, we have been actively improving the environmental performance of our properties for end users. We have committed to pursue a minimum of BEAM Plus Provisional Gold certification for all new commercial and residential developments, and strive for LEED *(see remark)* Gold certification for all commercial projects. Our latest commercial project, 8 Bay East, has been pre-certified as LEED Platinum, the highest level of certification. One HarbourGate has achieved final LEED Gold and Beam Plus – Gold certification, and The Parkside Residential Development has also been awarded final BEAM Plus – Gold certification.

Noteworthy environmental achievements in 2017 include:

– Launching a construction waste database for better tracking and managing waste generated on sites, and working towards a target of reducing construction waste by 1%;

– Joining the Hong Kong Green Shop Alliance, the largest network of its kind dedicated to creating a sustainable shopping environment in Hong Kong;

– Saving 72,000 plastic waste bin liners as one of the green office initiatives in our headquarters; and

– Setting targets to reduce overall GHG emissions from our construction sites by 3% and to reduce electricity consumption in our offices by 10% by 2020.

Remark: LEED (Leadership in Energy and Environmental Design) certification is the most widely used green building rating system in the world and is issued by the US Green Building Council.

Employees

Wheelock is an equal opportunity employer. We recruit and promote employees based on their skills and performance. Our human resources policies comply with all applicable employment laws and regulations, and cover issues including non-discrimination, decent workplace and grievance mechanisms. As a customer-facing business, we are committed to building an engaged and high performing team, and we invested in professional development for our people in 2017. Employee well-being is important. We organise regular social and team building activities for staff, and encourage them to participate in external events, such as Happy@Work, organised by the EFHK, in which we joined for the fifth time in 2017. We maintain a relatively low employee turnover rate compared with the industry average in Hong Kong.

Health and Safety

Wheelock strives to achieve the highest standards in health and safety. Across our business units, corresponding task forces or departments are in place to monitor potential health and safety risks and to implement improvement plans where appropriate providing a safe working environment for our employees and customers. We conduct relevant training on a timely basis for our employees and subcontracted workers, with particular focus on reducing the risk of accidents on construction sites. We undertake monthly inspections and half-yearly independent audits of construction sites to align our safety procedures with the Factories & Industrial Undertakings (Safety Management) Regulation of Hong Kong. Safety track record is an important consideration when we select contractors, and those with OHSAS 18001 certifications are preferred.

Community

Wheelock's community investment approach has three key themes: Youth Support, Art and Design and the Environment, which we support through financial and in-kind donations and volunteer service. Our flagship youth development programme, Project *WeCan*, has grown from 14 participating corporations supporting 14 schools in 2011 to 34 organisations supporting 53 schools in 2017. Over 50,000 underprivileged students are benefitting from this programme. We have also collaborated with four design institutions and faculties to launch the Wheelock Internship Program, which provides financial support to outstanding interior design graduates to gain international work experience. We partnered with National Geographic to host a photography competition that gave budding young photographers in Hong Kong a chance to showcase their work to the world. We continued to participate in environmental initiatives including WWF's Earth Hour and Low-carbon Office Operations Programme, and partnered with the Jane Goodall Institute to run a series of activities to raise environmental awareness amongst the public.

Products and Services

We conduct regular product and service assessments and seek customer feedback to ensure we continue to provide quality products and services that meet customer expectations. We manage and endeavour to protect collected customer data in compliance with the Personal Data (Privacy) Ordinance.

Supplier Management

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

Stakeholder Engagement

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

(L) DIRECTORS OF SUBSIDIARIES

The names of all persons who, during the financial year and/or during the period from the end of the financial year to 12 March 2018 (being the date of the Report of the Directors of the Company), serve/served as directors of companies which, as at the end of the financial year, were subsidiaries of the Company are set out below:

Name
Admirable Corporation
Andrea Limited
AU Siu Kee Alexander
CHAK Hoi Kit Jacques
CHAN Kai Cheuk
CHAN Kwok Pong
CHAN Mable
CHAN Sik Wah
CHAN Wai Leung
CHAN Wai Yan Ann
CHAN Wing Sang Wilson
CHAVALIT Uttasart
CHEN Kwan Yiu Edward
CHEUNG Kwai Nang
CHEUNG Mark Quintin
CHIANG Sui Fook Lilian
CHOI Kevin
CHOI Margaret
CHOW Ming Kuen Joseph
CHOW Ming Po Aaron
CHOW On Kiu
CHOW Siu Ngor
de LACY STAUNTON Hugh Maurice Victor
FANG Kang Vincent
FU Wai Hung
GUO Guanghui
GUO Yong
HAO Jian Min
HAU Wing Shing Vincent
HEBERT Dominic
HENNIG Hans Helmuth
HUI Chung Ying Kevin
HUNG Hing On
JEBSEN Hans Michael
KELLY Simon
KWOK Khien Kevin
LAM Man Shing

Name
LAW Elizabeth
LEE Sui Chun Macella
LEE Wai Chung
LEE Yuk Fong Doreen
LENG Yen Thean
LEUNG Chi Kin
LEUNG Kai Hang
LEUNG Kam Cheung
LEUNG Kwan Yuen Andrew
LEUNG Ping Chiu
LEUNG Yan Yee Hester
LEVESQUE Peter Jon
LI Jun
LI Lei
LI Qingan
LI Yongqian
LI Yubin
LIM Tik En David
LING Miu Ngan
LO Wai Man
MAN Yuk Sim
MCCARTHY Colm Martin
NG Tin Hoi Stephen
OON Hock Neo
PAO Zen Kwok Peter
POON Kwok Fai
SEATON Andrew James
SEOW Fook Hin Greg
SIT Kien Ping Peter
SIU Man Ho Simon
SIU Wing Koon
SIU Yau Chung Joseph
SUN Ligan
SZE Tsai Ping Michael
TAM Wai Choi
TAN Bee Kim
TAN Zing Yan

Name
TANG See King
TO King Yan Adam
TSANG Yiu Fat Peter
TSO Hok Chiu Vivian
TSUI Yiu Cheung Paul
TURNBULL David Muir
WEI Qing Shan
WILLIAMS Richard Gareth
WONG Chi Kit
WONG Kwong Yiu
WONG Wing Sing
WONG Yee Lut Eliot
WOO Chun Kuen Douglas
WU Guan
YEOH Eng Kiong
YEUNG HO Ingrid Poi Yan
YICK Chi Ming Frankie
YIM Kong
YOUNG Ying Yuen Stephen
YUNG Yung Cheng Frank
ZEMAN Allan
ZHANG Li
ZHANG Lu
ZHANG Vicky Yuanyuan
ZHANG Yi
毛立鵬
王佳宏
王玲
周建罡
凌學風
郭志成
陳小平
陳信霖
陸美麗
劉鳴
蔣曉洲
聶焕新

KPMG

To the members of Wheelock and Company Limited
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Wheelock and Company Limited ("the Company") and its subsidiaries ("the Group") set out on pages 65 to 147, 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(i) and note 8 to the consolidated financial statements

The key audit matter	How the matter was addressed in our audit
The Group holds a portfolio of IP (primarily retail and offices) located in Hong Kong, major cities across Mainland China and Singapore which accounted for 61% of the Group's total assets as at 31 December 2017. The fair values of the IP as at 31 December 2017 were assessed by the Group based on independent valuations prepared by a qualified external property valuer which take into account the net income of each property, allowing for reversionary potential and redevelopment potential where appropriate. The net changes in fair value of IP recorded in the consolidated income statement represented 24% of the Group's profit before taxation for the year ended 31 December 2017. We identified assessing the valuation of IP and IPUD as a key audit matter because these properties represent the majority of the Group's total assets and a small adjustment to or variances in the assumptions and data used to compute the valuation of individual properties, when aggregated, could have a significant impact on the Group's profit and because the valuation of IP and IPUD is inherently subjective requiring significant judgement and estimation, particularly in determining market rents and capitalisation rates, which increases the risk of error or potential management bias.	Our audit procedures to assess the valuation of IP and IPUD included the following: • obtaining and inspecting the valuation reports prepared by the external property valuer engaged by the Group; • meeting the external property valuer to discuss and challenge the key estimates and assumptions adopted in the valuations, including prevailing market rents, market yields and comparable market transactions, and to assess the independence, objectivity, qualifications and expertise of the external property valuer in the properties being valued; • with the assistance of our internal property valuation specialists, assessing the valuation methodology adopted by the external property valuer and comparing the key estimates and assumptions adopted in the valuation of each IP, including market rents and market yields, with available market data and government statistics; and • conducting site visits to IP and comparing tenancy information, including market rents and occupancy rates, adopted by the external property valuer with underlying contracts and related documentation, on a sample basis. For IPUD our audit procedures also included the following: • evaluating the design, implementation and operating effectiveness of key internal controls over the preparation, monitoring and management of the budgeted construction and other costs for each 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 IPUD and comparing the observed progress with the latest development budgets provided by management.

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

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

The key audit matter	How the matter was addressed in our audit
The Group had a number of property development projects located in Hong Kong, major cities across Mainland China and Singapore which were stated at the lower of cost and net realisable value as at 31 December 2017 at an aggregate amount of HK$59 billion. The calculation of the net realisable value of each PUD 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 estimation 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 PUD. 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.	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 PUD; • conducting site visits to all property development project(s), discussing with the Group's internal property valuers the progress and comparing the observed progress with the latest development budgets for each property development project provided by management; • assessing the internal property valuers' qualifications, experience and expertise in the properties being valued; • evaluating the internal property valuers' valuation methodology and assessing the key estimates, data inputs and assumptions adopted in the valuations, which included comparing expected future average selling prices with available market data such as recently transacted prices for similar properties located in the nearby vicinity of each property development project and comparing costs to complete each property development project with publicly available construction cost information for similar properties (taking into account both property type and location) and the sales budget plans maintained by the Group; • re-performing the calculations made by the internal property valuers in arriving at the year end assessments of net realisable value, on a sample basis, and comparing the estimated costs to complete each property development project with the Group's updated budgets; and • performing sensitivity analyses to determine the extent of change in those estimates that, either individually or collectively, would be required for PUD to be materially misstated and considering the likelihood of such a movement in those key estimates arising and whether there was any evidence of management bias.

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

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

The key audit matter	How the matter was addressed in our audit
Revenue from the IP and DP segments accounted for 91% of the Group's revenue for the year ended 31 December 2017. Deposits from sale of properties as at 31 December 2017 totalled HK$15 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 recognition of revenue, either individually or in aggregate, for each property, could have a material impact on the Group's profit for the year.	Our audit procedures to assess the 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 IP and DP 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 DP project and assessing whether the cash, for the sample selected, had been received by comparing the amount received with bank statements and assessing whether revenue should be recorded in the current accounting period or should be deferred as deposits from pre-sale of properties.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of 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

12 March 2018

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

	Note	2017 HK$ Million	2016 HK$ Million
Revenue	1	**70,953**	60,579
Direct costs and operating expenses		**(42,264)**	(34,447)
Selling and marketing expenses		**(2,198)**	(1,956)
Administrative and corporate expenses		**(1,650)**	(1,629)
Operating profit before depreciation, amortisation, interest and tax		**24,841**	22,547
Depreciation and amortisation	2	**(984)**	(1,412)
Operating profit	1 & 2	**23,857**	21,135
Increase in fair value of investment properties		**9,860**	597
Other net income	3	**4,478**	6,341
		38,195	28,073
Finance costs	4	**(1,154)**	(1,484)
Share of results after tax of:			
Associates	10 (e)	**1,471**	1,190
Joint ventures	11(d)	**2,954**	1,984
Profit before taxation		**41,466**	29,763
Income tax	5	**(8,435)**	(4,691)
Profit for the year		**33,031**	25,072
Profit attributable to:			
Equity shareholders		**20,570**	16,294
Non-controlling interests		**12,461**	8,778
		33,031	25,072
Earnings per share	7		
Basic		**HK$10.09**	HK$8.02
Diluted		**HK$10.06**	HK$8.01

The notes and principal accounting policies on pages 72 to 147 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	**33,031**	25,072
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange gains/(losses) on:	**5,448**	(5,652)
Translation of foreign operations	**5,448**	(5,652)
Net deficit on bond investments:	**(2)**	(28)
Deficit on revaluation	**–**	(9)
Transferred to profit or loss on disposal	**(2)**	(19)
Share of other comprehensive income of associates/joint ventures	**1,075**	(1,099)
Others	**5**	14
Items that will not be reclassified to profit or loss:		
Fair value changes on equity investments	**4,090**	(747)
Revaluation on reclassification of other properties	**1,427**	–
Other comprehensive income for the year	**12,043**	(7,512)
Total comprehensive income for the year	**45,074**	17,560
Total comprehensive income attributable to:		
Equity shareholders	**28,425**	11,911
Non-controlling interests	**16,649**	5,649
	45,074	17,560

The notes and principal accounting policies on pages 72 to 147 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Note	2017 HK$ Million	2016 HK$ Million
Non-current assets			
Investment properties	8	**346,442**	329,057
Property, plant and equipment	9	**21,772**	20,756
Interest in associates	10	**25,533**	17,539
Interest in joint ventures	11	**16,390**	17,578
Equity and bond investments	12	**29,001**	9,530
Goodwill and other intangible assets	13	**298**	298
Deferred tax assets	22	**1,336**	705
Derivative financial assets	16	**204**	324
Other non-current assets		**1,158**	609
		442,134	396,396
Current assets			
Properties for sale	14	**58,518**	70,050
Inventories		**12**	29
Trade and other receivables	15	**12,359**	9,567
Derivative financial assets	16	**175**	429
Bank deposits and cash	17	**56,474**	43,964
		127,538	124,039
Total assets		**569,672**	520,435
Non-current liabilities			
Derivative financial liabilities	16	**(814)**	(2,073)
Deferred tax liabilities	22	**(13,535)**	(10,700)
Other deferred liabilities		**(314)**	(305)
Bank loans and other borrowings	20	**(79,021)**	(69,055)
		(93,684)	(82,133)
Current liabilities			
Trade and other payables	18	**(32,314)**	(28,881)
Deposits from sale of properties	19	**(14,861)**	(30,599)
Derivative financial liabilities	16	**(347)**	(777)
Taxation payable	5(d)	**(5,473)**	(2,639)
Bank loans and other borrowings	20	**(35,170)**	(25,886)
		(88,165)	(88,782)
Total liabilities		**(181,849)**	(170,915)
NET ASSETS		**387,823**	349,520
Capital and reserves			
Share capital	24(a)	**3,418**	3,075
Reserves		**238,266**	212,290
Shareholders' equity		**241,684**	215,365
Non-controlling interests		**146,139**	134,155
TOTAL EQUITY		**387,823**	349,520

The notes and principal accounting policies on pages 72 to 147 form part of these financial statements.

