



WHEELOCK

Founded 1857

WHEELOCK AND COMPANY LIMITED
ANNUAL REPORT 2018

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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

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

2018 started with positive synchronised global growth and ended with global equity markets losing circa USD13 trillion in value.

The rhythm slowed as US-China tensions reached beyond trade issues. This stoked pressure on a 40 year paradigm in play between the two since China opened for business in 1978.

Despite the slowdown in world economic growth, Hong Kong's economy grew by 3%. The city benefitted from the completion of two cross-border infrastructure projects; the lowest unemployment rate (2.8%) in two decades; and the 65 million tourists who visited. In short, Hong Kong's story is still developing and vital signs remain steady.

PERFORMANCE

Hong Kong Properties

Total contracted sales reached a record HK\$29.3 billion, an increase of 13% from the year before. Net order book increased by over 200% to HK\$26.7 billion.

Residential contracted sales rose 52% to HK\$26.0 billion. The 2,145 units sold were contributed mainly by three projects: the

successful launches of MALIBU — a waterfront project in O'East; GRAND OASIS KAI TAK — our first residential property in Kai Tak, as well as GRAND MONTEREY — the finale project in O'South. Commercial contracted sales recorded HK\$3.38 billion for the year, from the O'South retail portfolio transaction in October, which carried approximately 300,000 square feet in gross floor area.

Land bank under management grew from 6.3 million square feet at year-end to 6.9 million square feet in March 2019, following the February acquisition of a Kai Tak site. Our diversified land bank portfolio will continue to provide a wide variety of product offerings to our customers for the next four to five years.

The Wharf (Holdings) Limited ("WHL")

WHL continues to be a property company focused on Hong Kong and China.

In China, the critical mass and ground zero locations of the IFS series have allowed them to achieve a strong following upon opening. Similarly, upon opening, Niccolo Hotels have become top in their cities. China Development Properties gained sales momentum and operating profit increased by 19% year-on-year. Finally, Hong Kong properties' revenue continue to progress at the expected slowing pace.

CHAIRMAN'S STATEMENT (CONTINUED)

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

Wharf REIC, with a dominant IP portfolio, led the market again in 2018.

Harbour City outperformed the Hong Kong retail market with a 12% increase in operating profit to HK\$9,678 million. Revenue and operating profit of the Central investment properties portfolio were maintained at HK\$469 million and HK\$407 million respectively. The Murray, which was opened in January 2018, became fully operational in August and was voted "Top Hotels in China, No. 1 in Hong Kong" by Condé Nast Traveler's Readers' Choice Awards 2018.

Wheelock Properties (Singapore) Limited ("WPSL")

Following a voluntary unconditional general offer in July 2018, which was closed in October, Wheelock's interest in WPSL increased to 90.1%. The company was formally delisted from the Singapore Stock

Exchange on 18 October 2018. As at 29 January 2019, the shareholding in this company was 98.9%.

CORPORATE SOCIAL RESPONSIBILITY ("CSR")

For Wheelock, CSR is about shaping our present and future by making the right decisions and progressing in the long-term: Building for tomorrow, while learning from the past.

Project *WeCan*, the Business-in-Community project originally initiated by the Group, had expanded in scale and scope, thanks to all contributors. Now led by 68 partners and 76 secondary schools, 66,000 students were given a wide range of support including the annual Job Tasting Programme, Career Exploration Days, job tasters and other career-related activities. Cross-sector partners have created a resilient, supportive, co-creation environment for the students, giving them new exposure and opportunities. An example would be the *WeCan* X HKUST STEAM Project, supported by The Hong Kong University of Science and Technology, which helped *WeCan* students to develop their creative minds and engineering skills. Eight years from its inception, Project *WeCan* now reaches over 50% of the targeted 150 schools.

Business-in-Community also focuses on other aspects, giving opportunities to drive talents, ideas and creating opportunities. The 5th Swim for Millions raised HK\$2.1m in 2018 to support youth services under the Community Chest. The HKSTP@Wheelock Gallery provided a physical platform for technology innovators and start-ups to host industry players and hold incubation programmes. The National Geographic Wheelock Hong Kong Photo Contest 2018 was launched with the theme 'Hong Kong Story'. And the Wheelock Interior Design Internship Program continues to support local talents to undertake overseas internships during the year.



In terms of green building, all our projects have been BEAM Plus-certified or under application. We have also received two key awards from the Royal Institution of Chartered Surveyors and our office attained WWF's LOOP Gold Label for the seventh consecutive year. We continue to focus on health and safety for employees and construction site workers through improving training, inspections and audits at construction sites.

More details of our CSR efforts can be found at a later section of this Annual Report and in Wheelock's CSR Report, which will be published in June 2019.

OUTLOOK

Global economic growth has slowed and geo-political uncertainties remain to be played out. America continues to be the most influential economy in the world. China's USD13 trillion economy shifts to a new growth mode focused on quality, the service sector and consumption. At this scale, future growth rates under the new normal can be expected at $\pm 6\%$.

The Greater Bay Area ("GBA") took shape in 2012 dovetailing the beginning of the second wave of China's economic development. Under the embodiment of Pearl River Delta ("PRD") in 1978, the region has now grown to be the manufacturing hub of the world. Now this 69 million population hub exceeds Tokyo Metropolitan Area in population size, is equivalent to Canada in economic scale, and has been producing double-digit 10-year average growth rate.