Douglas C K Woo
Chairman & Managing Director

Paul Y C Tsui
Executive Director & Group Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 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	2,949	(1,187)	718	199,187	201,667	139,192	340,859
Changes in equity for 2016:							
Profit	–	–	–	16,294	16,294	8,778	25,072
Other comprehensive income	–	(374)	(4,015)	6	(4,383)	(3,129)	(7,512)
Total comprehensive income	–	(374)	(4,015)	16,300	11,911	5,649	17,560
Share issued under the share option scheme	126	(17)	–	–	109	–	109
Equity settled share-based payments	–	72	–	–	72	20	92
Share options lapsed in a subsidiary	–	(96)	–	96	–	–	–
Shares issued by a subsidiary	–	(2)	–	–	(2)	54	52
Acquisition of additional interest in subsidiaries	–	–	–	3,996	3,996	(7,685)	(3,689)
Transfer to revenue reserves upon de-recognition of equity investments	–	154	–	(154)	–	–	–
Net capital repatriated from non-controlling interests of subsidiaries	–	–	–	–	–	(48)	(48)
2015 second interim dividend paid	–	–	–	(1,473)	(1,473)	–	(1,473)
2016 first interim dividend paid	–	–	–	(915)	(915)	–	(915)
Dividends paid to non-controlling interests	–	–	–	–	–	(3,027)	(3,027)
At 31 December 2016 and 1 January 2017	**3,075**	**(1,450)**	**(3,297)**	**217,037**	**215,365**	**134,155**	**349,520**
Changes in equity for 2017:							
Profit	**–**	**–**	**–**	**20,570**	**20,570**	**12,461**	**33,031**
Other comprehensive income	**–**	**3,425**	**4,031**	**399**	**7,855**	**4,188**	**12,043**
Total comprehensive income	**–**	**3,425**	**4,031**	**20,969**	**28,425**	**16,649**	**45,074**
Share issued under the share option scheme	**343**	**(66)**	**–**	**–**	**277**	**–**	**277**
Equity settled share-based payments	**–**	**60**	**–**	**–**	**60**	**15**	**75**
Shares issued by a subsidiary	**–**	**(14)**	**–**	**–**	**(14)**	**239**	**225**
Acquisition of additional interest in subsidiaries	**–**	**–**	**–**	**835**	**835**	**(1,860)**	**(1,025)**
Transfer to revenue reserves upon de-recognition of equity investments	**–**	**(67)**	**–**	**67**	**–**	**–**	**–**
Net capital repatriated from non-controlling interests of subsidiaries	**–**	**–**	**–**	**–**	**–**	**(344)**	**(344)**
2016 second interim dividend paid	**–**	**–**	**–**	**(1,733)**	**(1,733)**	**–**	**(1,733)**
2017 first interim dividend paid	**–**	**–**	**–**	**(969)**	**(969)**	**–**	**(969)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(2,922)**	**(2,922)**
Dividend by way of distribution in specie (note 6(c))	**–**	**–**	**–**	**(562)**	**(562)**	**207**	**(355)**
At 31 December 2017	**3,418**	**1,888**	**734**	**235,644**	**241,684**	**146,139**	**387,823**

The notes and principal accounting policies on pages 72 to 147 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)	**23,971**	21,831
Changes in working capital	(a)	**(2,420)**	14,372
Exchange differences	(a)	**251**	(187)
Cash generated from operations	(a)	**21,802**	36,016
Net interest paid		**(1,573)**	(2,501)
Interest paid		**(2,211)**	(3,038)
Interest received		**638**	537
Dividends received from associates		**933**	869
Dividends received from joint ventures		**207**	699
Dividends received from investments		**315**	238
Hong Kong profits tax paid		**(3,086)**	(1,793)
Overseas tax paid		**(1,365)**	(1,892)
Net cash generated from operating activities		**17,233**	31,636
Investing activities			
Additions to investment properties		**(5,793)**	(7,511)
Additions to property, plant and equipment		**(2,176)**	(2,085)
Additions to programming library		**(72)**	(122)
Net (increase)/decrease in interest in associates		**(7,542)**	2,831
Net decrease in interest in joint ventures		**4,400**	1,452
Acquisition of additional interest in subsidiaries		**(1,025)**	(3,724)
Purchase of equity and bond investments		**(16,143)**	(1,609)
Net proceeds from disposal of subsidiaries	(d)	**824**	9,388
Net proceeds from disposal of an associate		**850**	–
Proceeds from disposal of equity and bond investments		**1,611**	3,683
Proceeds from disposal of investment properties		**5,525**	737
Net proceeds from disposal of property, plant and equipment		**2**	44
Addition to long term receivables		**(633)**	(324)
Net placement of bank deposits with maturity greater than three months		**4,528**	(8,552)
Placement of pledged deposits		**(8)**	(97)
Net cash used in investing activities		**(15,652)**	(5,889)
Financing activities	(c)		
Proceeds from the issue of shares under the share option scheme		**277**	109
Proceeds from the issue of shares under the share option scheme of a subsidiary		**225**	52
Drawdown of bank loans and other borrowings		**65,591**	23,573
Repayment of bank loans and other borrowings		**(45,944)**	(34,458)
Net capital repatriation from non-controlling interests of subsidiaries		**(344)**	(48)
Dividends paid to equity shareholders		**(3,264)**	(2,388)
Dividends paid to non-controlling interests		**(2,715)**	(3,027)
Net cash used in financing activities		**13,826**	(16,187)
Net increase in cash and cash equivalents		**15,407**	9,560
Cash and cash equivalents at 1 January		**35,214**	27,165
Effect of exchange rate changes		**1,623**	(1,511)
Cash and cash equivalents at 31 December	(b)	**52,244**	35,214

The notes and principal accounting policies on pages 72 to 147 form part of these financial statements.

NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

a) Reconciliation of operating profit to cash generated from operations

	2017 HK$ Million	2016 HK$ Million
Operating profit	**23,857**	21,135
Adjustments for:		
Interest income	**(638)**	(575)
Dividend income from investments	**(315)**	(238)
Depreciation and amortisation	**984**	1,412
Loss on disposal of property, plant and equipment	**8**	5
Equity settled share-based payment expenses	**75**	92
Operating cash inflow	**23,971**	21,831
Increase in properties under development for sale	**(24,346)**	(21,605)
Decrease in completed properties for sale	**33,338**	27,579
Decrease in inventories	**3**	7
Increase in trade and other receivables	**(1,483)**	(2,759)
Increase in trade and other payables	**6,795**	3,013
(Decrease)/increase in deposits from sale of properties	**(15,738)**	7,507
(Decrease)/increase in derivative financial instruments	**(1,015)**	609
Other non-cash items	**26**	21
Changes in working capital	**(2,420)**	14,372
Exchange differences	**251**	(187)
Cash generated from operations	**21,802**	36,016

b) Cash and cash equivalents

	2017 HK$ Million	2016 HK$ Million
Bank deposits and cash in the consolidated statement of financial position (note 17)	**56,474**	43,964
Less: Bank deposits with maturity greater than three months	**(4,125)**	(8,653)
Pledged bank deposits	**(105)**	(97)
Cash and cash equivalents in the consolidated statement of cash flows	**52,244**	35,214

c) **Reconciliation of liabilities arising from financing activities**

	Bank loans and other borrowings 2017 HK$ Million	Bank loans and other borrowings 2016 HK$ Million
At 1 January	**94,941**	106,193
Changes from financing cash flows:		
Proceeds from new bank loans	**65,591**	23,573
Repayment of bank loans	**(45,944)**	(34,458)
Total changes from financing activities	**19,647**	(10,885)
Exchange adjustments	**1,342**	(249)
Other changes:		
Disposal of subsidiaries	**(1,945)**	–
Fair value gain/(loss)	**206**	(118)
At 31 December	**114,191**	94,941

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

1. SEGMENT INFORMATION

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

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

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

Hotels segment includes hotel operations in the Asia Pacific region which are operated by The Wharf (Holdings) Limited ("WHL") and Wharf Real Estate Investment Company Limited ("Wharf REIC").

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

CME segment comprises pay television, internet and multimedia and other businesses. The Group has exited 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 equity and bond investments, deferred tax assets and derivative financial assets.

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

a) Analysis of segment revenue and results

	Revenue HK$ Million	Operating profit HK$ Million	Investment properties fair value HK$ Million	Other net income HK$ Million	Finance costs HK$ Million	Associates HK$ Million	Joint ventures HK$ Million	Profit before taxation HK$ Million
For the year ended 31 December 2017								
Investment property	**16,529**	**13,520**	**9,860**	**(10)**	**(1,216)**	**–**	**–**	**22,154**
Hong Kong	**13,552**	**11,846**	**8,749**	**–**	**(1,056)**	**–**	**–**	**19,539**
Mainland China	**2,635**	**1,458**	**1,111**	**(10)**	**(160)**	**–**	**–**	**2,399**
Singapore	**342**	**216**	**–**	**–**	**–**	**–**	**–**	**216**
Development property	**47,836**	**9,312**	**–**	**674**	**(102)**	**1,161**	**2,944**	**13,989**
Hong Kong	**18,908**	**1,142**	**–**	**–**	**(76)**	**4**	**2,386**	**3,456**
Mainland China	**23,396**	**7,841**	**–**	**605**	**(26)**	**1,157**	**558**	**10,135**
Singapore	**5,532**	**329**	**–**	**69**	**–**	**–**	**–**	**398**
Hotels	**1,686**	**381**	**–**	**–**	**(3)**	**–**	**–**	**378**
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 (i-CABLE)	**874**	**(294)**	**–**	**86**	**(7)**	**–**	**–**	**(215)**
Inter-segment revenue	**(270)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Segment total	**69,472**	**23,586**	**9,860**	**854**	**(1,512)**	**1,439**	**2,956**	**37,183**
Investment and others	**1,481**	**811**	**–**	**3,624**	**358**	**32**	**(2)**	**4,823**
Corporate expenses	**–**	**(540)**	**–**	**–**	**–**	**–**	**–**	**(540)**
Group total	**70,953**	**23,857**	**9,860**	**4,478**	**(1,154)**	**1,471**	**2,954**	**41,466**
For the year ended 31 December 2016								
Investment property	15,736	12,837	597	(49)	(1,394)	–	–	11,991
Hong Kong	13,035	11,356	1,286	54	(1,349)	–	–	11,347
Mainland China	2,350	1,253	(376)	(103)	(45)	–	–	729
Singapore	351	228	(313)	–	–	–	–	(85)
Development property	36,539	7,253	–	(411)	(145)	875	1,973	9,545
Hong Kong	13,497	3,772	–	–	(81)	1	1,634	5,326
Mainland China	21,670	3,234	–	(457)	(52)	874	339	3,938
Singapore	1,372	247	–	46	(12)	–	–	281
Hotels	1,587	289	–	–	(4)	–	–	285
Logistics	2,748	719	–	(161)	(152)	244	11	661
Terminals	2,635	710	–	(120)	(152)	166	11	615
Others	113	9	–	(41)	–	78	–	46
CME	3,145	59	–	–	(29)	–	–	30
i-CABLE	1,406	(313)	–	1	(6)	–	–	(318)
Telecommunications	1,739	372	–	(1)	(23)	–	–	348
Inter-segment revenue	(430)	–	–	–	–	–	–	–
Segment total	59,325	21,157	597	(621)	(1,724)	1,119	1,984	22,512
Investment and others	1,254	719	–	6,962	240	71	–	7,992
Corporate expenses	–	(741)	–	–	–	–	–	(741)
Group total	60,579	21,135	597	6,341	(1,484)	1,190	1,984	29,763

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	**16,529**	**(156)**	**16,373**	15,736	(251)	15,485
Development property	**47,836**	**–**	**47,836**	36,539	–	36,539
Hotels	**1,686**	**–**	**1,686**	1,587	–	1,587
Logistics	**2,817**	**–**	**2,817**	2,748	–	2,748
CME	**874**	**–**	**874**	3,145	(63)	3,082
Investment and others	**1,481**	**(114)**	**1,367**	1,254	(116)	1,138
	71,223	**(270)**	**70,953**	61,009	(430)	60,579

c) Analysis of segment business assets

	2017 HK$ Million	2016 HK$ Million
Investment property	**351,386**	330,337
Hong Kong	**276,610**	265,355
Mainland China	**68,375**	59,111
Singapore	**6,401**	5,871
Development property	**108,990**	110,493
Hong Kong	**47,552**	51,511
Mainland China	**56,623**	50,766
Singapore	**4,815**	8,216
Hotels	**10,118**	8,361
Logistics	**16,803**	17,732
Terminals	**15,865**	16,727
Others	**938**	1,005
CME (i-CABLE)	**–**	1,193
Total segment business assets	**487,297**	468,116
Unallocated corporate assets	**82,375**	52,319
Total assets	**569,672**	520,435

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

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

	2017 HK$ Million	2016 HK$ Million
Development property	**37,242**	28,970
Logistics	**4,681**	5,974
Group total	**41,923**	34,944

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	**5,237**	7,988	**–**	–	**128**	112
Hong Kong	**2,375**	3,514	**–**	–	**32**	37
Mainland China	**2,857**	4,465	**–**	–	**95**	74
Singapore	**5**	9	**–**	–	**1**	1
Development property	**–**	–	**6,332**	1,130	**–**	–
Hong Kong	**–**	–	**4**	243	**–**	–
Mainland China	**–**	–	**6,328**	887	**–**	–
Hotels	**1,630**	1,021	**–**	–	**174**	206
Logistics	**406**	431	**–**	–	**456**	421
Terminals	**406**	431	**–**	–	**454**	418
Others	**–**	–	**–**	–	**2**	3
CME	**135**	497	**–**	–	**225**	673
i-CABLE	**135**	238	**–**	–	**222**	324
Telecommunications	**–**	259	**–**	–	**3**	349
Segment total	**7,408**	9,937	**6,332**	1,130	**983**	1,412
Investment and others	**–**	–	**–**	–	**1**	–
Group total	**7,408**	9,937	**6,332**	1,130	**984**	1,412

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 (net) 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	**37,427**	33,538	**13,911**	16,422
Mainland China	**27,451**	25,240	**9,226**	4,205
Singapore	**6,075**	1,801	**720**	508
Group total	**70,953**	60,579	**23,857**	21,135

	Specified non-current assets		Total business assets	
	2017 HK$ Million	2016 HK$ Million	**2017 HK$ Million**	2016 HK$ Million
Hong Kong	**298,298**	285,975	**339,174**	331,395
Mainland China	**102,435**	94,239	**136,907**	122,634
Singapore	**9,817**	8,966	**11,216**	14,087
Group total	**410,550**	389,180	**487,297**	468,116

Specified non-current assets exclude deferred tax assets, certain equity and bond investments, derivative financial assets and certain non-current assets.

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

2. OPERATING PROFIT

a) Operating profit

	2017 HK$ Million	2016 HK$ Million
Operating profit is arrived at after charging/(crediting):		
Depreciation and amortisation on		
– assets held for use under operating leases	**167**	161
– property, plant and equipment	**670**	1,081
– leasehold land	**66**	60
– programming library	**81**	110
Total depreciation and amortisation	**984**	1,412
Staff costs (note i)	**3,527**	4,039
Auditors' remuneration		
– audit services	**42**	31
– other services	**5**	3
Cost of trading properties for recognised sales	**36,657**	27,769
Rental charges under operating leases in respect of telecommunications equipment and services	**–**	71
Impairment of trade receivables	**4**	1
Gross rental revenue from investment properties (note ii)	**(16,529)**	(15,736)
Direct operating expenses of investment properties	**2,535**	2,743
Rental income under operating leases in respect of owned plant and equipment	**(28)**	(34)
Interest income (note iii)	**(638)**	(575)
Dividend income from investments	**(315)**	(238)
Loss on disposal of property, plant and equipment	**8**	5

Notes:

(i) Staff costs included contributions to defined contribution pension schemes of HK$294 million (2016: HK$315 million), which included MPF schemes (no forfeiture in 2017 (2016: after a forfeiture of HK$2 million)) and equity settled share-based payment expenses of HK$75 million (2016: HK$92 million).

(ii) Rental income included contingent rentals of HK$1,278 million (2016: HK$1,114 million).

(iii) Interest income of HK$603 million (2016: HK$523 million) was in respect of financial assets, which mainly comprise bank deposits, stated at amortised cost.

b) Directors' emoluments

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

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Contributions to pension schemes HK$'000	2017 Total emoluments HK$'000	2016 Total emoluments HK$'000
Board of Directors						
Douglas C K Woo	300	6,223	10,000	618	17,141	15,866
Stephen T H Ng	300	8,063	84,100 (note iii)	12	92,475	19,570
Stewart C K Leung	200	5,476	9,000	–	14,676	13,610
Paul Y C Tsui	200	5,254	6,500	–	11,954	11,744
Ricky K Y Wong	200	4,552	8,000	676	13,428	12,222
Non-executive Director						
Mignonne Cheng	200	–	–	–	200	150
Independent Non-executive Directors						
T H Chau	200	–	–	–	200	150
Winston K W Leong	200	–	–	–	200	150
Alan H Smith (note ii)	350	–	–	–	350	225
Richard Y S Tang	200	–	–	–	200	150
Kenneth W S Ting (note ii)	350	–	–	–	350	225
Nancy S L Tse (note ii)	300	–	–	–	300	225
Glenn S Yee (note ii)	300	–	–	–	300	225
	3,300	29,568	117,600	1,306	151,774	74,512
Total for 2016	2,400	28,836	42,000	1,276		74,512

Notes:

(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 Members' fee for the year ended 31 December 2017 of HK$100,000 (2016: HK$75,000) and Remuneration Committee Members' fee for the year ended 31 December 2017 of HK$50,000 (2016: Nil) received/receivable by each relevant Directors.

(iii) Included a discretionary one-off Special Entrepreneurial Merit Award of HK$73 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.

(iv) In addition to the above emoluments, certain Directors of the Company were granted share options under the share option schemes adopted by the Company and WHL, details of which are disclosed in note 21.

c) Five highest paid employees

For the year ended 31 December 2017, information regarding emoluments of 2 (2016: 3) employees of the Group who, not being Directors of the Company, were among the top five highest paid individuals (including Directors of the Company and other employees of the Group) employed by the Group has been set out below:

(i) Aggregate emoluments

	2017 HK$ Million	2016 HK$ Million
Salaries, allowances and benefits in kind	**16**	22
Equity settled share-based payment expenses (note)	**11**	26
Contributions to pension schemes	**–**	–
Discretionary bonuses	**27**	34
Total	**54**	82

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

(ii) Bandings

	2017 Number	2016 Number
Bands (in HK$)		
$22,500,001 – $23,000,000	**1**	–
$24,000,001 – $24,500,000	**–**	2
$31,500,001 – $32,000,000	**1**	–
$33,500,001 – $34,000,000	**–**	1
	2	3

3. OTHER NET INCOME

Other net income for the year amounted to HK$4,478 million (2016: HK$6,341 million) and mainly comprised:

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

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

c) Net exchange loss of HK$703 million (2016: gain of HK$310 million) which included a fair value loss on forward foreign exchange contracts of HK$381 million (2016: gain of HK$76 million).

In 2016, a gain of HK$7,260 million arising from the disposal of WHL's entire equity interest in Wharf T&T.

4. FINANCE COSTS

	2017 HK$ Million	2016 HK$ Million
Interest charged on:		
Bank loans and overdrafts	**1,245**	1,085
Other borrowings	**1,037**	1,641
Total interest charge	**2,282**	2,726
Other finance costs	**265**	536
Less: Amount capitalised	**(1,093)**	(1,517)
	1,454	1,745
Fair value (gain)/loss:		
Cross currency interest rate swaps	**(433)**	48
Interest rate swaps	**133**	(309)
	(300)	(261)
Total	**1,154**	1,484

a) Interest was capitalised at an average annual rate of approximately 2.1% (2016: 2.4%).

b) Included in the total interest charge are amounts totalling HK$2,424 million (2016: HK$1,809 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	**2,051**	2,338
– over-provision in respect of prior years	**(8)**	(7)
Outside Hong Kong		
– provision for the year	**2,669**	1,215
– over-provision in respect of prior years	**(38)**	(61)
	4,674	3,485
Land appreciation tax (“LAT”) in Mainland China (note 5(c))	**2,453**	727
Deferred tax (note 22)		
Change in fair value of investment properties	**572**	23
Origination and reversal of temporary differences	**736**	518
Benefit of previously unrecognised tax losses now recognised	**–**	(62)
	1,308	479
Total	**8,435**	4,691

a) The provision for Hong Kong profits tax is based on the profit for the year as adjusted for tax purposes at the rate of 16.5% (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%), China withholding income tax at a rate of up to 10% and Singapore income tax at a rate of 17% (2016: 17%).

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

d) Taxation payable in the consolidated statement of financial position is expected to be settled within one year.

e) Tax attributable to associates and joint ventures for the year ended 31 December 2017 of HK$1,435 million (2016: HK$1,178 million) is included in the share of results after tax of associates and joint ventures.

f) The China tax law imposes a withholding tax at 10%, unless reduced by a treaty or agreement, for dividends distributed by a PRC-resident enterprise to its immediate holding company outside Mainland China for earnings generated since 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. For the year ended 31 December 2017, the Group has provided HK$1,728 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	**41,466**	29,763
Notional tax on profit before taxation calculated at applicable tax rates	**7,146**	4,804
Tax effect of non-deductible expenses	**396**	1,000
Tax effect of non-taxable income	**(1,814)**	(1,868)
Tax effect of non-taxable fair value gain on investment properties	**(1,419)**	(158)
Net overprovision in respect of prior years	**(46)**	(68)
Tax effect of tax losses not recognised	**205**	384
Tax effect of previously unrecognised tax losses utilised	**(54)**	(213)
Tax effect of previously unrecognised tax losses now recognised as deferred tax assets	**(102)**	(62)
Tax effect of temporary difference not recognised	**(52)**	–
LAT on trading properties	**2,453**	727
Deferred LAT on change in fair value of investment properties	**295**	(14)
Withholding tax on distributed/undistributed earnings	**1,427**	159
Actual total tax charge	**8,435**	4,691

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	**0.475**	**969**	0.450	915
Second interim dividend declared after the end of the reporting period	**0.950**	**1,940**	0.850	1,729
Total	**1.425**	**2,909**	1.300	2,644

a) The second interim dividend based on 2,042 million (2016: 2,035 million) issued ordinary shares declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

b) The second interim dividend of HK$1,733 million for 2016 was approved and paid in 2017.

c) The distribution in specie comprises (i) the initial distribution in specie of 915 million i-CABLE shares with an attributable fair value of HK$233 million; and (ii) further distribution in specie of 519 million i-CABLE shares which were capitalised from WHL's loan to i-CABLE with an attributable fair value of HK$122 million.

7. EARNINGS PER SHARE

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

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

	2017 HK$ Million	2016 HK$ Million
Profit attributable to equity shareholders	**20,570**	16,294

b) Weighted average number of ordinary shares

	2017 No. of shares	2016 No. of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,039,045,177**	2,032,702,292
Effect of dilutive potential shares — Share options	**5,788,888**	266,158
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,044,834,065**	2,032,968,450

8. INVESTMENT PROPERTIES

	Completed HK$ Million	Under development HK$ Million	Total HK$ Million
a) Cost or valuation			
At 1 January 2016	292,624	32,420	325,044
Exchange differences	(2,629)	(1,060)	(3,689)
Additions	2,086	5,779	7,865
Disposals	(662)	–	(662)
Reclassification	4,110	(4,208)	(98)
Revaluation surplus	528	69	597
At 31 December 2016 and 1 January 2017	**296,057**	**33,000**	**329,057**
Exchange differences	**3,415**	**1,154**	**4,569**
Additions	**477**	**4,613**	**5,090**
Disposals	**–**	**(3,293)**	**(3,293)**
Reclassification	**3,276**	**(2,117)**	**1,159**
Revaluation surplus	**9,261**	**599**	**9,860**
At 31 December 2017	**312,486**	**33,956**	**346,442**

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

	Completed HK$ Million	Under development HK$ Million	Total HK$ Million
2017 valuation	**312,486**	**12,187**	**324,673**
At cost	**–**	**21,769**	**21,769**
	312,486	**33,956**	**346,442**
2016 valuation	296,057	13,556	309,613
At cost	–	19,444	19,444
	296,057	33,000	329,057

c) Tenure of title to properties:

	Completed HK$ Million	Under development HK$ Million	Total HK$ Million
At 31 December 2017			
Held in Hong Kong			
Long term leases	**229,104**	**–**	**229,104**
Medium term leases	**31,173**	**13,381**	**44,554**
	260,277	**13,381**	**273,658**
Held outside Hong Kong			
Freehold	**1,264**	**–**	**1,264**
Long term leases	**5,124**	**–**	**5,124**
Medium term leases	**45,821**	**20,575**	**66,396**
	312,486	**33,956**	**346,442**
At 31 December 2016			
Held in Hong Kong			
Long term leases	220,354	199	220,553
Medium term leases	28,017	16,123	44,140
	248,371	16,322	264,693
Held outside Hong Kong			
Freehold	1,160	–	1,160
Long term leases	4,704	–	4,704
Medium term leases	41,822	16,678	58,500
	296,057	33,000	329,057

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") and Savills Valuation and Professional Services (S) Pte Ltd ("Savills"), independent firms of professional surveyors who have among their staff Fellows of the Hong Kong Institute of Surveyors and the Singapore Institute of Surveyors and Valuers respectively with extensive experience in the valuing properties in Hong Kong, Mainland China and Singapore. Knight Frank and Savills have valued the investment properties on a market value basis and have taken into account the net rental income allowing for reversionary potential and the redevelopment potential of the properties where appropriate.

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

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

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

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

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

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

			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	**153,394**	**89,042**	**25,066**	**4,962**	**272,464**
Mainland China	**20,305**	**21,438**	**4,078**	**–**	**45,821**
Singapore	**3,943**	**2,445**	**–**	**–**	**6,388**
	177,642	**112,925**	**29,144**	**4,962**	**324,673**
At 31 December 2016					
Hong Kong	151,004	84,198	26,001	724	261,927
Mainland China	18,245	19,816	3,761	–	41,822
Singapore	3,619	2,245	–	–	5,864
	172,868	106,259	29,762	724	309,613

The movements during the years 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	292,624	12,740	305,364
Exchange differences	(2,629)	–	(2,629)
Additions	2,086	747	2,833
Disposals	(662)	–	(662)
Reclassification	4,110	–	4,110
Revaluation surplus	528	69	597
At 31 December 2016 and 1 January 2017	**296,057**	**13,556**	**309,613**
Reclassification	**3,276**	**–**	**3,276**
Exchange differences	**3,415**	**–**	**3,415**
Additions	**477**	**1,325**	**1,802**
Disposals	**–**	**(3,293)**	**(3,293)**
Revaluation surplus	**9,261**	**599**	**9,860**
At 31 December 2017	**312,486**	**12,187**	**324,673**

During the years ended 31 December 2017 and 2016, there were no transfers between Level 1 and Level 2 or transfers into or out of Level 3.

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

Valuation processes

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

Valuation methodologies

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

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

Level 3 valuation methodologies

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

	Weighted average			
	Capitalisation rate		Market rent	
Completed investment properties	**2017**	2016	**2017**	2016
Hong Kong			**(per square foot)**	(per square foot)
– Retail	**5.2%**	5.1%	**HK$264**	HK$280
– Office	**4.2%**	4.2%	**HK$56**	HK$51
– Residential	**4.0%**	4.0%	**HK$59**	HK$58
Mainland China			**(per square metre)**	(per square metre)
– Retail	**7.0%**	7.1%	**RMB350**	RMB346
– Office	**6.5%**	6.4%	**RMB180**	RMB171
– Residential	**4.3%**	6.4%	**RMB144**	RMB305
Singapore			**(per square foot)**	(per square foot)
– Retail	**5.2%**	5.2%	**S$16.7**	S$16.8
– Office	**4.3%**	4.3%	**S$11.0**	S$11.0

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

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

e) The Group leases out properties under operating leases, which generally run for a period of one to ten years. Lease income may be varied periodically to reflect market rentals and may contain a contingent rental element which is based on various percentages of tenants' sales receipts.

f) The Group's total future minimum lease income under non-cancellable operating leases is receivable as follows:

	2017 HK$ Million	2016 HK$ Million
Within 1 year	**12,547**	11,836
After 1 year but within 5 years	**16,936**	16,622
After 5 years	**1,209**	1,347
	30,692	29,805

9. PROPERTY, PLANT AND EQUIPMENT

		Leasehold land HK$ Million	Hotel and club properties HK$ Million	Properties under redevelopment HK$ Million	Other property, plant and equipment HK$ Million	CME equipment HK$ Million	Total HK$ Million
a)	**Cost**						
	At 1 January 2016	4,148	8,634	2,023	16,079	12,532	43,416
	Exchange differences	(164)	(176)	(123)	(226)	–	(689)
	Additions	1	1,000	68	539	465	2,073
	Disposals	–	–	–	(122)	(105)	(227)
	Disposal of subsidiaries	–	–	–	(1,367)	(6,960)	(8,327)
	Reclassification	–	–	(21)	(150)	234	63
	At 31 December 2016 and 1 January 2017	**3,985**	**9,458**	**1,947**	**14,753**	**6,166**	**36,309**
	Exchange differences	**169**	**205**	**131**	**254**	**–**	**759**
	Additions	**1**	**1,595**	**12**	**586**	**130**	**2,324**
	Disposals	**–**	**–**	**–**	**(470)**	**(107)**	**(577)**
	Disposal of subsidiaries	**–**	**–**	**–**	**(1,021)**	**(6,189)**	**(7,210)**
	Revaluation transfer to reserves	**–**	**–**	**–**	**1,427**	**–**	**1,427**
	Reclassification	**–**	**–**	**(480)**	**(1,206)**	**–**	**(1,686)**
	At 31 December 2017	**4,155**	**11,258**	**1,610**	**14,323**	**–**	**31,346**
	Accumulated depreciation, amortisation and impairment losses						
	At 1 January 2016	915	1,478	–	8,247	9,972	20,612
	Exchange differences	(21)	(51)	–	(70)	–	(142)
	Charge for the year	60	101	–	658	483	1,302
	Written back on disposals	–	–	–	(74)	(104)	(178)
	Disposal of subsidiaries	–	–	–	(1,172)	(5,044)	(6,216)
	Reclassification	–	–	–	128	47	175
	At 31 December 2016 and 1 January 2017	**954**	**1,528**	**–**	**7,717**	**5,354**	**15,553**
	Exchange differences	**24**	**58**	**–**	**83**	**–**	**165**
	Charge for the year	**66**	**94**	**–**	**612**	**131**	**903**
	Written back on disposals	**–**	**–**	**–**	**(460)**	**(107)**	**(567)**
	Disposal of subsidiaries	**–**	**–**	**–**	**(946)**	**(5,378)**	**(6,324)**
	Reclassification	**–**	**–**	**–**	**(156)**	**–**	**(156)**
	At 31 December 2017	**1,044**	**1,680**	**–**	**6,850**	**–**	**9,574**
	Net book value						
	At 31 December 2017	**3,111**	**9,578**	**1,610**	**7,473**	**–**	**21,772**
	At 31 December 2016	3,031	7,930	1,947	7,036	812	20,756

As at 31 December 2016, the hotel properties under development comprise the Murray Building Project totalling HK$5,868 million, which were included in hotel and club properties for which the costs attributable to land and buildings cannot be allocated reliably. This amount is not subject to depreciation. The Murray Building Project has been completed during the year ended 31 December 2017.

b) Tenure of title to properties:

	Leasehold land HK$ Million	Hotel and club properties HK$ Million	Properties under redevelopment HK$ Million	Other property, plant and equipment HK$ Million	CME equipment HK$ Million	Total HK$ Million
At 31 December 2017						
Held in Hong Kong						
Long term leases	**81**	**181**	**–**	**–**	**–**	**262**
Medium term leases	**819**	**7,462**	**–**	**2,651**	**–**	**10,932**
	900	**7,643**	**–**	**2,651**	**–**	**11,194**
Held outside Hong Kong						
Medium term leases	**2,211**	**1,935**	**1,610**	**1,917**	**–**	**7,673**
	3,111	**9,578**	**1,610**	**4,568**	**–**	**18,867**
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	**9,532**	7,794
Goodwill	**1,853**	1,961
	11,385	9,755
Amounts due from associates	**14,148**	7,784
Total	**25,533**	17,539
Amounts due to associates (note 18)	**(2,933)**	(3,376)
	22,600	14,163

a) Details of principal associates at 31 December 2017 are shown on page 144.

b) Amounts due from associates are unsecured, interest free and have no fixed terms of repayment, except for an advance of HK$371 million (2016: HK$371 million) made by the Group to an associate which is interest bearing at market rate. Amounts due from associates are not expected to be recoverable within the next twelve months. The amounts are neither past due nor impaired.

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

c) Included in interest in associates is goodwill of HK$1,853 million (2016: HK$1,961 million) mainly relating to the acquisition of Mega Shekou Container Terminals Limited which is held by Modern Terminals, a 67.6%-owned subsidiary of WHL, under an agreement for rationalisation of the interests in Shekou Container Terminals Phases I, II and III in 2007.

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

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

	2017 HK$ Million	2016 HK$ Million
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**11,385**	9,755
Aggregate amounts of the Group's share of those associates		
Profit from continuing operations	**1,471**	1,190
Other comprehensive income	**524**	(514)
Total comprehensive income	**1,995**	676

11. INTEREST IN JOINT VENTURES

	2017 HK$ Million	2016 HK$ Million
Share of net assets	**11,523**	8,674
Amounts due from joint ventures	**4,867**	8,904
Total	**16,390**	17,578
Amounts due to joint ventures (note 18)	**(3,209)**	(2,587)
	13,181	14,991

a) Details of principal joint ventures at 31 December 2017 are shown on page 145.

b) Amounts due from joint ventures are unsecured, interest free and have no fixed terms of repayment, except for advances of HK$315 million (2016: HK$3,363 million) made by the Group to a joint venture which is interest bearing. Amounts due from joint ventures are not expected to be recoverable within the next twelve months. The amounts are neither past due nor impaired.

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

c) All of the above joint ventures are accounted for using the equity method in the consolidated financial statements.

d) Aggregate information of joint ventures that are not individually material is summarised below:

	2017 HK$ Million	2016 HK$ Million
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**11,523**	8,674
Aggregate amounts of the Group's share of those joint ventures		
Profit from continuing operations	**2,954**	1,984
Other comprehensive income	**551**	(585)
Total comprehensive income	**3,505**	1,399

12. EQUITY AND BOND INVESTMENTS

	2017 HK$ Million	2016 HK$ Million
Listed investments stated at market value		
– in Hong Kong	**20,709**	7,538
– outside Hong Kong	**8,201**	1,959
Unlisted investments at cost	**91**	33
	29,001	9,530

13. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill HK$ Million	**Other intangible assets HK$ Million**	**Total HK$ Million**
Cost			
At 1 January 2016	**305**	**12**	**317**
Additions	**43**	**–**	**43**
Disposal of subsidiaries	**(50)**	**–**	**(50)**
At 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 value in use. No impairment was recorded.