In the coming 25 years, the GBA will be the 'story to watch'. Now, with full support from the PRC State Council, the GBA is positioned to be an international finance and technology hub. At the heart of this world class city cluster is the dynamic duo — Hong Kong and Shenzhen, accounting for over 50% of GBA's GDP.



Looking ahead, despite the volatility and uncertainties in front of us, innovation is progressing faster than ever before and the world is more and more connected.

CLOSING

I am grateful for the support of the dedicated, professional team who helped us to achieve the results of the year. I would also like to express my gratitude to all our staff who have devoted themselves to learning and bettering the products and services for our customers.

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 2019

FINANCIAL HIGHLIGHTS

RESULTS AND FINANCIAL POSITION

	2018 HK\$ Million	2017 HK\$ Million	Change
Results			
Revenue	48,490	70,953	-32%
Operating profit	24,934	23,857	+5%
Underlying net profit (Note 1)	13,208	12,117	+9%
Profit before property revaluation gain	11,796	14,839	-21%
Profit attributable to equity shareholders	17,239	20,570	-16%
Total dividend for the year	3,174	2,909	+9%
Earnings per share			
Underlying net profit	HK\$6.46	HK\$5.94	+9%
Before property revaluation gain	HK\$5.77	HK\$7.28	-21%
Attributable to equity shareholders	HK\$8.43	HK\$10.09	-16%
Dividend per share			
First interim	50.00¢	47.50¢	+5%
Second interim	105.00¢	95.00¢	+11%
Total for the year	155.00¢	142.50¢	+9%
Financial Position			
Total assets	592,624	569,672	+4%
Total business assets (Note 2)	521,808	487,297	+7%
Total investment properties	341,466	346,442	-1%
Net debt	93,007	57,717	+61%
Shareholders' equity	251,077	241,684	+4%
Total equity	389,478	387,823	+0.4%
Number of issued shares (in million)	2,048	2,042	+0.3%
Net asset value per share	HK\$122.60	HK\$118.37	+4%
Net debt to total equity	23.9%	14.9%	+9.0%pt

Financial year	Underlying net profit HK\$ Million	Profit before property revaluation gain HK\$ Million	Profit attributable to equity shareholders HK\$ Million	Total equity HK\$ Million	Shareholders' equity HK\$ Million	Net asset value per share HK\$	Earnings per share			Dividends per share ¢
							Underlying net profit HK\$	Before property revaluation gain HK\$	Attributable to equity shareholders HK\$	
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	12,117	14,839	20,570	387,823	241,684	118.37	5.94	7.28	10.09	142.50
2018	13,208	11,796	17,239	389,478	251,077	122.60	6.46	5.77	8.43	155.00

Notes:

- (1) Underlying net profit primarily excludes attributable net investment property revaluation gain and other exceptional items. Please refer to note (a) in the Ten-year Financial Summary on page 168.
- (2) Business assets exclude unallocated corporate assets, mainly comprising certain other long term investments, deferred tax assets and bank deposits and cash.
- (3) Please refer to the Ten-year Financial Summary on pages 167 to 168.

GROUP PROFIT AND ASSETS COMPOSITION

	Profit attributable to equity shareholders				Shareholders' equity			
	2018		2017		2018		2017	
	HK\$ Million	%	HK\$ Million	%	HK\$ Million	%	HK\$ Million	%
Wheelock & Company Limited	2,375	18	1,109	9	43,556	15	40,294	15
The Wharf (Holdings) Limited (Note 1)	4,154	32	4,692	39	87,722	31	88,583	33
Wharf Real Estate Investment Company Limited (Note 1)	6,226	47	5,851	48	137,251	49	127,874	47
Wheelock Properties (Singapore) Limited	453	3	465	4	15,100	5	13,945	5
Underlying net profit	13,208	100	12,117	100	283,629	100	270,696	100
Exceptional items (Note 2)	(1,412)		2,722					
	11,796		14,839					
Investment property revaluation gain	5,443		5,731					
Profit to shareholders	17,239		20,570					
Earnings per share	HK\$8.43		HK\$10.09					
Corporate items (Note 3)					(32,552)		(29,012)	
Shareholders' equity					251,077		241,684	
Net asset value per share					HK\$122.60		HK\$118.37	

Notes:

- (1) In 2017, WHL's and Wharf REIC's profit is stated as if the demerger of Wharf REIC had been completed since 1 January 2017.
- (2) Please refer to note (a) in the Ten-year Financial Summary on page 168.
- (3) Corporate items represent the net debt of the Company and other subsidiaries.

BUSINESS REVIEW



MOUNT NICHOLSON

HONG KONG PROPERTIES ("HKP")

2018 **residential contracted sales** increased by 52% to a record of approximately **HK\$26.0 billion**, with 2,145 units sold.

MALIBU, a large-scale waterfront residential development in the new O'EAST portfolio, was launched in March 2018. A total of 1,559 units were presold for **HK\$14.4 billion** in 2018, representing 97% of total stock sold. O'EAST is a natural waterside urban living environment, neighbouring the O'SOUTH portfolio. Located in close proximity to the LOHAS Park MTR station and the upcoming 480,000 square feet LOHAS mall, the project is the only site in LOHAS to enjoy Silverstrand and O'SOUTH sea views.