14. PROPERTIES FOR SALE

	2017 HK$ Million	2016 HK$ Million
Properties under development for sale	**47,987**	64,853
Completed properties for sale	**10,531**	5,197
	58,518	70,050

a) At 31 December 2017, properties under development for sale of HK$37,688 million (2016: HK$28,878 million) are expected to be completed after more than one year.

b) As at 31 December 2017, deposits of HK$11,867 million (2016: HK$296 million) paid for the acquisition for certain land sites/properties located in Mainland China were included in properties under development for sale.

c) Properties under development for sale and completed properties for sale are stated at the lower of cost and net realisable value. The total carrying value of properties stated at net realisable value at 31 December 2017 was HK$2,163 million (2016: HK$8,950 million).

d) At 31 December 2017, the carrying value of leasehold land (including land deposits) and freehold land included in properties under development for sale and completed properties for sale is summarised as follows:

	2017 HK$ Million	2016 HK$ Million
Held in Hong Kong		
Long term leases	**1,149**	7,665
Medium term leases	**20,558**	21,133
	21,707	28,798
Held outside Hong Kong		
Freehold	**3,025**	3,171
Long term leases	**20,333**	16,910
Medium term leases	**215**	221
	23,573	20,302
	45,280	49,100

15. TRADE AND OTHER RECEIVABLES

a) Ageing analysis

Included in this item are trade receivables (net of allowance for bad and doubtful debts) with an ageing analysis based on invoice dates as at 31 December 2017, shown as follows:

	2017 HK$ Million	2016 HK$ Million
Trade receivables		
0 – 30 days	**944**	500
31 – 60 days	**150**	132
61 – 90 days	**55**	31
Over 90 days	**115**	143
	1,264	806
Accrued sales receivables	**4,425**	252
Other receivables and prepayments	**6,670**	8,509
	12,359	9,567

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

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

b) Impairment of trade receivables

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

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

	2017 HK$ Million	2016 HK$ Million
At 1 January	**23**	86
Impairment loss recognised	**4**	1
Uncollectible amounts written off	**(4)**	(1)
Disposal of subsidiaries	**(9)**	(63)
At 31 December	**14**	23

c) Trade receivables that are not impaired

As at 31 December 2017, 99% (2016: 96%) of the Group's trade receivables was not impaired, of which 92% (2016: 82%) was either not past due or less than two months past due.

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

16. DERIVATIVE FINANCIAL INSTRUMENTS

	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	169	52	405	84
Floating-to-fixed interest rate swaps	–	176	9	168
Cross currency interest rate swaps	87	932	152	2,007
Forward foreign exchange contracts	123	1	187	591
Total	379	1,161	753	2,850
Analysis				
Non-current	204	814	324	2,073
Current	175	347	429	777
Total	379	1,161	753	2,850

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	**29**	**7**	165	7
Expiring after more than 1 year but not exceeding 5 years	**55**	**16**	99	29
Expiring after 5 years	**85**	**29**	141	48
	169	**52**	405	84
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**	**211**	107	3
Expiring after more than 1 year but not exceeding 5 years	**56**	**584**	33	1,646
Expiring after 5 years	**19**	**137**	12	358
	87	**932**	152	2,007
Forward foreign exchange contracts				
Expiring within 1 year	**59**	**–**	13	591
Expiring after more than 1 year but not exceeding 5 years	**64**	**1**	162	–
Expiring after 5 years	**–**	**–**	12	–
	123	**1**	187	591
Total	**379**	**1,161**	753	2,850

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

	2017 HK$ Million	2016 HK$ Million
Fixed-to-floating interest rate swaps	**15,904**	33,397
Floating-to-fixed interest rate swaps	**8,230**	8,230
Cross currency interest rate swaps	**33,256**	37,328
Forward foreign exchange contracts	**21,666**	51,777

b) Derivative financial assets represent the amounts the Group would receive whilst derivative financial liabilities represent the amounts the Group would pay if the positions are closed at the end of the reporting period. Derivative financial instruments do not qualify for hedge accounting and their corresponding changes in fair values have been recognised in the consolidated income statement.

c) During the year, a loss of HK$381 million (2016: gain of HK$76 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$497 million (2016: loss of HK$48 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 has not offset any of the financial instruments as no parties have exercised their rights to offset the recognised amounts in the financial statements.

17. BANK DEPOSITS AND CASH

	2017 HK$ Million	2016 HK$ Million
Bank deposits and cash	**56,474**	43,964

At 31 December 2017, bank deposits and cash included:

a) HK$16,926 million equivalent (2016: HK$19,922 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) RMB1,753 million equivalent to HK$2,098 million (2016: RMB1,184 million equivalent to HK$1,324 million) which is solely for certain designated property development projects in Mainland China, and Singapore dollar balances of HK$163 million (2016: HK$150 million) equivalent in respect of certain proceeds received from the pre-sale of properties in Singapore held under the "Project Account Rules-1997 Ed", withdrawals from which are designated for payments for expenditure incurred for the respective projects.

The effective interest rate on bank deposits was 1.3% (2016: 1.6%) per annum.

Bank deposits and cash are denominated in the following currencies:

	2017 HK$ Million	2016 HK$ Million
RMB	**17,098**	20,302
HKD	**34,805**	19,470
SGD	**3,667**	2,230
USD	**902**	1,952
Other currencies	**2**	10
	56,474	43,964

18. TRADE AND OTHER PAYABLES

Included in this item are trade payables with an ageing analysis based on invoice dates as at 31 December 2017, shown as follows:

	2017 HK$ Million	2016 HK$ Million
Trade payables		
0 – 30 days	**431**	413
31 – 60 days	**204**	280
61 – 90 days	**36**	39
Over 90 days	**114**	189
	785	921
Rental and customer deposits	**4,530**	4,235
Construction costs payable	**12,089**	11,087
Amounts due to associates (note 10)	**2,933**	3,376
Amounts due to joint ventures (note 11)	**3,209**	2,587
Other payables	**8,768**	6,675
	32,314	28,881

The amount of trade and other payables that is expected to be settled after more than one year is HK$4,229 million (2016: HK$4,513 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$3,616 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	**29,317**	20,311
Due after 1 year but within 2 years	**12,364**	8,319
Due after 2 years but within 5 years	**31,637**	15,519
Due after 5 years	**3,680**	6,482
	76,998	50,631
Bank loans (Secured)		
Due within 1 year	**3,494**	986
Due after 1 year but within 2 years	**962**	3,409
Due after 2 years but within 5 years	**7,306**	8,909
Due after 5 years	**335**	335
	12,097	13,639
Bank loans (Unsecured)		
Due within 1 year	**2,359**	4,589
Due after 1 year but within 2 years	**1,406**	2,606
Due after 2 years but within 5 years	**21,331**	23,476
	25,096	30,671
Total bank loans and other borrowings	**114,191**	94,941
Analysis of maturities of the above borrowings		
Non-current borrowings		
Due after 1 year but within 2 years	**14,732**	14,334
Due after 2 years but within 5 years	**60,274**	47,904
Due after 5 years	**4,015**	6,817
	79,021	69,055
Current borrowings		
Due within 1 year	**35,170**	25,886
Total bank loans and other borrowings	**114,191**	94,941

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

	2017 HK$ Million	2016 HK$ Million
HKD	**103,889**	84,268
RMB	**10,302**	10,673
	114,191	94,941

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

	2017 Effective interest rate %	**2017** HK$ Million	2016 Effective interest rate %	2016 HK$ Million
Fixed rate borrowings				
Bonds and notes	**3.1**	**5,370**	3.0	8,160
Bank loans	**2.6**	**8,833**	2.6	8,230
		14,203		16,390
Floating rate borrowings				
Bonds and notes	**3.4**	**26,077**	3.5	42,471
Bank loans	**4.0**	**73,911**	2.2	36,080
		99,988		78,551
Total borrowings		**114,191**		94,941

c) All the interest bearing borrowings are carried at amortised cost except for loans in an amount of HK$17,462 million (2016: HK$29,599 million) which are carried at their fair values. None of the non-current interest bearing borrowings are expected to be settled within one year.

d) Included in the Group's total loans are bank loans and other borrowings of HK$36,409 million and HK$45,552 million and borrowed by WHL and Wharf REIC (2016: HK$60,794 million borrowed by WHL). The loans are without recourse to the Company and its other subsidiaries.

e) At 31 December 2017, certain banking facilities of the Group were secured by mortgages over certain properties under development, investment properties and property, plant and equipment with an aggregate carrying value of HK$42,307 million (2016: HK$43,546 million).

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

21. EQUITY SETTLED SHARE-BASED TRANSACTIONS

a) Company

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

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

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

ii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted.

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

Date of grant	Exercise price HK$	Exercise period	2017 Number of share options: At 1 January 2017	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2017	Exercisable at 31 December 2017	Remaining contractual life
14 June 2013	39.98	15 June 2013 to 14 June 2018	11,150,000	–	(5,550,000)	–	5,600,000	5,600,000	0.5 year
7 July 2016	36.60	8 July 2016 to 7 July 2021	11,000,000	–	(1,500,000)	–	9,500,000	2,000,000	3.5 years
			22,150,000	–	(7,050,000)	–	15,100,000	7,600,000	
Weighted average exercise price (HK$)			38.30	–	39.26	–	37.85	39.09	

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

The weighted average share price at the date of exercise for share options exercised during the year was HK$59.49 (2016: HK$45.65).

iv) In respect of share options granted to the Directors of the Company, the related charge recognised in the consolidated income statement for the years ended 31 December 2017 and 2016, estimated in accordance with the Group's accounting policy in note (v)(i) was as follows:

	2017 HK$'000	2016 HK$'000
Douglas C K Woo	**13,174**	14,090
Stewart C K Leung	**8,437**	9,657
Paul Y C Tsui	**4,218**	4,829
Ricky K Y Wong	**8,437**	9,657
	34,266	38,233

b) WHL

WHL has a share option scheme which was adopted in June 2011 whereby the directors of WHL are authorised, at their discretion, to invite eligible participants to take up options at a consideration of HK$10 to subscribe for shares of WHL ("WHL 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 WHL shares under the option as specified in the written offer containing the offer of the grant of the option to an eligible participants; (ii) the closing price of the WHL shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; and (iii) the average closing price of the WHL shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant. The granted options are divided into five tranches, of which the first tranche vests immediately after the date of grant and the remaining four tranches vest between one year and four years after the date of grant.

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

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

ii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted.

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

Date of grant	Exercise price HK$	Exercise period	Before adjustment 2017 Number of share options At 1 January 2017	Granted during the year	Exercised during the year	Lapsed during the year	At 29 November 2017
5 June 2013	70.20	6 June 2013 to 5 June 2018	10,500,000	–	(1,000,000)	–	9,500,000
7 July 2016	46.90	8 July 2016 to 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 spin-off of Wharf REIC, the exercise price applicable to the 19,800,000 share options outstanding on 20 November 2017 (on the record date of Wharf REIC spinoff) has been adjusted with effect from 30 November 2017.

Date of grant	Exercise price HK$	Exercise period	After adjustment 2017 Number of share options At 30 November 2017	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2017	Exercisable at 31 December 2017	Remaining contractual life
5 June 2013	23.83	6 June 2013 to 5 June 2018	9,500,000	–	(400,000)	–	9,100,000	9,100,000	0.5 year
7 July 2016	15.92	8 July 2016 to 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	

Date of grant	Exercise price HK$	Exercise period	2016 Number of share options 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 to 4 July 2016	9,620,000	–	–	(9,620,000)	–	–	–
5 June 2013	70.20	6 June 2013 to 5 June 2018	10,500,000	–	–	–	10,500,000	8,400,000	1.5 years
7 July 2016	46.90	8 July 2016 to 7 July 2021	–	14,500,000	(1,100,000)	–	13,400,000	1,800,000	4.5 years
			20,120,000	14,500,000	(1,100,000)	(9,620,000)	23,900,000	10,200,000	
Weighted average exercise price (HK$)			63.00	46.90	46.90	55.15	57.14	66.09	

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

iv) In respect of WHL's share options granted to its directors and employees, who are also Directors of the Company, the related charge recognised in the consolidated income statement for the years ended 31 December 2017 and 2016, 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
Paul Y C Tsui	**4,102**	5,160
	16,759	20,017

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	**13,535**	10,700
Deferred tax assets	**(1,336)**	(705)
Net deferred tax liabilities	**12,199**	9,995

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	3,221	7,530	(117)	(530)	10,104
Charged to the consolidated and loss account income statement	333	23	48	75	479
Acquisition of subsidiaries	9	–	–	(8)	1
Disposal of subsidiaries	(148)	–	9	58	(81)
Exchange differences	(51)	(478)	20	1	(508)
At 31 December 2016 and 1 January 2017	**3,364**	**7,075**	**(40)**	**(404)**	**9,995**
Charged to the consolidated and loss account income statement	**322**	**572**	**391**	**23**	**1,308**
Disposal of subsidiaries	**(18)**	**–**	**(15)**	**356**	**323**
Exchange differences	**72**	**515**	**(14)**	**–**	**573**
At 31 December 2017	**3,740**	**8,162**	**322**	**(25)**	**12,199**

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	**150**	**77**	1,361	270
Future benefits of tax losses				
– Hong Kong	**3,117**	**559**	5,450	899
– Outside Hong Kong	**3,562**	**890**	3,446	862
	6,679	**1,449**	8,896	1,761
	6,829	**1,526**	10,257	2,031

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 and Singapore operations do not expire under current tax legislation. The tax losses arising from operations in Mainland China can be carried forward to offset against taxable profits of subsequent years for up to five years from the year in which they arose.

23. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

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

a) Interest rate risk

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

In line with the Group's prevailing strategy, the Group has entered into a number of interest rate swaps ("IRS") and cross currency interest rate swaps ("CCS") which have the economic effect of converting certain fixed rate interest bearing notes with notional amounts totalling HK$17,853 million (2016: HK$27,818 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 87% (2016: 83%) of the Group's borrowings was at floating rates and the remaining 13% (2016: 17%) was at fixed rates. (see note 20b).

Based on the 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 decreased/increased the post-tax profit and total equity of the Group by approximately HK$134 million (2016: HK$82 million). This takes into account the effect of interest bearing bank deposits.

The sensitivity analysis above indicates the instantaneous change in the Group's post-tax profit and total equity that would have arisen assuming that the change in interest rates had occurred at the end of reporting period and had been applied to remeasure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of reporting period, the impact on the Group's post-tax profit and total equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis has been performed at the same basis as for 2016.

b) Foreign currency risk

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

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

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

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

	2017						2016					
	USD Million	RMB Million	JPY Million	SGD Million	HKD Million	AUD Million	USD Million	RMB Million	JPY Million	SGD Million	HKD Million	AUD Million
Bank deposits and cash	96	304	–	4	–	–	226	517	1	1	–	1
Equity and bond investments	345	–	–	–	1,027	–	277	–	–	–	516	–
Trade and other receivables	–	–	–	–	–	–	20	–	–	–	–	–
Trade and other payables	(8)	–	(3)	–	–	(2)	(31)	(8)	(28)	(1)	–	(2)
Bank loans and other borrowings	(1,246)	(5,800)	(21,962)	(610)	–	(175)	(3,683)	(5,800)	(21,958)	(610)	–	(175)
Inter-company balances	25	4,132	–	(250)	–	–	24	4,331	–	(250)	–	–
Gross exposure arising from recognised assets and liabilities	(788)	(1,364)	(21,965)	(856)	1,027	(177)	(3,167)	(960)	(21,985)	(860)	516	(176)
Notional amount of forward foreign exchange contracts at fair value through profit or loss	6,978	–	7,000	–	(1,027)	110	5,000	–	62,764	8	(516)	–
Notional amount of CCS	(1,008)	1,800	5,000	860	–	–	(1,362)	1,800	(40,764)	860	–	175
Highly probable forecast purchases	–	–	–	–	–	–	(53)	–	–	–	–	–
Overall net exposure	5,182	436	(9,965)	4	–	(67)	418	840	15	8	–	(1)

In addition, the PRC subsidiaries of the Group with RMB as their functional currency were exposed to foreign currency risk with respect to HKD/USD by holding HKD/USD denominated bank deposits and cash, trade and other payables, bank loans and inter-company borrowings in the amount of HK$191 million, HK$6 million, HK$524 million and HK$342 million respectively as at 31 December 2017 (2016: HK$225 million, HK$6 million, HK$526 million and HK$334 million respectively).