GRAND OASIS KAI TAK, launched in January 2018, is the premier phase of a riverside residential development, within a minute's walking distance to the future Kai Tak MTR station. In 2018, a total of 299 units were presold for **HK\$4.4 billion**, representing 93% of total stock sold. Ideally located at the heart of the Kai Tak new development area, the extensive green landscape of OASIS KAI TAK offers an urban retreat living concept to residents.

At **MONTEREY**, an additional 152 units were presold for **HK\$2.3 billion** in 2018. The low-density residential development offers unobstructed panoramic ocean views. The development marks the continuance of previous successful launches of residential developments in O'SOUTH, namely THE PARKSIDE, CAPRI and SAVANNAH. The project's exquisite villas are being planned for launch in 2019.

On **commercial contracted sales**, O'SOUTH Retail Portfolio at Tseung Kwan O – comprising Capri Place, Savannah Place and Monterey Place, with approximately 300,000 square feet in gross floor area ("GFA") – was sold en-bloc for **HK\$3.3 billion** in October 2018. The transaction increased the total contracted sales for HKP to a record HK\$29.3 billion, representing an increase of 13% from 2017.

Net order book increased by 203% to HK\$26.7 billion, contributed mainly by the successful launches of MALIBU, OASIS KAI TAK and MONTEREY in 2018. Contracted sales of approximately HK\$8.7 billion were not recognised in 2018 due to the adoption of a new accounting standard for sales recognition under Hong Kong Financial Reporting Standard 15, which basically redefines the timing of sales recognition from occupation permit to legal assignment. During the year under review, five residential developments, namely MONTEREY, ONE HOMANTIN, NAPA, ISLAND RESIDENCE and SAVANNAH, obtained certificates of compliance and were handed over.



MOUNT NICHOLSON

8 MOUNT NICHOLSON ROAD, THE PEAK



MONTEREY

23 TONG CHUN STREET, TSEUNG KWAN O





As at 31 December 2018, the **land bank** under management was 6.3 million square feet of attributable GFA after the successful launch of MALIBU which presold 1.1 million square feet. Taking into account the Kai Tak residential land acquired in February 2019, the land bank increased to 6.9 million square feet. This acquisition offers an opportunity to further expand our development property portfolio in Kai Tak area and synergy with existing projects in the vicinity.



ONE HOMANTIN

Our diversified land bank portfolio provides a wide variety of product offerings, including The Peak collection, MTR residences, waterfront living, suburban houses and commercial properties. The urban-focused land bank is sufficient to fulfill our development needs over the next few years and will be replenished through various means.

CORPORATE SOCIAL RESPONSIBILITY (“CSR”) AND BUSINESS-IN-COMMUNITY

Project WeCan is one of Hong Kong’s major Business-in-Community initiatives, supporting under-privileged students with opportunities and care to empower them to pursue higher studies and future career. Led by 68 partners, the programme now benefits 66,000 students in 76 secondary schools.

With strong support from partner organisations, the annual Job Tasting Programme offered nearly 200 internship opportunities in 32 companies. The Programme simulated a full proper job search and application process and provided opportunities to appointed students to take part in two-to-four-week internship in different departments of participating companies. Apart from the Job Tasting Programme, there was also a Career Exploration Day which introduced 34 job tasters and other career-related activities to over 2,500 Form 4 students from *WeCan* schools.

On **sustainable development**, Wheelock Properties Limited (“WPL”) has not only been awarded “Corporate Social Responsibility Project of the Year” by the Royal Institution of Chartered Surveyors Hong Kong for five consecutive years, but also the “Top 10 Developers Award” by BCI Asia for seven consecutive years. In addition, WPL was honoured to receive “CAPITAL Magazine Corporate Social Responsibility Awards 2018” and “Metro Awards for Corporate Social Responsibility 2018”.

BUSINESS REVIEW (CONTINUED)

As of 31 December 2018, 100% of construction floor area in our entire portfolio has been certified with **BEAM Plus** standard or under application, demonstrating our commitment to green building standard. In addition, with concerted effort in greening our daily operations and development projects, WPL has attained Low-carbon Office Operation Programme (LOOP) Gold Label for the seventh consecutive year, which recognised the Company's outstanding performance in pursuing long-term sustainability.

On **innovation**, CLUB WHEELLOCK mobile application has been awarded the “e-brand awards 2018” by Hong Kong Economic Times and e-Zone on 15 August 2018, and named the “Best lifestyle mobile application”. The launch of HKSTP@Wheelock Gallery signifies our support for technology innovators and start-ups, through leveraging the prime location of the Wheelock Gallery and our business expertise. The initiative creates a platform to connect technology and industry by providing incubation programmes and workshop seminars to help start-ups turn

their innovative ideas into marketable products and solutions. The initiative echoes well with our corporate innovation culture and “Business-in-Community” CSR approach.

WPL also held a Wheelock Innovation Competition in 2018. Around 70 submissions were received from different departments and business units, and the top 16 winners were awarded based on their ideas' effectiveness and innovativeness.

On **art and culture**, the National Geographic Wheelock Hong Kong Photo Contest 2018 was launched in October 2018. Themed “Hong Kong Story”, the global competition invites both enthusiasts and novices aged 16 and above to explore and story-tell the best of Hong Kong's nature, city and people through their lens. Other CSR initiatives, including the Wheelock Interior Design Internship Program, continued to support and nurture local art and design talents through overseas internships.

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 in 2018.

The Wharf (Holdings) Limited (“WHL”)

WHL, a major subsidiary of Wheelock, is a property company focused on Hong Kong and China.

Due to lower recognition, HKP revenue decreased to HK\$1,667 million and operating profit to HK\$1,067 million on an attributable basis. WHL's Peak Portfolio redefines the concept of luxury living. MOUNT NICHOLSON has received highly acclaims since its launch in early 2016, and the re-development of other Peak projects, including 1 Plantation Road, is well underway and will feature 20 houses. Meanwhile, Chelsea Court and Strawberry Hill have been leasing well. The vibrant transformation of Kowloon East is

National Geographic Wheelock Hong Kong Photo Contest 2018, Nature – First Runner-up, Chan Wing Sum



providing a vast potential for WHL's Kowloon East Waterfront Portfolio, among which different re-development options of Kowloon Godown are under evaluation. Yau Tong Bay's general building plans have been approved. Lease modification is underway.

China Investment Properties ("IP") continued to benefit from International Finance Squares' ("IFS") contribution. Changsha IFS has achieved impressive performance since opening on 7 May 2018. Occupancy reached 98% by year-end, demonstrating retailers' confidence in the mall's success. Average monthly retail sales in 2018 surpassed RMB300 million soon after business began, exceeding expectation. During the year, Chengdu IFS's revenue grew by 27% to HK\$1,568 million and operating profit by 59% to HK\$783 million. On China Development Properties ("DP"), against the backdrop of a more flexible policy environment towards the end of the year, new launches increased and sales momentum was regained, and the attributable contracted sales of RMB22.8 billion exceeded target by 4%. Operating profit increased by 19% to HK\$7,949 million. The DP land bank at year-end amounted to 3.7 million square metres.

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

Wharf REIC, a major subsidiary of Wheelock, is a premium Hong Kong investment property company with focus on retail properties.

Harbour City remained the key driver of Wharf REIC and continued to outperform the Hong Kong retail market with 12% increase in operating profit to HK\$9,678 million. Amidst major re-tenanting, Times Square's operating profit retreated by 2% to HK\$2,479 million. Compelling offerings and marketing strategies continued to drive the performance of Plaza Hollywood, and its operating profit was HK\$430 million.

Office revenue reflected solid rental reversion and stable rents for new commitments.



ONE HOMANTIN

The revenue of the Central portfolio, comprising Wheelock House and Crawford House, was maintained at HK\$469 million, and operating profit at HK\$407 million.

During the year, the operating profit of the three hotels, namely Marco Polo Hongkong, Gateway and Prince, increased by 32% to HK\$442 million.

The Murray became fully operational in August 2018 and achieved an average occupancy of 71.3% in the fourth quarter. Profitability in the early years will be impacted by start-up losses, including depreciation of land and building costs, as well as interest cost.



National Geographic Wheelock Hong Kong Photo Contest 2018, City – Winner, Sze Wang



National Geographic Wheelock Hong Kong Photo Contest 2018, Nature – Merit, Leung Shing Chi

Wheelock Properties (Singapore) Limited (“WPSL”)

On 19 July 2018, a voluntary unconditional general offer (the “Offer”) was made at S\$2.1 per share in cash for all the issued and paid-up ordinary shares in the share capital of WPSL. The Offer was closed on 2 October 2018, with the Group holding 90.1% of the total issued shares of WPSL. WPSL was officially delisted from the Singapore Stock Exchange on 18 October 2018. As at 31 December 2018, the Group had increased its stake to 97.1%.

(I) REVIEW OF 2018 RESULTS

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

Wheelock and Company's own underlying net profit increased by 114% to HK\$2,375 million (2017: HK\$1,109 million), mainly due to general improved profit margins of development properties sold in Hong Kong, despite fewer project completions and the adoption of new accounting standards during the year which requires revenue from development properties sold in Hong Kong recognised at the time of assignment and resulted in lower revenue recognition in year 2018. Should the new accounting standards had not been adopted, Wheelock and Company's own revenue for the year under review would have increased by HK\$8,664 million.

Wheelock Group

Group underlying net profit increased by 9% to HK\$13,208 million (2017: HK\$12,117 million), mainly attributable to higher IP profits in Hong Kong and Mainland China and higher DP profits in Hong Kong.

Group profit attributable to equity shareholders decreased by 16% to HK\$17,239 million (2017: HK\$20,570 million), mainly due to the non-recurrent gain on disposal of an investment property, namely, 8 BAY EAST, in 2017 and the deficit on reclassification of an associate during the year, partly offset by improved Group underlying net profit.

Revenue and Operating Profit

Group operating profit increased by 5% to HK\$24,934 million (2017: HK\$23,857 million), despite the fact that Group revenue decreased by 32% to HK\$48,490 million (2017: HK\$70,953 million) as a result of fewer sizeable project completions in both Hong Kong and Mainland China and the adoption of new accounting standards during the year for development properties sold. Should the new accounting standards had not been adopted, Group revenue and operating profit for the year under review would have increased by HK\$8,664 million and HK\$3,414 million respectively.

Investment Property

Revenue and operating profit increased by 11% and 10% to HK\$18,326 million (2017: HK\$16,529 million) and HK\$14,825 million (2017: HK\$13,520 million) respectively. In Hong Kong, revenue and operating profit both increased by 7%. Harbour City recorded both revenue and operating profit growth of 10% and 12% respectively. In Mainland China, revenue and operating profit increased by 30% and 28% respectively, mainly driven by the maturing Chengdu IFS and the newly-opened Changsha IFS.