Based on the sensitivity analysis performed as at 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 of RMB against HKD, the Group's total equity would have increased/decreased by HK$1,046 million (2016: HK$863 million).

c) Equity price risk

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

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

Based on the sensitivity analysis performed as at 31 December 2017, it is estimated that an increase/decrease of 10% (2016: 10%) in the market value of the Group's listed equity and bond investments, with all other variables held constant, would not have affected the Group's post-tax profit unless there were impairments but would have increased/decreased the Group's total equity by HK$2,891 million (2016: HK$950 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 reporting period of the Group's derivative and non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates at the end of the reporting period and carried at exchange rates prevailing at the end of the reporting period) and the earliest date the Group can be required to pay:

		Contractual undiscounted cash flow				
	Carrying amount HK$ Million	Total HK$ Million	Within 1 year or on demand HK$ Million	More than 1 year but less than 2 years HK$ Million	More than 2 years but less than 5 years HK$ Million	More than 5 years HK$ Million
At 31 December 2017						
Bank loans and other borrowings	**(114,191)**	**(122,313)**	**(35,994)**	**(18,018)**	**(63,568)**	**(4,733)**
Trade and other payables	**(32,314)**	**(32,314)**	**(28,079)**	**(2,175)**	**(1,804)**	**(256)**
Interest rate swaps	**(59)**	**(26)**	**(61)**	**12**	**43**	**(20)**
Cross currency interest rate swaps	**(845)**	**(532)**	**(148)**	**(163)**	**(144)**	**(77)**
Forward foreign exchange contracts	**122**	**122**	**59**	**24**	**32**	**7**
	(147,287)	**(155,063)**	**(64,223)**	**(20,320)**	**(65,441)**	**(5,079)**
At 31 December 2016						
Bank loans and other borrowings	(94,941)	(101,470)	(28,286)	(17,878)	(46,939)	(8,367)
Trade and other payables	(28,881)	(28,881)	(24,368)	(2,937)	(1,342)	(234)
Interest rate swaps	162	152	70	(27)	85	24
Cross currency interest rate swaps	(1,855)	(905)	77	(339)	(549)	(94)
Forward foreign exchange contracts	(404)	(404)	(577)	21	75	77
	(125,919)	(131,508)	(53,084)	(21,160)	(48,670)	(8,594)

The Company is exposed to liquidity risk that arises from financial guarantees given by the Company on behalf of subsidiaries. The guarantees are callable if the respective subsidiary is unable to meet its obligations. The maximum amount callable as at 31 December 2017 was HK$32,531 million (2016: HK$34,398 million).

e) Credit risk

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

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

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

f) Fair value of assets and liabilities

i) Assets and liabilities carried at fair value

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

Financial instruments carried at fair value

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

	Fair value measurements as at 31 December categorised into					
	2017			2016		
	Level 1 HK$ Million	Level 2 HK$ Million	Total HK$ Million	Level 1 HK$ Million	Level 2 HK$ Million	Total HK$ Million
Assets						
Equity and bond investments:						
– Listed investments	28,910	–	28,910	9,497	–	9,497
– Unlisted investments	–	91	91	–	33	33
Derivative financial instruments:						
– Interest rate swaps	–	169	169	–	414	414
– Cross currency interest rate swaps	–	87	87	–	152	152
– Forward foreign exchange contracts	–	123	123	–	187	187
	28,910	470	29,380	9,497	786	10,283
Liabilities						
Derivative financial instruments:						
– Interest rate swaps	–	(228)	(228)	–	(252)	(252)
– Cross currency interest rate swaps	–	(932)	(932)	–	(2,007)	(2,007)
– Forward foreign exchange contracts	–	(1)	(1)	–	(591)	(591)
Bank loans and other borrowings:						
– Bonds and notes	–	(18,933)	(18,933)	–	(28,598)	(28,598)
– Bank loans	–	(993)	(993)	–	(1,001)	(1,001)
	–	(21,087)	(21,087)	–	(32,449)	(32,449)

During the years ended 31 December 2017 and 2016, there were no transfers of financial instruments between Level 1 and Level 2 or transfers into or out of Level 3.

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

Valuation techniques and inputs used in Level 2 fair value measurements

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

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

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

ii) Assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 31 December 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
Total bank loans and other borrowings (note 20)	**114,191**	94,941
Less: Bank deposits and cash (note 17)	**(56,474)**	(43,964)
Net debt	**57,717**	50,977
Shareholders' equity	**241,684**	215,365
Total equity	**387,823**	349,520
Net debt-to-total equity ratio	**14.9%**	14.6%

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	**2017 HK$ Million**	2016 No. of shares	2016 HK$ Million
Issued and fully paid ordinary shares				
At 1 January	**2,034,699,287**	**3,075**	2,031,849,287	2,949
Shares issued under the share option scheme	**7,050,000**	**343**	2,850,000	126
At 31 December	**2,041,749,287**	**3,418**	2,034,699,287	3,075

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

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

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

The revenue reserves of the Group at 31 December 2017 included HK$2,212 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 of which between the beginning and the end of the year are set out below:

	Share capital HK$ Million	Other capital reserve HK$ Million	Revenue reserves HK$ Million	Total HK$ Million
Company				
At 1 January 2016	2,949	106	4,494	7,549
Share issued under the share option scheme	126	(17)	–	109
Profit	–	–	2,970	2,970
Equity settled share-based payments	–	40	–	40
2015 second interim dividend paid	–	–	(1,473)	(1,473)
2016 first interim dividend paid	–	–	(915)	(915)
At 31 December 2016 and 1 January 2017	**3,075**	**129**	**5,076**	**8,280**
Share issued under the share option scheme	**343**	**(66)**	**–**	**277**
Profit	**–**	**–**	**2,994**	**2,994**
Equity settled share-based payments	**–**	**35**	**–**	**35**
2016 second interim dividend paid	**–**	**–**	**(1,733)**	**(1,733)**
2017 first interim dividend paid	**–**	**–**	**(969)**	**(969)**
Dividend by way of distribution in specie	**–**	**–**	**(355)**	**(355)**
At 31 December 2017	**3,418**	**98**	**5,013**	**8,529**

c) Reserves of the Company available for distribution to equity shareholders of the Company at 31 December 2017 amounted to HK$5,013 million (2016: HK$5,076 million).

25. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2017 HK$ Million	2016 HK$ Million
Non-current assets			
Interest in subsidiaries		**9,270**	8,291
Current assets			
Receivables and prepayments		**1**	1
Total assets		**9,271**	8,292
Current liabilities			
Trade and other payables		**(13)**	(10)
Amount due to a subsidiary		**(729)**	(2)
Total liabilities		**(742)**	(12)
NET ASSETS		**8,529**	8,280
Capital and reserves			
Share capital		**3,418**	3,075
Reserves		**5,111**	5,205
TOTAL EQUITY	24(b)	**8,529**	8,280

Douglas C K Woo
Chairman & Managing Director

Paul Y C Tsui
Executive Director & Group Chief Financial Officer

26. CONTINGENT LIABILITIES

a) As at 31 December 2017, there were contingent liabilities in respect of guarantees given by the Group on behalf of certain associates and joint ventures of HK$2,664 million (2016: HK$4,233 million), of which HK$892 million (2016: HK$3,095 million) had been drawn.

b) As at 31 December 2017, there were guarantees of HK$7,221 million (2016: HK$8,811 million) provided by WHL 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 WHL group's development properties. There were also mortgage loan guarantees of HK$3,470 million (2016: HK$3,202 million) provided by associates and joint ventures of WHL group to the banks in favour of their customers.

c) The Group has not recognised any deferred income for the guarantees given in respect of borrowings and other banking facilities for subsidiaries, associates and joint ventures as their fair value cannot be reliably measured and their transaction price was HK$Nil.

27. COMMITMENTS

The Group's outstanding commitments as at 31 December 2017 are detailed below:

a) Planned expenditure

		2017			2016		
		Committed HK$ Million	**Uncommitted HK$ Million**	**Total HK$ Million**	Committed HK$ Million	Uncommitted HK$ Million	Total HK$ Million
(I)	**Properties**						
	Investment property						
	Hong Kong	**1,091**	**468**	**1,559**	990	429	1,419
	Mainland China	**3,726**	**8,312**	**12,038**	4,035	6,301	10,336
	Singapore	**2**	**–**	**2**	7	–	7
		4,819	**8,780**	**13,599**	5,032	6,730	11,762
	Development property						
	Hong Kong	**12,372**	**6,022**	**18,394**	10,603	14,138	24,741
	Mainland China	**4,824**	**16,207**	**21,031**	8,073	14,098	22,171
	Singapore	**–**	**–**	**–**	141	203	344
		17,196	**22,229**	**39,425**	18,817	28,439	47,256
	Properties total						
	Hong Kong	**13,463**	**6,490**	**19,953**	11,593	14,567	26,160
	Mainland China	**8,550**	**24,519**	**33,069**	12,108	20,399	32,507
	Singapore	**2**	**–**	**2**	148	203	351
		22,015	**31,009**	**53,024**	23,849	35,169	59,018
(II)	**Non property and others**						
	Hotels	**16**	**120**	**136**	1,379	412	1,791
	Modern Terminals	**113**	**26**	**139**	247	126	373
	i-CABLE	**–**	**–**	**–**	18	211	229
		129	**146**	**275**	1,644	749	2,393
	Total	**22,144**	**31,155**	**53,299**	25,493	35,918	61,411

(i) Properties commitments are mainly for construction costs to be incurred in the forthcoming years, including attributable land costs of HK$2.1 million (2016: HK$1.7 billion).

(ii) The expenditure for development properties includes attributable amounts for developments undertaken by associates and joint ventures of HK$9.4 billion (2016: HK$9.7 billion) 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

28. MATERIAL RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Material transactions between the Group and other related parties during the year ended 31 December 2017 are as follows:

a) In respect of the year ended 31 December 2017, the Group earned rental income totalling HK$1,096 million (2016: HK$1,086 million) from various tenants which are wholly or partly owned by companies which in turn are wholly-owned by the family interests of close family members of, or by a trust the settlor of which is a close family member of, the chairman of the Company. These transactions are considered to be related party transactions, of which HK$899 million (2016: HK$942 million) 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.

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 a 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 117 to 136 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, Singapore and the PRC. Taking into account the contract terms, the Group's business practice and the respective local legal and regulatory environment, the Group has assessed that its property sales contracts in Hong Kong and the PRC 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 in Hong Kong and the PRC 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 in Hong Kong and the PRC 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.

Advance payments are not common in the group's arrangements with its customers, with the exception of when residential properties are marketed by the group while the property is still under construction. In this situation, the group may offer customers a discount compared to the sales price payable, provided the customers agree to pay the balance of the purchase price early.

In assessing whether such advance payments schemes include a significant financing component, the group has considered the difference between the discounted price offered to those customers and the cash selling price, and the length of time between the payment date and the completion date of legal assignment (i.e. the date when the customers obtain control of the properties) based on the typical arrangements entered into with the customers.

Where such advance payment schemes include a significant financing component, the transaction price will need to be adjusted to separately account for this component. Such adjustment will result in interest expense being recognised to reflect the effect of the financing benefit obtained from the customers during the period between the payment date and the completion date of legal assignment, with a corresponding increase to revenue on sale of properties recognised when control of the completed property is transferred to the customer.

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 (l), 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 27(b), at 31 December 2017 the Groups' 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. EVENT AFTER THE REPORTING PERIOD

On 8 March 2018, the Group entered into a binding offer with an independent third-party (the "Vendor") to acquire the entire issued share capital and shareholder's loan of a wholly-owned subsidiary of the Vendor, which holds a residential site in Hong Kong, at a total consideration of HK$6,359 million.

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Directors on 12 March 2018.

A. STATEMENT OF COMPLIANCE

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

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

B. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and joint ventures.

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

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

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

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

C. BASIS OF CONSOLIDATION

(i) Subsidiaries and Non-controlling Interests

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

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

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

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

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

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

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note (K)(ii)).

(ii) Associates and Joint Ventures

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

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

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any) (see note (C)(iii)). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes (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 unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated income statement.

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

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

(iii) Goodwill

Goodwill represents the excess of

(a) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(b) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

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

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

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

D. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

(i) Investment Properties

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

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

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

(ii) Hotel and Club Properties

Hotel and club properties are stated at cost less accumulated depreciation and impairment losses (see note (K)(ii)). Hotel properties under development are stated at cost less impairment losses (see note (K)(ii)).

(iii) Broadcasting and Communications Equipment

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

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

Other property, plant and equipment held for own use is stated at cost less accumulated depreciation and impairment losses (see note (K)(ii)).

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

E. DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

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

(i) Investment Properties

No depreciation is provided on investment properties.

(ii) Hotel and Club Properties

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

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

(iii) Broadcasting and Communications Equipment

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

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

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

Depreciation is provided on a straight line basis over their estimated useful lives of these assets of 3 to 25 years.

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

F. FINANCIAL INSTRUMENTS

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

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

(i) Classification and measurement of financial assets

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

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

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

— the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

— the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

— the asset is held within a business model in which assets are managed to achieve a particular objective by both collecting contractual cash flows and selling the debt investment; and

— the contractual terms of the debt investment give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

All financial assets not classified as 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 policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

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

— debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;

— debt investment securities measured at FVTOCI;

— equity investment securities elected to measure at FVTOCI; and

— debt and equity investment securities mandatorily measured at FVTPL or designated as at FVTPL; these are at fair value with changes recognised immediately in profit or loss.

Investments in debt and equity securities (other than investments in subsidiaries, associates and joint ventures) are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets.

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

— interest revenue using the effective interest method;

— expected credit losses and reversals; and

— foreign exchange gains and losses.

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

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

Financial assets: Business model assessment

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

— the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

— how the performance of the portfolio is evaluated and reported to the Group's management;

— the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

— how managers of the business are compensated — e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

— the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

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

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

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

— contingent events that would change the amount or timing of cash flows;

— terms that may adjust the contractual coupon rate, including variable rate features;

— prepayment and extension features; and

— terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

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

Financial assets: Subsequent measurement and gains and losses

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

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

(ii) Derecognition of financial assets

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

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

(iii) Classification and measurement of financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is 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 statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

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

G. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

H. HEDGING

(i) Fair Value Hedge

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

(ii) Cash Flow Hedge

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

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

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

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

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

(iii) Hedge of Net Investment in a Foreign Operation

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

I. LEASED ASSETS

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

(i) Classification of Leased Assets

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

— Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as an investment property, is accounted for as if held under a finance lease (see note (D)(i)); and

— Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets Held Under Operating Leases

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

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

(iii) Assets Held Under Finance Leases

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

J. PROGRAMMING LIBRARY

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

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

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

Both the period and method of amortisation are reviewed annually.

K. IMPAIRMENT OF ASSETS

(i) Impairment of Financial Assets

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

— financial assets measured at amortised cost; and

— debt investments measured at FVTOCI.

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

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

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

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

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

Measurement of ECLs

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

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

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

— significant financial difficulty of the borrower or issuer;

— a breach of contract such as a default or past due event;

— the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

— it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the 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 and investments in associates and joint ventures accounted for under the equity method (see note (C)(ii)) and deferred tax assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of Recoverable Amount

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

— Recognition of Impairment Losses

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

— Reversals of Impairment Losses

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

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

— Interim Financial Reporting and Impairment

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

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

L. PROPERTIES FOR SALE

(i) Completed Properties for Sale

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

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

(ii) Properties under Development for Sale

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

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

M. INVENTORIES

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

N. CASH AND CASH EQUIVALENTS

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

O. FOREIGN CURRENCIES

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

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 or the issue of the occupation permit/completion certificate by the relevant government authorities, which is taken to be the point in time when the risk and rewards of ownership of the property have passed to the buyer. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position.

(iii) Income from communications, media and entertainment operations, logistics operations and hotels operations is recognised at the time when the services are provided.

(iv) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) Interest income is recognised as it accrues using the effective interest method.

(vi) Income received in advance attributable to long term service contracts is deferred and recognised over the contract period on a straight line basis.

Q. BORROWING COSTS

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

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

R. INCOME TAX

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the consolidated income statement except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases respectively. Deferred tax assets also arise from unused tax losses and unused tax credits.

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

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

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

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

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

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

— in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

S. RELATED PARTIES

(i) A person, or a close member of that person's family, is related to the Group if that person:

(a) has control or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group.

(ii) An entity is related to the Group if any of the following conditions applies:

(a) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(b) One entity is an associate or joint venture of the other entity (or an associate or a joint venture of a member of a Group of which the other entity is a member).

(c) Both entities are joint ventures of the same third party.

(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(f) The entity is controlled or jointly controlled by a person identified in (i).