Development Property

Revenue and operating profit decreased by 51% and 10% to HK\$23,283 million (2017: HK\$47,836 million) and HK\$8,404 million (2017: HK\$9,312 million) respectively.

In Hong Kong, recognised property sales decreased by 48% to HK\$9,740 million (2017: HK\$18,908 million) while operating profit increased by 141% to HK\$2,754 million (2017: HK\$1,142 million), benefitting from improved profit margins despite fewer project completions and the adoption of new accounting standards during the year. During the year, MONTEREY was completed, enabling revenue recognition of HK\$7,645 million. Together with the sales of remaining units of previous completed projects like ONE HOMANTIN and NAPA, the Group recognised revenue of HK\$9,740 million.

FINANCIAL REVIEW (CONTINUED)

In Mainland China, recognised property sales and operating profit decreased by 42% and 29% to HK\$13,478 million (2017: HK\$23,396 million) and HK\$5,596 million (2017: HK\$7,841 million) respectively, mainly attributable to the fewer sizable project completions in Mainland China.

Hotels

Revenue increased by 35% to HK\$2,284 million (2017: HK\$1,686 million), primarily attributable to the robust performance from three Marco Polo Hotels and the soft openings of The Murray in Hong Kong. Operating profit decreased by 9% to HK\$345 million (2017: HK\$381 million) mainly due to the absorption of initial operating loss of The Murray in Hong Kong, offset by the improved performance of Niccolo Chengdu in Mainland China.

Logistics

Logistic revenue and operating profit decreased by 3% and 9% to HK\$2,742 million (2017: HK\$2,817 million) and HK\$606 million (2017: HK\$667 million) respectively, resulting from a shift in container terminal throughput mix handled by the Group in Hong Kong to lower yield cargo.

Communications, Media and Entertainment (“CME”)

Exit from the CME segment was completed in September 2017, which discontinued the Group’s CME revenue and operating loss (2017: revenue of HK\$874 million and operating loss of HK\$294 million).

Investment and Others

Operating profit of investment and others increased by 87% to HK\$1,515 million (2017: HK\$811 million), mainly attributable to the higher dividend and interest income from the Group’s enlarged investment portfolio.

Fair Value Gain of IP

The carrying value of the Group’s IP portfolio as at 31 December 2018 was HK\$341.5 billion (2017: HK\$346.4 billion), with substantially all stated at fair value based on independent valuation as at that date. Revaluation gain for the year of HK\$9,195 million (2017: HK\$9,860 million) was credited to the consolidated income statement. In addition, certain IPs amounted to HK\$2,821 million were reclassified as assets held for sale during the year.

Other Net (Charge)/Income

Other net charge amounted to HK\$1,894 million (2017: income of HK\$4,478 million) primarily included the deficit on reclassification of an associate, namely, Hotel Properties Limited (“HPL”), and net exchange losses. Other net income in 2017 primarily included a gain of HK\$4,499 million arising from disposal of 8 BAY EAST.

Finance Costs

Finance costs amounted to HK\$1,599 million (2017: HK\$1,154 million). Excluding the unrealised mark-to-market gain of HK\$343 million (2017: HK\$300 million) on cross currency and interest rate swaps, finance costs increased by 24% to HK\$3,155 million (2017: HK\$2,547 million) before capitalisation of HK\$1,213 million (2017: HK\$1,093 million), and increased by 34% to HK\$1,942 million (2017: HK\$1,454 million) after capitalisation. The Group’s effective borrowing rate was 2.7% (2017: 3.2%) per annum.

Share of Results of Associates and Joint Ventures

Share of profits of associates increased slightly by 8% to HK\$1,585 million (2017: HK\$1,471 million), mainly due to higher profit contributions from development projects of HPL.

Share of profits of joint ventures decreased by 57% to HK\$1,279 million (2017: HK\$2,954 million), mainly due to deferral of profit recognition from MOUNT NICHOLSON in Hong Kong and lower profit recognition from various development projects in Mainland China.

Income Tax

Taxation charge was HK\$6,630 million (2017: HK\$8,435 million), which included deferred taxation of HK\$522 million (2017: HK\$572 million) provided for the fair value gain of IP located in Mainland China.

Excluding the above deferred taxation, the taxation charge decreased by 22% to HK\$6,108 million (2017: HK\$7,863 million) mainly due to decrease in operating profit from DPs in Mainland China.

Non-controlling Interests (“NCI”)

Profit attributable to NCI decreased by 23% to HK\$9,631 million (2017: HK\$12,461 million).

Profit attributable to Equity Shareholders

Group profit attributable to equity shareholders decreased by 16% to HK\$17,239 million (2017: HK\$20,570 million). Earnings per share were HK\$8.43 based on weighted average of 2,046 million issued ordinary shares (2017: HK\$10.09 based on 2,039 million issued ordinary shares).

Excluding the attributable IP revaluation gain (after deducting related deferred tax and NCI) of HK\$5,443 million (2017: HK\$5,731 million), Group profit attributable to equity shareholders decreased by 21% to HK\$11,796 million (2017: HK\$14,839 million).

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 had been completed since 1 January 2017.

	2018 HK\$ Million	2017 HK\$ Million
Underlying net profit attributable to:		
Wheelock and Company	2,375	1,109
WHL group	4,154	4,692
Wharf REIC group	6,226	5,851
WPSL group	453	465
Underlying net profit	13,208	12,117
Attributable deficit on reclassification of HPL	(1,138)	–
Attributable gain arising from the disposal of 8 BAY EAST	–	2,775
Others	(274)	(53)
Profit before IP revaluation gain	11,796	14,839
IP revaluation gain (after deferred tax)	5,443	5,731
Profit attributable to equity shareholders	17,239	20,570

WHL’s profit for the year ended 31 December 2018 decreased to HK\$6,623 million (2017: HK\$21,876 million). Excluding the exceptional items, WHL’s underlying net profit decreased by 59% to HK\$6,511 million (2017: HK\$15,924 million) mainly due to the demerger of Wharf REIC in 2017. If the demerger was completed on 1 January 2017, WHL’s underlying net profit would decrease by 11% to HK\$6,511 million from HK\$7,328 million in 2017.

FINANCIAL REVIEW (CONTINUED)

Wharf REIC's profit for the year ended 31 December 2018 was HK\$18,027 million (2017: HK\$17,218 million as if the demerger of Wharf REIC had been completed since 1 January 2017). Excluding the exceptional items, Wharf REIC's underlying net profit was HK\$10,053 million (2017: HK\$9,500 million).

WPSL's loss for the year ended 31 December 2018 was HK\$786 million (2017: profit of HK\$686 million). Excluding the deficit on the reclassification of HPL, WPSL's profit for the year was HK\$385 million.

(II) LIQUIDITY, FINANCIAL RESOURCES AND COMMITMENTS

Shareholders' and Total Equity

Shareholders' equity slightly increased by 4% to HK\$251.1 billion (2017: HK\$241.7 billion), or HK\$122.60 per share based on 2,048 million issued shares (2017: HK\$118.37 per share based on 2,042 million issued shares) as at 31 December 2018.

Including the NCI, the Group's total equity was at HK\$389.5 billion (2017: HK\$387.8 billion).

Assets and Liabilities

The Group's total assets were HK\$592.6 billion (2017: HK\$569.7 billion). Total business assets, i.e. excluding bank deposits and cash, financial assets and deferred tax assets, increased to HK\$521.8 billion (2017: HK\$487.3 billion).

Geographically, the Group's business assets in Mainland China, mainly properties and terminals, increased to HK\$144.5 billion (2017: HK\$136.9 billion), representing 28% (2017: 28%) of the Group's total business assets.

Investment Properties

The Group's IP portfolio, included in the Group's total assets, slightly decreased by 1% to HK\$341.5 billion (2017: HK\$346.4 billion), representing 65% of total business assets. Harbour City (excluding the three hotels) and Times Square in Hong Kong were valued at HK\$234.4 billion, representing 69% of the value of the portfolio.

Properties for Sale

Properties for sale amounted to HK\$91.4 billion (2017: HK\$58.5 billion), mainly comprised properties in Hong Kong of HK\$53.1 billion, in Mainland China of HK\$38.0 billion and in Singapore of HK\$0.3 billion, which were under development or held for sale as at 31 December 2018.

Interests in Associates and Joint Ventures

Interests in associates and joint ventures amounted to HK\$50.6 billion (2017: HK\$41.9 billion), mainly represented by various DP projects undertaken in Mainland China and Hong Kong.

Deposits from Sale of Properties

Deposits from sale of properties amounted to HK\$24.8 billion (2017: HK\$14.9 billion), reflecting contracted sales in Hong Kong, Mainland China and Singapore pending revenue recognition.

Debt and Gearing

The Group's net debt increased by 61% or HK\$35.3 billion to HK\$93.0 billion (2017: HK\$57.7 billion) as at 31 December 2018. The net debt comprised debt of HK\$121.8 billion less bank deposits and cash of HK\$28.8 billion. An analysis of the net debt by respective groups is shown below:

	2018	2017
Net debt/(cash)	HK\$ Million	HK\$ Million
Wheelock and Company	32,552	29,012
WHL group	25,638	(9,288)
Wharf REIC group	39,422	42,476
WPSL group	(4,605)	(4,483)
Group total	93,007	57,717

Excluding the net debt of WHL group and Wharf REIC group and net cash of WPSL group, which were non-recourse to the Company and its wholly-owned subsidiaries, Wheelock and Company's own net debt increased by HK\$3.6 billion to HK\$32.6 billion (2017: HK\$29.0 billion).

As at 31 December 2018, the net debt to total equity (on a consolidated basis) increased to 23.9% (2017: 14.9%). Excluding the net debt/(cash) of WHL group, Wharf REIC group and WPSL group, Wheelock and Company's own net debt to shareholders' equity (on an attributable net asset value basis) increased to 13.0% (2017: 12.0%).

Finance and Availability of Facilities

As at 31 December 2018, the Group's available loan facilities and issued debt securities amounted to HK\$184.7 billion (2017: HK\$157.7 billion), of which HK\$121.8 billion were utilised. An analysis is shown below:

	Available Facilities HK\$ Billion	Total Debt HK\$ Billion	Undrawn Facilities HK\$ Billion
Wheelock and Company	70.2	36.6	33.6
WHL group	66.6	43.1	23.5
Wharf REIC group	47.6	42.1	5.5
WPSL group	0.3	–	0.3
Group total	184.7	121.8	62.9

Of the above debt, HK\$16.7 billion (2017: HK\$12.1 billion) was secured by mortgages over certain DP, IP and property, plant and equipment with a total carrying value of HK\$55.2 billion (2017: HK\$42.3 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 other long term investments with an aggregate market value of HK\$42.6 billion (2017: HK\$29.0 billion) as at 31 December 2018, which is immediately available for the Group's use when in need.