(g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(h) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

T. FINANCIAL GUARANTEES ISSUED, PROVISIONS AND CONTINGENT LIABILITIES

(i) Financial Guarantees Issued

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

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

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

(ii) Other Provisions and Contingent Liabilities

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

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

U. SEGMENT REPORTING

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

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

V. EMPLOYEE BENEFITS

(i) Share Based Payments

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

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

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

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

(iii) Central Provident Fund in Singapore

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

W. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(i) Valuation of Investment Properties

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

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

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

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

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

(iii) Assessment of Impairment of Non-current Assets

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

(iv) Assessment of Provision for Properties for Sale

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

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

(v) Recognition of Deferred Tax Assets

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

	Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/ registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
	A) WHL				
*	**The Wharf (Holdings) Limited**	Hong Kong	HK$29,760,199,473 divided into 3,036,627,327 shares	62%	Holding company
	Properties				
	Wharf Development Limited	Hong Kong	HK$7,000,000,000 divided into 7,000,000,000 shares	62%	Holding company
	Wharf Peak Properties Limited	Hong Kong	HK$30,000,000 divided into 3,000,000 shares	62%	Property
	Hong Tai Yuen Limited	Hong Kong	HK$500,000 divided into 500,000 shares	62%	Property
	New Tech Centre Limited	Hong Kong	HK$10,000 divided into 10,000 shares	62%	Property
	Wharf China Holdings (0004) Limited	British Virgin Islands	5,129,000,000 US$1 shares	62%	Holding company
	Wharf China Estates (0004) Limited	British Virgin Islands	1,000,000 US$1 shares	62%	Holding company
	Bucksfull Company Limited	Hong Kong	HK$158 divided into 158 shares	62%	Holding company
	Cardell Company Limited	Hong Kong	HK$2 divided into 2 shares	62%	Holding company
	Cheerwill Properties Limited	British Virgin Islands	500 US$1 shares	62%	Holding company
	Chengdu IFC Development Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Genius View International Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Holmwood Limited	Hong Kong	HK$2 divided into 2 shares	62%	Ownership of trade marks
	Malaga Company Limited	Hong Kong	HK$2 divided into 2 shares	62%	Holding company
	Merry Bond (0004) Limited	British Virgin Islands	500 US$1 shares	62%	Holding company
	Radiant Lead Global Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Sharp Hero Holdings Limited	British Virgin Islands	1 US$1 share	62%	Holding company
	Simply Thrive Holdings Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Singford International Limited	British Virgin Islands	500 US$1 shares	62%	Holding company
	Strong Field International Limited	Hong Kong	HK$1 divided into 1 share	62%	Ownership of trade marks
	Topusko Limited	Hong Kong	HK$20 divided into 2 shares	62%	Holding company
	Treasure Board (0004) Limited	British Virgin Islands	1 US$1 share	62%	Holding company
	Wharf Beijing Limited	Hong Kong	HK$2 divided into 2 shares	62%	Holding company
	Wharf Chongqing Limited	Hong Kong	HK$2 divided into 2 shares	62%	Holding company
	Wharf Dalian Limited	Hong Kong	HK$2 divided into 2 shares	62%	Holding company
	Wharf Shanghai Estates Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Wise Noble Investments Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
ii	Shanghai Long Xing Property Development Company Limited	The People's Republic of China	US$45,000,000	62%	Property
ii	Dalian Times Square Development Company Limited	The People's Republic of China	RMB200,000,000	62%	Property
ii	Long Qing Property Development (Chongqing) Company Limited	The People's Republic of China	RMB223,533,440	62%	Property
i	Shanghai Wheelock Square Development Limited	The People's Republic of China	US$144,000,000	61%	Property
ii	龍昌綜合開發(成都)有限公司	The People's Republic of China	HK$221,000,000	62%	Property
ii	龍錦綜合開發(成都)有限公司	The People's Republic of China	US$1,580,000,000	62%	Property
ii	成都時代奧特萊斯商業有限公司	The People's Republic of China	HK$170,000,000	62%	Property
ii	長沙時代奧特萊斯商業有限公司	The People's Republic of China	US$40,000,000	62%	Property
ii	九龍倉(長沙)置業有限公司	The People's Republic of China	US$1,192,000,000	62%	Property
iv	龍潤房地產開發(成都)有限公司	The People's Republic of China	RMB20,000,000	62%	Property
ii	九龍倉(北京)企業管理有限公司	The People's Republic of China	US$2,000,000	62%	Holding company
iv	致昌(北京)企業管理有限公司	The People's Republic of China	RMB10,000,000	62%	Holding company
iv	大連德高企業管理有限公司	The People's Republic of China	RMB5,000,000	62%	Holding company
iv	大連盈致企業管理有限公司	The People's Republic of China	RMB10,000,000	62%	Holding company

	Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/ registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
	Wharf China Estates Limited	Hong Kong	HK$1 divided into 1 share	62%	Management services
	Wharf Estates China Limited	Hong Kong	HK$2 divided into 2 shares	62%	Holding company
	Harriman China Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Rising Chain International Limited	British Virgin Islands	500 US$1 shares	62%	Holding company
	Broader Link Investments Limited	Hong Kong	HK$1 divided into 1 share	62%	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	62%	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	62%	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	62%	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	62%	Property management
iv	北京西局置業有限公司	The People's Republic of China	RMB100,000,000	62%	Property
	Wharf China Development (0004) Limited	British Virgin Islands	1,000,000 US$1 shares	62%	Holding company
	Advance Trend Holdings Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	All Delight Investments Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	All Genius Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Apex Mind Holdings Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Bright Wave Group Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Classic Partner Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Concept Plus Holdings Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Corning Holdings Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Creative City Investments Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Dragon Legacy Holdings Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Fame Treasure International (0004) Limited	British Virgin Islands	500 US$1 shares	62%	Holding company
	Famous Master International Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Favour Year Holdings Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Fine Noble Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Fine Super Holdings Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Greatworth Investments Limited	Hong Kong	HK$2 divided into 2 shares	62%	Holding company
	Key Advance Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Lion Voice Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Main Light Holdings Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Max Speed International Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Mega Full Holdings Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Merit Joy Investments Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Noble Key Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Onyee Properties Limited	British Virgin Islands	500 US$1 shares	62%	Holding company
	Perfect Joy Holdings Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Pilot Focus International Limited	British Virgin Islands	500 US$1 shares	62%	Holding company
	Power Shine Investments Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Power Unicorn Holdings Limited	British Virgin Islands	1 US$1 share	62%	Holding company
	Radiant South (0004) Limited	British Virgin Islands	500 US$1 shares	62%	Holding company
	Rumba Company Limited	Hong Kong	HK$10,000 divided into 10,000 shares	51%	Holding company
	Show All Limited	Hong Kong	HK$2 divided into 2 shares	62%	Holding company
	Silver Zone International Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Sino Season Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Sky Join Investments Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Sky Step (0004) Limited	British Virgin Islands	1 US$1 share	62%	Holding company
	Smart Bloom Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Smartworth Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Smooth Flow Investments Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	South Honest (0004) Limited	British Virgin Islands	500 US$1 shares	62%	Holding company

	Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/ registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
	Spring Day Holdings Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Star Apex International Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Star Colour (0004) Limited	British Virgin Islands	500 US$1 shares	62%	Holding company
	Star Rank Investments Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Step Line Investments Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Total Up International Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Trade Right Investments Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Trendy Win Holdings Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Victor Choice Investments Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Walsham Holdings Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Wharf Chengdu Limited	Hong Kong	HK$2 divided into 2 shares	62%	Holding company
	Wharf (Jingan) Limited	Hong Kong	HK$2 divided into 2 shares	62%	Holding company
	Wharf Shanghai Limited	Hong Kong	HK$10,000,000 divided into 10,000,000 shares	62%	Holding company
	Wharf Wuhan Limited	Hong Kong	HK$2 divided into 2 shares	62%	Holding company
	Wharf Properties China (0004) Limited	British Virgin Islands	500 US$1 shares	62%	Holding company
	Wiser Global Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
ii	漢龍實業綜合開發（武漢）有限公司	The People's Republic of China	US$33,100,000	62%	Property
ii	九龍倉（武漢）置業有限公司	The People's Republic of China	US$46,000,000	62%	Property
i	上海龍申房地產發展有限公司	The People's Republic of China	US$22,330,000	34%	Property
ii	上海莉源房地產開發有限公司	The People's Republic of China	US$745,000,000	62%	Property
ii	上海萊源房地產開發有限公司	The People's Republic of China	US$35,000,000	62%	Property
ii	上海清源房地產開發有限公司	The People's Republic of China	US$70,000,000	62%	Property
ii	九龍倉（無錫）置業有限公司	The People's Republic of China	US$307,580,000	62%	Property
ii	龍茂房地產開發（成都）有限公司	The People's Republic of China	HK$26,000,000	62%	Property
ii	龍悅房地產開發（成都）有限公司	The People's Republic of China	US$3,000,000	62%	Property
ii	龍嘉房地產開發（成都）有限公司	The People's Republic of China	HK$275,500,000	62%	Property
ii	蘇州蘇龍地產發展有限公司	The People's Republic of China	US$6,800,000	62%	Property
ii	蘇州瑞龍地產發展有限公司	The People's Republic of China	US$63,000,000	62%	Property
ii	蘇州銀龍地產發展有限公司	The People's Republic of China	US$200,000,000	62%	Property
ii	無錫港龍置業有限公司	The People's Republic of China	US$94,900,000	62%	Property
ii	無錫河畔置業有限公司	The People's Republic of China	US$45,400,000	62%	Property
ii	無錫都會置業有限公司	The People's Republic of China	US$108,600,000	62%	Property
ii	港盈房地產（杭州）有限公司	The People's Republic of China	US$16,990,000	62%	Property
ii	九龍倉（杭州）置業有限公司	The People's Republic of China	US$20,000,000	62%	Property
ii	堡盈房地產（杭州）有限公司	The People's Republic of China	US$20,000,000	62%	Property
ii	錦興房地產開發（杭州）有限公司	The People's Republic of China	US$126,000,000	62%	Property
ii	洋立房地產（杭州）有限公司	The People's Republic of China	HK$418,000,000	62%	Property
ii	望華房地產（杭州）有限公司	The People's Republic of China	HK$1,080,000,000	62%	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	62%	Property
ii	寧波立成置業有限公司	The People's Republic of China	US$42,000,000	62%	Property
ii	九龍倉置業（廣州）有限公司	The People's Republic of China	HK$1,000,000	62%	Holding company
ii	會盈房地產（杭州）有限公司	The People's Republic of China	US$59,930,000	62%	Holding company
ii	杭州杭龍置業管理有限公司	The People's Republic of China	US$5,160,000	62%	Holding company
iv	蘇州耀龍投資管理有限公司	The People's Republic of China	RMB5,000,000	62%	Holding company
	Wharf China Development Limited	Hong Kong	HK$1 divided into 1 share	62%	Management services
	Idea Treasure Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Master Joy Investments Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Promise Well Investments Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Sunny Point Holdings Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Utmost Success Limited	Hong Kong	HK$2 divided into 2 shares	62%	Holding company
	Wharf China Limited	British Virgin Islands	500 US$1 shares	62%	Holding company
	Wharf CIM Limited	Hong Kong	HK$2 divided into 2 shares	62%	Holding company

	Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/ registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
	Wharf Ningbo Limited	Hong Kong	HK$2 divided into 2 shares	62%	Holding company
	Wharf Properties China Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Global Bloom Investments Limited	Hong Kong	HK$100,000,000 dividend into 100,000,000 shares	62%	Holding company
	Real Sky Investments Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Wharf China Holdings Limited	Hong Kong	HK$1 divided into 1 share	62%	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	62%	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	62%	Property
iv	蘇州祥龍地產發展有限公司	The People's Republic of China	RMB64,395,000	62%	Property
iv	蘇州兆龍地產發展有限公司	The People's Republic of China	RMB1,823,810,000	62%	Property
i	九龍倉置業(重慶)有限公司	The People's Republic of China	US$300,000	62%	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	62%	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	62%	Property Management
i	九龍倉(中國)投資有限公司	The People's Republic of China	US$30,000007	62%	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	62%	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	62%	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	62%	Property Management
	Logistics				
	Modern Terminals Limited	Hong Kong	HK$82,049,200 divided into 70,116 shares	42%	Container terminal
i	Shenzhen Dachan Bay Modern Port Development Company, Limited	The People's Republic of China	RMB4,095,195,813	27%	Container terminal
	Hotels				
	Wharf Hotel Limited	British Virgin Islands	500 US$1 shares	62%	Holding company
	Chengdu Niccolo Holdings (Hong Kong) Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Extra Talent Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Wharf China Hotels Limited	Hong Kong	HK$1 divided into 1 share	62%	Holding company
	Wharf Hotels Management Limited	Hong Kong	HK$20 divided into 2 shares	62%	Hotel
ii	武漢馬哥孛羅酒店有限公司	The People's Republic of China	US$3,850,000	62%	Hotel
ii	成都馬哥孛羅酒店有限公司	The People's Republic of China	US$8,000,000	62%	Hotel
	Investment and others				
	Wharf Limited	Hong Kong	HK$20 divided into 2 shares	62%	Management services
iv	Wharf Finance Limited	Hong Kong	HK$2 divided into 2 shares	62%	Finance
iv	Wharf Finance (BVI) Limited	British Virgin Islands/Hong Kong	500 US$1 shares	62%	Finance
	Wharf Hong Kong Limited	Cayman Islands	500,000,000 US$1 shares	62%	Holding company
	Wharf China Finance Limited	Hong Kong	HK$5,000,000 dividend into 5,000,000 shares	62%	Finance
iv	Wharf Finance (No. 1) Limited	Hong Kong	HK$2 divided into 2 shares	62%	Finance
	Wharf Finance (BVI) No. 1 Limited	British Virgin Islands/Hong Kong	500 US$1 shares	62%	Finance
iv	Wharf Finance (HK) Limited	British Virgin Islands/Hong Kong	10 US$1 shares	62%	Finance
iv	Wharf MTN (Singapore) Pte. Ltd	Singapore	2 SG$1 shares	62%	Finance
	Every Success Holdings Limited	Hong Kong	HK$1 divided into 1 share	62%	Finance
	Proper Run Limited	Hong Kong	HK$1 divided into 1 share	62%	Finance
	Wobble Company Limited	Hong Kong	HK$1 divided into 1 share	62%	Finance

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/ registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
B) Wharf REIC				
* **Wharf Real Estate Investment Company Limited**	Cayman Islands	HK$303,622,733 divided into 3,036,227,327 shares	62%	Holding company
Properties				
Wharf Estates Limited	Hong Kong	HK$1,000,000 divided into 1,000,000 shares	62%	Holding company
Bright Smart Limited	Hong Kong	HK$10,000 divided into 10,000 shares	62%	Property investment
Excellent Base Limited	Hong Kong	HK$10,000 divided into 10,000 shares	62%	Property investment
Harbour City Estates Limited	Hong Kong	HK$330,100,000 divided into 20,000 shares	62%	Property investment
Marnav Holdings Limited	Hong Kong	HK$1,000,000 divided into 1,000,000 shares	62%	Property investment
Mullein Company Limited	Hong Kong	HK$10,000 divided into 10,000 shares	62%	Property investment
Oripuma Investments Limited	Hong Kong	HK$2 divided into 2 shares	62%	Property investment
Plaza Hollywood Limited	Hong Kong	HK$10,000,000 divided into 10,000,000 shares	62%	Property investment
Ridge Limited	Hong Kong	HK$10,000 divided into 10,000 shares	62%	Property investment
Times Square Limited	Hong Kong	HK$20 divided into 2 shares	62%	Property investment
Wavatach Company Limited	Hong Kong	HK$1,000 divided into 1,000 shares	62%	Property investment
Wettersley Company Limited	Hong Kong	HK$10,000 divided into 10,000 shares	62%	Property investment
Wharf Realty Limited	Hong Kong	HK$2 divided into 2 shares	62%	Property investment
Wharf REIC Holdings Limited (previously known as Fort Noble Limited)	British Virgin Islands	501 US$1 shares	62%	Holding company
* **Harbour Centre Development Limited**	Hong Kong	HK$3,641,350,047 divided into 708,750,000 shares	44%	Holding company
Algebra Assets Limited	British Virgin Islands	500 US$1 shares	44%	Investment
Cheer Sky Investment Limited	Hong Kong	HK$1 divided into 1 share	44%	Holding company
Free Boost Investments Limited	Hong Kong	HK$1 divided into 1 share	44%	Holding company
HCDL China Finance Limited	Hong Kong	HK$1 divided into 1 share	44%	Finance
HCDL Finance Limited	Hong Kong	HK$5,000,000 divided into 5,000,000 shares	44%	Finance
HCDL Investments Limited	Hong Kong	HK$1 divided into 1 share	44%	Holding company
HCDL Investments Finance Limited	Hong Kong	HK$1 divided into 1 share	44%	Finance
High Sea Investments Limited	Hong Kong	HK$2 divided into 2 shares	44%	Holding company
Harbour Centre (Hong Kong) Limited	British Virgin Islands	500 US$1 shares	44%	Holding company
HCDL China Development Limited	British Virgin Islands	500 US$1 shares	44%	Holding company
Joinhill Investments Limited	Hong Kong	HK$1 divided into 1 share	44%	Holding company
Manniworth Company Limited	Hong Kong	HK$10,000 divided into 10,000 shares	44%	Property investment
Market Favour Investments Limited	Hong Kong	HK$1 divided into 1 share	44%	Holding company
Mandelson Investments Limited	British Virgin Islands	500 US$1 shares	44%	Investment
Victor Horizon Limited (0051) Limited (previously known as Victor Horizon Limited)	British Virgin Islands	500 US$1 shares	44%	Investment