FINANCIAL REVIEW (CONTINUED)

Cash Flows from the Group's Operating and Investing Activities

For the year under review, the Group's operating cash inflows was HK\$24.4 billion (2017: HK\$23.9 billion). Together with the changes in working capital and others of HK\$20.8 billion (2017: HK\$6.7 billion), the net cash inflow from operating activities was amounted to HK\$3.6 billion (2017: HK\$17.2 billion). For investing activities, the Group recorded a net cash outflow of HK\$30.8 billion (2017: HK\$15.7 billion), mainly for the acquisition of other long term investments, acquisition of additional interests in subsidiaries, as well as increase in interest in associates and joint ventures.

Major Capital and Development Expenditure and Commitments

The Group's major capital and development expenditure incurred in 2018 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	62	–	62
DP	14,636	–	14,636
	14,698	–	14,698
WHL group			
IP	289	4,607	4,896
DP	12,540	27,687	40,227
Non-property and others	208	11	219
	13,037	32,305	45,342
Wharf REIC group			
IP	329	618	947
DP	–	271	271
Non-property and others	36	–	36
	365	889	1,254
WPSL group			
IP	9	–	9
DP	–	283	283
	9	283	292
Analysis by segment:			
IP	689	5,225	5,914
DP	27,176	28,241	55,417
Non-property and others	244	11	255
Group total	28,109	33,477	61,586

- i. Wheelock and Company's own expenditure for IP and DP amounted to HK\$14.7 billion, mainly comprising expenditure of HK\$0.1 billion for IP and HK\$14.6 billion of land and construction cost payments for its Hong Kong DP projects.

- ii. WHL's expenditure totalled HK\$45.3 billion, comprising expenditure of HK\$4.9 billion for IP (mainly construction costs of the IFS projects in Mainland China), HK\$40.2 billion for DP (including associates and joint ventures) and HK\$0.2 billion for Modern Terminals.
- iii. Wharf REIC's expenditure amounted to HK\$1.3 billion, comprising expenditure of HK\$1.0 billion for IP (mainly construction costs of the Suzhou IFS project) and HK\$0.3 billion for DP projects in Mainland China (including associates and joint ventures).
- iv. WPSL's expenditure of HK\$0.3 billion was mainly for construction cost payments for its Mainland China DP projects.

B. Commitments to Capital and Development Expenditure

As at 31 December 2018, the Group's major commitments to capital and development expenditure to be incurred in the forthcoming years were estimated at HK\$51.1 billion, of which HK\$23.8 billion was committed. By segment, the commitments are analysed as follows:

	As at 31 December 2018		
	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million
Wheelock and Company			
DP	8,334	7,528	15,862
	8,334	7,528	15,862
WHL group			
IP	948	267	1,215
DP	9,244	13,041	22,285
Non-property and others	3,612	70	3,682
	13,804	13,378	27,182
Wharf REIC group			
IP	253	1,169	1,422
DP	1,243	3,771	5,014
Non-property and others	5	119	124
	1,501	5,059	6,560
WPSL group			
IP	1	–	1
DP	159	1,308	1,467
	160	1,308	1,468
Analysis by business segment:			
IP	1,202	1,436	2,638
DP	18,980	25,648	44,628
Non-property and others	3,617	189	3,806
Group total	23,799	27,273	51,072
Analysis by geographical segment:			
Hong Kong IP	1,005	891	1,896
Hong Kong DP	8,415	7,528	15,943
China IP	196	545	741
China DP	10,565	18,120	28,685
Singapore	1	–	1
Properties total	20,182	27,084	47,266
Non-property and others	3,617	189	3,806
Group total	23,799	27,273	51,072

FINANCIAL REVIEW (CONTINUED)

- i. Wheelock and Company's own commitments of HK\$15.9 billion were mainly related to construction costs for DP (inclusive of an associate's attributable commitment) in Hong Kong.
- ii. WHL's commitments of HK\$27.2 billion were mainly comprised of expenditure of HK\$1.2 billion for IP, HK\$22.3 billion land and construction costs for DP (inclusive of associates' and joint ventures' attributable commitments), HK\$0.2 billion mainly for Modern Terminals and HK\$3.5 billion for financial investments.
- iii. Wharf REIC's commitments of HK\$6.5 billion were mainly comprised of expenditure of HK\$1.4 billion for IP, HK\$5.0 billion construction costs for DP and HK\$0.1 billion mainly for hotels.
- iv. WPSL's commitments of HK\$1.5 billion were mainly related to construction costs 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, bank and other borrowings and pre-sale proceeds. Other available resources include other long term investments.

(III) HUMAN RESOURCES

The Group had approximately 12,800 employees as at 31 December 2018, 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 and investment holding. The Group has a substantial urban-focused land bank under management for development, which spans over Hong Kong's key regions and comprises diversified product offerings, including luxury and mass residential developments.

WHL and Wharf REIC, both being listed companies in Hong Kong, are Wheelock's equity investments. Apart from Hong Kong property development, logistics and hotel management, WHL also focuses on IP and DP in Mainland China.

Wharf REIC focuses on Hong Kong IP and holds a portfolio of prime IP in strategic locations, including Harbour City, Times Square and The Murray.