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
Wealthy Flow Company Limited	Hong Kong	HK$1 divided into 1 share	44%	Funds management
廣州秀達企業管理有限公司	The People's Republic of China	HK$2,000,000	44%	Holding company
廣州譽港企業管理有限公司	The People's Republic of China	RMB5,000,000	44%	Holding company
廣州港捷企業管理有限公司	The People's Republic of China	RMB10,000,000	44%	Holding company
南京聚龍房地產開發有限公司	The People's Republic of China	US$18,000,000	44%	Holding company
蘇州高龍房產發展有限公司	The People's Republic of China	RMB1,500,000,000	35%	Property
九龍倉(常州)置業有限公司	The People's Republic of China	US$169,800,000	44%	Property
上海綠源房地產開發有限公司	The People's Republic of China	RMB70,000,000	44%	Property
Logistics				
Wharf Transport Investments Limited	Hong Kong	HK$2 divided into 2 shares	62%	Holding company
The "Star" Ferry Company, Limited	Hong Kong	HK$7,200,000 divided into 1,440,000 shares	62%	Public transport
Hotels				
The Murray Limited	Hong Kong	HK$1 divided into 1 share	44%	Hotel
The Hongkong Hotel Limited	Hong Kong	HK$100,000 divided into 100,000 shares	44%	Hotel and property investment
The Marco Polo Hotel (Hong Kong) Limited	Hong Kong	HK$1,000 divided into 1,000 shares	62%	Hotel
The Prince Hotel Limited	Hong Kong	HK$2 divided into 2 shares	62%	Hotel
常州馬哥孛羅酒店有限公司	The People's Republic of China	US$7,000,000	44%	Hotel
Investment and others				
Harriman Leasing Limited	Hong Kong	HK$2,000,990 divided into 10,100,099 shares	62%	Leasing services
Wharf REIC Corporate Management Limited (previously known as Wharf REIC Corporate Services Limited)	Hong Kong	HK$1 divided into 1 share	62%	Property management
Wharf REIC Finance Limited (previously known as Central Market Limited)	Hong Kong	HK$1 divided into 1 share	62%	Finance
Wharf REIC Treasury Limited	Hong Kong	HK$1 divided into 1 share	62%	Bank deposit
# Wharf REIC Finance (BVI) Limited (previously known as Galaxy Spark Limited)	British Virgin Islands	500 US$1 share	62%	Finance

	Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/ registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
	C) Wheelock (other than WHL and Wharf REIC)				
*	Wheelock Properties (Singapore) Limited	Singapore	398,853,292 S$1 shares and 797,706,584 S$0.825 shares	76%	Holding company/Property
	Botanica Pte. Ltd.	Singapore	1,000,000 S$1 shares	76%	Property
	Everbilt Developers Pte. Ltd.	Singapore	160,000,000 S$1 shares	76%	Property
	Nassim Developments Pte. Ltd.	Singapore	2 S$1 shares	76%	Investment
	Pinehill Investments Pte. Ltd.	Singapore	1,000,000 S$1 shares	76%	Property
ii	富匯房地產開發(富陽)有限公司	The People's Republic of China	US$262,000,000	76%	Property
	Others				
	Active Talent Holdings Limited	Hong Kong	HK$1 divided into 1 share	100%	Property
	Amblegreen Company Limited	Hong Kong	HK$1 divided into 1 share	100%	Property
	Easy Merit Holdings Limited	Hong Kong	HK$1 divided into 1 share	100%	Property
	Ever Merits Investments Limited	Hong Kong	HK$1 divided into 1 share	100%	Property
	Fortune Precision Limited	Hong Kong	HK$2 divided into 2 shares	100%	Property
	Golden Centurion Limited	Hong Kong	HK$1 divided into 1 share	100%	Property
	Great Horwood Limited	Hong Kong	HK$2 divided into 2 shares	100%	Property
	Handy Solution Limited	Hong Kong	HK$1 divided into 1 share	100%	Property
	Harriman Property Management Limited	Hong Kong	HK$19,800 divided into 198 shares	100%	Property management
	Leading Elite Limited	Hong Kong	HK$1 divided into 1 share	100%	Property
	Max Bloom International Development Limited	Hong Kong	HK$1 divided into 1 share	100%	Investment
	Meritgold Holdings Limited	Hong Kong	HK$1 divided into 1 share	100%	Property
	Precise Treasure Limited	Hong Kong	HK$1 divided into 1 share	100%	Property
	Samover Company Limited	Hong Kong	HK$2 divided into 2 shares	100%	Property
	Titano Limited	Hong Kong	HK$2 divided into 2 shares	100%	Property
	Universal Sight Limited	Hong Kong	HK$1 divided into 1 share	100%	Property
	Ventures Smart Limited	Hong Kong	HK$1 divided into 1 share	100%	Property
	Wascott Property Limited	Hong Kong	HK$1 divided into 1 share	100%	Property
	Wheelock China Limited	Hong Kong	HK$2 divided into 2 shares	100%	Holding company
	Wheelock Corporate Services Limited	Hong Kong	HK$10,000,000 divided into 10,000,000 shares	100%	Management services
	Wheelock Finance Limited	Hong Kong	HK$2 divided into 2 shares	100%	Finance
	Wheelock Properties Limited	Hong Kong	HK$8,004,905,000 divided into 40,000,000,000 shares	100%	Holding company
	Wheelock Properties (Hong Kong) Limited	Hong Kong	HK$1,000 divided into 10 shares	100%	Property services and management
	Wheelock Travel Limited	Hong Kong	HK$500,000 divided into 50,000 shares	100%	Travel agency

Associates	Place of incorporation/ operation	Class of shares	Percentage of equity attributable to shareholders	Principal activities
WHL – Properties				
Start Treasure Limited	Hong Kong	Ordinary	9%	Property
Harpen Company Limited	Hong Kong	Ordinary	31%	Holding company
Magic Delight Limited	Hong Kong	Ordinary	31%	Holding company
蘇州雙湖房地產有限公司	The People's Republic of China	Registered	31%	Property
天津港威房地產開發有限公司	The People's Republic of China	Registered	31%	Property
天津雍景灣房地產開發有限公司	The People's Republic of China	Registered	31%	Property
佛山招商九龍倉房地產有限公司	The People's Republic of China	Registered	31%	Property
佛山依雲上園房地產有限公司	The People's Republic of China	Registered	31%	Property
佛山依雲觀園房地產有限公司	The People's Republic of China	Registered	25%	Property
佛山鑫城房地產有限公司	The People's Republic of China	Registered	31%	Property
佛山信捷房地產有限公司	The People's Republic of China	Registered	31%	Property
佛山依雲孝德房地產有限公司	The People's Republic of China	Registered	31%	Property
廣州市萬尚房地產有限公司	The People's Republic of China	Registered	21%	Property
北京廣盈房地產開發有限公司	The People's Republic of China	Registered	21%	Property
北京亞林東房地產開發有限公司	The People's Republic of China	Registered	16%	Property
北京亞林西房地產開發有限公司	The People's Republic of China	Registered	16%	Property
北京亮馬置業有限公司	The People's Republic of China	Registered	25%	Property
杭州築家房地產開發有限公司	The People's Republic of China	Registered	31%	Property
杭州綠城九龍倉置業有限公司	The People's Republic of China	Registered	31%	Property
浙江綠九置業有限公司	The People's Republic of China	Registered	31%	Property
杭州綠九濱聞置業有限公司	The People's Republic of China	Registered	31%	Property
杭州綠九啟奧置業有限公司	The People's Republic of China	Registered	22%	Property
佛山依雲房地產有限公司	The People's Republic of China	Registered	31%	Property
杭州臻祿投資有限公司	The People's Republic of China	Registered	4%	Holding company
杭州綠城桂溪房地產開發有限公司	The People's Republic of China	Registered	4%	Property
蘇州孚元置業有限公司	The People's Republic of China	Registered	21%	Property
蘇州皓龍地產發展有限公司	The People's Republic of China	Registered	37%	Property
佛山招商果嶺房地產有限公司	The People's Republic of China	Registered	25%	Property
佛山招商光華房地產有限公司	The People's Republic of China	Registered	31%	Property
杭州龍昊房地產開發有限公司	The People's Republic of China	Registered	14%	Property
WHL – Logistics				
Hong Kong Air Cargo Terminals Limited	Hong Kong	Ordinary	13%	Air cargo terminal
Mega Shekou Container Terminals Limited	British Virgin Islands	Ordinary	9%	Holding company
Wheelock Properties (Singapore) Limited				
68 Holdings Pte. Ltd.	Singapore	Ordinary	30%	Investment holding
Hotel Properties Limited	Singapore	Ordinary	17%	Hotelier and investment holding

Joint ventures	Place of incorporation/ operation	Class of shares	Percentage of equity attributable to shareholders	Principal activities
WHL – Properties				
Market Prospect Limited	Hong Kong	Ordinary	31%	Property
Elite Mind International Limited	Hong Kong	Ordinary	25%	Holding company
Empire Land Investments Limited	Hong Kong	Ordinary	31%	Holding company
Green Magic Investments Limited	Hong Kong	Ordinary	37%	Holding company
Long Global Investment Limited	Hong Kong	Ordinary	19%	Holding company
Tartar Investments Limited	British Virgin Islands	Ordinary	19%	Holding company
Tower Beyond Limited	Hong Kong	Ordinary	31%	Holding company
Vanguard Insight Limited	Hong Kong	Ordinary	31%	Holding company
重慶嘉江房地產開發有限公司	The People's Republic of China	Registered	25%	Property
重慶嘉益房地產開發有限公司	The People's Republic of China	Registered	31%	Property
浙江金盈置業有限公司	The People's Republic of China	Registered	31%	Property
祥寶投資(成都)有限公司	The People's Republic of China	Registered	19%	Property
天津贏超房地產開發有限公司	The People's Republic of China	Registered	31%	Property
寧波姚景房地產開發有限公司	The People's Republic of China	Registered	31%	Property
寧波瑞峰置業有限公司	The People's Republic of China	Registered	31%	Property
大連九龍倉綠城置業有限公司	The People's Republic of China	Registered	37%	Property
上海龍驤房地產開發有限公司	The People's Republic of China	Registered	31%	Property
深圳前晉置業有限公司	The People's Republic of China	Registered	31%	Property
重慶尼依格羅酒店有限公司	The People's Republic of China	Registered	31%	Hotel

* Listed companies

\# Registered in Hong Kong under Part 16 of the Companies Ordinance (Cap 622) of the Laws of Hong Kong as a registered non-Hong Kong company.

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

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

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

iv This entity is registered as a wholly domestic owned enterprise under PRC law.

Notes:

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

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

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

Name of subsidiary/borrower	Description of debt securities	Outstanding principal amount
A) WHL (guaranteed by WHL)		
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

Name of subsidiary/borrower	Description of debt securities	Outstanding principal amount
Wharf MTN (Singapore) Pte. Ltd.	SG$ Guaranteed Fixed Rate Notes due 2018	SG$250 Million
The Wharf (Holdings) Limited	RMB Fixed Rate Notes due 2019	RMB4,000 Million
B) Wheelock (other than WHL and Wharf REIC) (guaranteed by the Company)		
Wheelock Finance Limited	HK$ Guaranteed Fixed Rate Notes due 2018	HK$100 Million
	HK$ Guaranteed Fixed Rate Notes due 2018	HK$200 Million
	US$ Guaranteed Fixed Rate Notes due 2018	US$500 Million
	HK$ Guaranteed Fixed Rate Notes due 2019	HK$300 Million
	AUD Guaranteed Fixed Rate Notes due 2019	AUD15 Million
	AUD Guaranteed Fixed Rate Notes due 2019	AUD50 Million
	HK$ Guaranteed Fixed Rate Notes due 2021	HK$100 Million
	HK$ Guaranteed Fixed Rate Notes due 2021	HK$200 Million
	SG$ Guaranteed Fixed Rate Notes due 2021	SG$350 Million
	HK$ Guaranteed Fixed Rate Notes due 2022	HK$100 Million
	HK$ Guaranteed Fixed Rate Notes due 2022	HK$445 Million
	HK$ Guaranteed Fixed Rate Notes due 2022	HK$450 Million

SCHEDULE OF PRINCIPAL PROPERTIES

As at 31 December 2017

Address	APPROXIMATE GROSS FLOOR AREAS (sq.ft.) Total	Office	Retail	Residential	Others	(Remarks)
HONG KONG						
Properties — Investment						
Harbour City , Tsimshatsui						
Ocean Terminal	725,000	–	580,000	–	145,000	
Ocean Centre	987,000	631,000	356,000	–	–	
Wharf T & T Centre	257,000	244,000	13,000	–	–	
World Commerce Centre	254,000	240,000	14,000	–	–	
World Finance Centre	513,000	476,000	37,000	–	–	
Ocean Galleries	348,000	–	348,000	–	–	
Gateway I	1,241,000	1,127,000	114,000	–	–	
Gateway II	2,641,000	1,551,000	434,000	–	656,000	
Marco Polo Hongkong Hotel	737,000	18,000	172,000	547,000	–	(A 665-room hotel)
Gateway	289,000	–	–	289,000	–	(A 400-room hotel)
Prince	279,000	–	–	279,000	–	(A 394-room hotel)
Pacific Club Kowloon	138,000	–	–	–	138,000	(Club House)
	8,409,000	4,287,000	2,068,000	1,115,000	939,000	
Times Square						
Sharp Street East, Causeway Bay	1,976,000	1,033,000	943,000	–	–	
Plaza Hollywood						
3 Lung Poon Street, Diamond Hill	562,000	–	562,000	–	–	
Others	56,000	5,000	51,000	–	–	
Units at Cable TV Tower, Hoi Shing Road, Tsuen Wan	566,000	–	–	–	566,000	(Industrial)
Units at Strawberry Hill, 8 Plunkett's Road & 32 Plantation Road, The Peak	13,000	–	–	13,000	–	
Chelsea Court, 63 Mount Kellett Road, The Peak	43,000	–	–	43,000	–	
Mountain Court, 11 Plantation Road, The Peak	46,300	–	–	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	(Industrial)
64–70A Queen's Road Central, Central	189,000	104,000	85,000	–	–	
3/F–24/F., & Shop C, Wheelock House, 20 Pedder Street, Central	215,000	211,000	4,000	–	–	
One Island South, 2 Heung Yip Road, Wong Chuk Hang	90,500	–	90,500	–	–	
CAPRI, 33 Tong Yin Street, Tseung Kwan O	85,900	–	85,900	–	–	
SAVANNAH, 3 Chi Shin Street, Tseung Kwan O	74,900	–	74,900	–	–	
ISLAND WALK, ISLAND RESIDENCE, 163 Shau Kei Wan Road, Shau Kei Wan	13,300	–	13,300	–	–	
	5,096,100	1,353,000	1,909,600	235,500	1,598,000	
The Murray, Hong Kong, a Niccolo Hotel						
Cotton Tree Drive, Central	336,000	–	–	336,000	–	(A 336-room hotel)
Total Hong Kong Property — Investment	13,841,100	5,640,000	3,977,600	1,686,500	2,537,000	
Property — Development						
Peninsula East, 5 Tung Yuen Street, Yau Tong	42,600	–	42,600	–	–	
NAPA, 88 So Kwun Wat Road, Tuen Mun	155,000	–	–	155,000	–	
ONE HOMANTIN, 1 Sheung Foo Street, Ho Man Tin	58,100	–	–	58,100	–	
MONTEREY, 23 Tong Chun Street, Tseung Kwan O	766,300	–	147,600	618,700	–	
OASIS KAI TAK, 10 Muk Ning Street, Kai Tak	349,500	–	8,300	341,200	–	
MALIBU, 1 Lohas Park Road, Tseung Kwan O	941,800	–	–	941,800	–	
LOHAS Park Package 7, Tseung Kwan O	756,300	–	–	756,300	–	
LOHAS Park Package 9, Tseung Kwan O	1,120,600	–	–	1,120,600	–	
Off Sin Fat Road, Kwun Tong Site	826,500	–	–	826,500	–	
	5,016,700	–	198,500	4,818,200	–	

Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
346,719	KIL11178	2033	1966	N/A	62%
126,488	KML 11 S.A.	2880	1977	N/A	62%
(a)	KML 11 S.B.	2880	1981	N/A	62%
(a)	KML 11 S.B.	2880	1981	N/A	62%
(a)	KML 11 S.D.	2880	1983	N/A	62%
(a)	KML 11 S.B. & D.	2880	1981/83	N/A	62%
(a)	KML 11 R.P.	2880	1994	N/A	62%
(a)	KML 11 S.B. & D.	2880	1998/99	N/A	62%
58,814	KML 91 S.A. & KML 10 S.B.	2863	1969	N/A	44%
(a)	KML 11 S.B.	2880	1981	N/A	62%
(a)	KML 11 S.D.	2880	1983	N/A	62%
48,309	KIL 11179	2021	1990	N/A	62%
112,441	IL 731, IL 728, IL 727, IL 725 S.A. & R.P., IL 724 S.A.	2850/60/80	1993	N/A	62%
280,510	NKIL 6160	2047	1997	N/A	62%
N/A	N/A	N/A	N/A	N/A	
N/A	TWTL 218	2047	1992	N/A	62%
N/A	RBL 512 & 1004	2027/28	1974/77	N/A	62%
29,640	RBL 556 S.A.R.P. & S.B.	2035	2001	N/A	62%
32,145	RBL 522, 639, 661	2027	2017	Fitout works in progress	62%
97,670	RBL 534 S.E., S.F. & R.P.	2028	2021	Superstructure in progress	62%
76,726	RBL 836	2029	2017	Fitout works in progress	62%
165,809	NKIL 5805, 5806 & 5982	2047	1984	Planning for redevelopment	62%
12,286	IL 7 R.P. & IL 45 S.A.R.P.	2842	1977	N/A	62%
N/A	ML 99 S.A., S.C. & R.P. & ML 100 S.A., S.B. & R.P.	2854	1984	N/A	62%
N/A	AIL374	2121	2011	N/A	100%
N/A	TKOTL 125	2063	2017	N/A	100%
N/A	TKOTL 112	2063	2017	N/A	100%
N/A	SIL 547 R.P. & various lots of SIL 481 S.B.	2071	2017	N/A	100%
68,136	9036	2063	2017	N/A	44%
42,625	YTIL 40 RP	2062	2016	N/A	62%
289,918	TMTL 427	2063	2017	N/A	100%
83,034	KIL 11228	2063	2017	N/A	100%
295,159	TKOTL 126	2063	2018	Superstructure in progress	100%
82,603	NKIL 6541	2064	2019	Superstructure in progress	100%
200,199	Site G of TKOTL 70 R.P.	2052	2020	Superstructure in progress	100%
541,881	Site C1 of TKOTL 70 R.P.	2052	2021	Superstructure in progress	100%
138,479	Site J of TKOTL 70 R.P.	2052	2021	Superstructure in progress	100%
196,532	NKIL 6584	2066	2022	Foundation in progress	100%

	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)					
Address	**Total**	**Office**	**Retail**	**Residential**	**Others**	**(Remarks)**
Associates/joint ventures						
(Attributable — Note f)						
Various Lots at Yau Tong Bay, Yau Tong	601,000	–	11,000	590,000	–	
8 Mount Nicholson Road, The Peak	62,000	–	–	62,000	–	
Site at Hing Wa Street, Cheung Sha Wan	222,000	–	–	222,000	–	
	885,000	–	11,000	874,000	–	
Total Hong Kong Property — Development	5,901,700	–	209,500	5,692,200	–	
HONG KONG TOTAL	19,742,800	5,640,000	4,187,100	7,378,700	2,537,000	
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 h)	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						
Suzhou International Finance Square Xing Hu Jie, Suzhou Industrial Park, Suzhou	3,220,600	1,501,000	22,600	443,000	1,254,000	(A 216-room hotel)
Changsha International Finance Square Furong District, Changsha	7,535,000	3,274,000	2,649,000	753,000	859,000	(Two hotels with 500 rooms)
	10,755,600	4,775,000	2,671,600	1,196,000	2,113,000	
Marco Polo Wuhan 160 Yan Jiang Da Dao, Jiangan District, Wuhan	405,000	–	–	–	405,000	(A 356-room hotel)
Marco Polo Changzhou 88 Hehai East Road, Xinbei Disirict, Changzhou	474,000	–	–	343,000	131,000	(A 271-room hote and The Mansion)
Niccolo Chengdu Tower 3, IFS, No.1, Section 3, Hongxing Road Jinjiang District, Chengdu, Sichuan 610021, China	448,000	–	–	–	448,000	(A 230-room hotel)
Niccolo Chongqing Tower 1, Chongqing IFS, 38 North Avenue Jiangbeicheng, Jiangbei District, Chongqing 400023, China (Attributable — Note h)	198,000	–	–	–	198,000	(A 252-room hotel on 100% ownership)
	1,525,000	–	–	343,000	1,182,000	
Total Mainland China Property — Investment	26,524,400	12,562,800	8,177,600	2,489,000	3,295,000	

Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
816,872	R.P. of YTML 22 & ext., YTML 28 & ext., YTML 29 & ext., and YTML 12, 32 and 33 together with adjoining lots at Yau Tong Bay	2047	N/A	Planning stage	9%
250,930	IL9007	2060	2016	N/A	31%
987,000	NKIL6549	2068	2023	Planning stage	23%
148,703	N/A	2043	1999	N/A	62%
95,799	N/A	2050	2004	N/A	62%
(b)	N/A	2053	2008	N/A	62%
(c)	N/A	2039	2008	N/A	62%
(d)	N/A	2047	2009	N/A	62%
(e)	N/A	2047/79	2013/14/16	N/A	62%
313,867	N/A	2047/57	2014	N/A	62%
516,021	N/A	2050/60	2017	N/A	31%
136,432	N/A	2049	2010	N/A	60%
1,299,000	N/A	2055	2016	N/A	62%
229,069	N/A	2047/77	2019	Superstructure in progress	35%
800,452	N/A	2051	2019	Superstructure in progress	62%
(b)	N/A	2053	2008	N/A	62%
842,531	N/A	2048	2014	N/A	44%
(e)	N/A	2047	2015	N/A	62%
(f)	N/A	2050/60	2017	N/A	31%

	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)					
Address	**Total**	**Office**	**Retail**	**Residential**	**Others**	**(Remarks)**
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	–	
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	–	
Hangzhou Santang Lot#XC0502-R21-40, Santang Unit, Xiacheng District, Hangzhou	324,000	–	–	324,000	–	
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	–	
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	–	
Hangzhou Fuyang Shijiayuan Xianzhu Road/Xiangyang Road, Shouxiang Shijiayuan Village, Fuyang	3,617,000	–	–	3,617,000	–	
	22,468,000	2,598,000	1,219,000	18,624,000	27,000	

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	62%
258,358	N/A	2080	2017	N/A	62%
553,442	N/A	2051/81	2015	N/A	62%
1,315,296	N/A	2081	2019	Superstructure in progress	62%
211,685	N/A	2086	2019	Superstructure in progress	62%
198,596	N/A	2085	2017	N/A	62%
115,648	N/A	2087	2021	Planning stage	62%
585,723	N/A	2081	2017	N/A	62%
170,825	N/A	2043/63	2018	Superstructure in progress	34%
526,905	N/A	2083	2016	N/A	62%
2,501,747	N/A	2081	2019	Superstructure in progress	62%
181,643	N/A	2087	2020	Planning stage	62%
1,112,825	N/A	2057/87	2020	Planning stage	62%
1,276,142	N/A	2078	2019	Superstructure in progress	62%
3,314,418	N/A	2078	2018	Superstructure in progress	62%
1,416,822	N/A	2078	2018	Superstructure in progress	62%
2,121,662	N/A	2048/78	2019	Superstructure in progress	62%
160,000	N/A	2079	2013	N/A	62%
761,520	N/A	2045/75	2013	N/A	62%
(d)	N/A	2047/77	2019	Superstructure in progress	62%
800,882	N/A	2053/83	2020	Superstructure in progress	62%
1,130,000	N/A	2050/80	2016	N/A	62%
395,000	N/A	2087	2020	Planning stage	62%
(c)	N/A	2069	2009	N/A	62%
3,210,772	N/A	2082	2020	Superstructure in progress	76%

Address	Total	Office	Retail	Residential	Others	(Remarks)
	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)					
Associates/joint ventures (Attributable — Note h)						
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	–	
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	–	

Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
1,155,000	N/A	2048/78	2013	N/A	31%
1,527,000	N/A	2070	2017	N/A	31%
604,000	N/A	2080	2014	N/A	31%
639,000	N/A	2083	2017	N/A	31%
1,069,000	N/A	2083	2018	Superstructure in progress	31%
305,722	N/A	2055/85	2019	Superstructure in progress	25%
740,000	N/A	2056/86	2019	Superstructure in progress	25%
876,000	N/A	2057/87	2020	Superstructure in progress	31%
1,181,000	N/A	2081	2016	N/A	20%
80,000	N/A	2057	2020	Planning stage	31%
783,000	N/A	2082	2017	N/A	20%
582,000	N/A	2085	2019	Superstructure in progress	15%
680,000	N/A	2085	2019	Superstructure in progress	15%
605,000	N/A	2086	2020	Foundation in progress	25%
902,000	N/A	2083	2018	Superstructure in progress	31%
2,046,685	N/A	2047/77	2017	N/A	31%
756,000	N/A	2053/83	2017	N/A	31%
448,224	N/A	2054/84	2017	N/A	31%
114,539	N/A	2054/84	2018	Superstructure in progress	31%
415,544	N/A	2055/85	2019	Superstructure in progress	31%
289,476	N/A	2057/87	2020	Superstructure in progress	22%
1,506,379	N/A	2057/87	2019	Superstructure in progress	14%
1,206,849	N/A	2087	2020	Planning stage	20%
724,116	N/A	2087	2020	Planning stage	37%
708,142	N/A	2080	2018	Superstructure in progress	31%
922,475	N/A	2083	2019	Superstructure in progress	37%

	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)					
Address	**Total**	**Office**	**Retail**	**Residential**	**Others**	**(Remarks)**
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	38,920,000	3,761,000	2,985,500	31,635,000	538,500	
MAINLAND CHINA TOTAL	65,444,400	16,323,800	11,163,100	34,124,000	3,833,500	
SINGAPORE						
Property — Investment						
Wheelock Place, 501 Orchard Road	465,700	221,800	243,900	–	–	
Scotts Square (Retail Podium), 6 & 8 Scotts Road	130,900	–	130,900	–	–	
Total Singapore Property — Investment	596,600	221,800	374,800	–	–	
Property — Development						
Units at Scotts Square, 6 & 8 Scotts Road	23,209	–	–	23,209	–	
Total Singapore Property — Development	23,209	–	–	23,209	–	
SINGAPORE TOTAL	619,809	221,800	374,800	23,209	–	
GROUP PROPERTY — INVESTMENT	40,962,100	18,424,600	12,530,000	4,175,500	5,832,000	
GROUP PROPERTY — DEVELOPMENT	44,844,909	3,761,000	3,195,000	37,350,409	538,500	
GROUP TOTAL (Note j)	85,807,009	22,185,600	15,725,000	41,525,909	6,370,500	

Notes:

(a) These properties with total site area of 428,719 sq. ft. form part of Harbour City.

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

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

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

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

(f) This property forms part of Chongqing International Finance Square which has a total site area of 516,021 sq. ft.

(g) This property forms part of Scotts Square which has a total site area of 71,137 sq.ft.

(h) The floor areas of properties held through joint ventures and associates are shown on an attributable basis.

(i) Total Mainland development properties area included 8,449,000 sq. ft. pre-sold areas which have not yet been recognised in the financial statements.

(j) In addition to the above floor areas, the Group has total attributable carpark areas of approximately 22 million sq. ft. mainly in Mainland China.

(k) Residential GFA: 4 unsold houses in CAPRI (House 3, 5, 12 and 15).

Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
2,212,128	N/A	2048/78	2014 and beyond	Superstructure in progress	19%
2,335,535	N/A	2050/60	2019	Superstructure in progress	31%
6,080,656	N/A	2047/57	2021	Superstructure in progress	25%
N/A	N/A	2089	1993	N/A	76%
(g)	N/A	Freehold	2011	N/A	76%
(g)	N/A	Freehold	2011	N/A	76%

TEN-YEAR FINANCIAL SUMMARY

HK$ Million	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Consolidated Income Statement										
Revenue	**70,953**	60,579	57,431	40,953	35,071	33,124	34,558	24,186	18,957	22,583
Operating profit	**23,857**	21,135	20,053	15,729	14,938	15,570	17,730	11,384	9,507	9,420
Core profit (Note a)	**11,989**	11,811	10,598	8,103	7,822	7,267	9,038	4,582	3,711	3,385
Profit before property revaluation gain	**14,839**	15,987	9,974	7,035	7,724	8,734	8,359	4,974	4,408	2,284
Profit attributable to equity shareholders	**20,570**	16,294	14,232	22,009	16,954	26,935	22,866	20,194	10,459	3,432
Dividends attributable to shareholders	**2,909**	2,644	2,337	2,169	2,032	2,235	1,016	254	254	254
Consolidated Statement of Financial Position										
Investment properties	**346,442**	329,057	325,044	316,860	282,015	250,729	200,497	161,953	126,789	108,830
Property, plant and equipment	**21,772**	20,756	22,804	25,052	24,180	19,888	19,002	18,410	18,522	21,866
Interest in associates/joint ventures	**41,923**	35,117	39,338	45,559	40,606	37,265	27,628	24,210	13,064	13,427
Equity and bond investments	**29,001**	9,530	12,475	11,390	13,246	14,843	7,065	10,676	4,885	2,279
Properties for sale	**58,518**	70,050	76,184	88,148	87,178	65,007	60,909	37,233	25,824	24,660
Bank deposits and cash	**56,474**	43,964	27,266	21,279	29,345	30,016	42,668	27,540	27,756	22,927
Other assets	**15,542**	11,961	9,647	9,279	10,244	12,018	6,343	6,214	7,966	4,217
Total assets	**569,672**	520,435	512,758	517,567	486,814	429,766	364,112	286,236	224,806	198,206
Bank loans and other borrowings	**(114,191)**	(94,941)	(106,193)	(117,878)	(123,640)	(103,257)	(95,682)	(65,682)	(46,634)	(45,623)
Other liabilities	**(67,658)**	(75,974)	(65,706)	(59,773)	(51,602)	(40,629)	(33,236)	(27,478)	(19,621)	(16,681)
Net assets	**387,823**	349,520	340,859	339,916	311,572	285,880	235,194	193,076	158,551	135,902
Share capital	**3,418**	3,075	2,949	2,949	2,949	2,949	2,949	2,949	2,949	2,949
Reserves	**238,266**	212,290	198,718	188,257	163,633	149,092	119,613	97,423	73,949	62,159
Shareholders' equity	**241,684**	215,365	201,667	191,206	166,582	152,041	122,562	100,372	76,898	65,108
Non-controlling interests	**146,139**	134,155	139,192	148,710	144,990	133,839	112,632	92,704	81,653	70,794
Total equity	**387,823**	349,520	340,859	339,916	311,572	285,880	235,194	193,076	158,551	135,902
Net debt	**57,717**	50,977	78,927	96,599	94,295	73,241	53,014	38,142	18,878	22,696
Financial Data										
Per share data										
Earnings per share (HK$)										
— Core profit	**5.88**	5.81	5.22	3.99	3.85	3.58	4.45	2.26	1.83	1.67
— Before property revaluation gain	**7.28**	7.86	4.91	3.46	3.80	4.30	4.11	2.45	2.17	1.12
— Attributable to equity shareholders	**10.09**	8.02	7.00	10.83	8.34	13.26	11.25	9.94	5.15	1.69
Net assets value per share (HK$)	**118.37**	105.85	99.26	94.11	81.99	74.83	60.32	49.40	37.85	32.04
Dividends per share (¢) (Note b)	**142.50**	130.00	115.00	106.75	100.00	110.00	50.00	12.50	12.50	12.50
Financial ratios										
Net debt to total equity (%)	**14.9**	14.6%	23.2%	28.4%	30.3%	25.6%	22.5%	19.8%	11.9%	16.7%
Interest cover (Times) (Note c)	**9.8**	6.9	6.4	4.6	4.6	6.2	10.2	13.5	16.1	8.2
Return on shareholders' equity (%) (Note d)	**9.0%**	7.8%	7.2%	12.3%	10.6%	19.6%	20.5%	22.8%	14.7%	5.6%
Dividend payout (%)										
— Core profit	**24.3%**	22.4%	22.1%	26.8%	26.0%	30.8%	11.2%	5.5%	6.8%	7.5%
— Attributable to equity shareholders	**14.1%**	16.2%	16.4%	9.9%	12.0%	8.3%	4.4%	1.3%	2.4%	7.4%

Notes:

(a) Core profit primarily excludes attributable net investment property revaluation gain and exceptional items comprise mark-to-market and exchange gain/(loss) on certain financial instruments, impairment provision for properties/assets and other non-recurring items mainly including the gain arising from the disposal of 8 Bay East in 2017, the gain arising from the disposal of Wharf T&T in 2016, the gain arising from the disposal of 50% interest in the Taicang container port businesses and the loss arising from the deemed disposal of Greentown interest on reclassification as an available-for-sale investment in 2015, the negative goodwill arising on the acquisition of Hotel Properties Limited in 2014, the accounting gain arising on the acquisition of the interest in Greentown in 2012, revaluation of Hactl interest/tax write back in 2010 and profit on disposal of Beijing Capital Times Square/Fitfort in 2009.

(b) 2012 and 2011 dividends per share included a special dividend of 25.0¢ per share each year.

(c) Interest cover is based on EBITDA over finance costs (before capitalisation and fair value gain/loss).

(d) Return on shareholders' equity is based on profit attributable to shareholders over average shareholders' equity during the year.

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

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