(V) BUSINESS STRATEGY

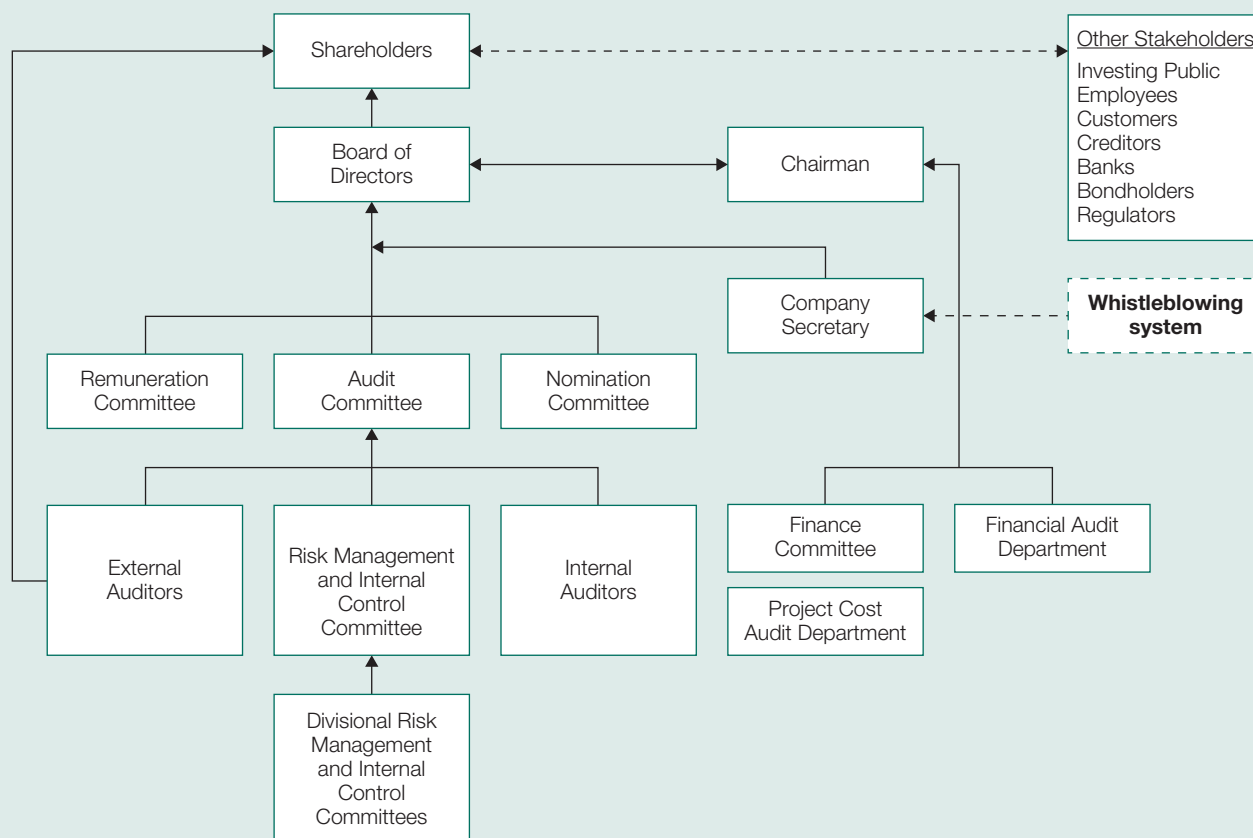
For the Group's core business, Wheelock and Company endeavours to continuously enhance its competitiveness and drive sustainable growth through:

1. Building and maintaining a diversified and competitive land bank with timely acquisitions and constant turning of assets;
2. Competence in selection and acquisition, planning and design, execution, sales and marketing;
3. Building organisation and focusing professional team efforts in building brand; and
4. Exercising prudent and disciplined financial management to ensure sustainability at all times.

CORPORATE GOVERNANCE REPORT

(A) CORPORATE GOVERNANCE STRUCTURE

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



(B) CORPORATE GOVERNANCE PRACTICES

During the financial year ended 31 December 2018, 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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

(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. Five Board meetings and one general meeting were held during the financial year ended 31 December 2018. The composition of the Board and attendance of the Directors are set out below:

Directors	Attendance/Number of Meeting(s)	
	Board Meetings	General Meeting
Douglas C K Woo (<i>Chairman & Managing Director</i>)	5/5	1/1
Stephen T H Ng (<i>Deputy Chairman</i>)	5/5	1/1
Stewart C K Leung (<i>Vice Chairman</i>)	5/5	1/1
Paul Y C Tsui (<i>Executive Director & Group Chief Financial Officer</i>)	5/5	1/1
Ricky K Y Wong (<i>Executive Director</i>)	5/5	1/1
Non-executive Director		
Mignonne Cheng (Mrs)	5/5	0/1
Independent Non-executive Directors		
Tak Hay Chau	5/5	1/1
Winston K W Leong	3/5	1/1
Alan H Smith	5/5	1/1
Richard Y S Tang	5/5	1/1
Kenneth W S Ting	5/5	1/1
Nancy S L Tse	5/5	1/1
Glenn S Yee	4/5	0/1

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 2018, the Chairman of the Company held a meeting with Non-executive Directors (including Independent Non-executive Director ("INED(s)")) without the presence of Executive Directors.

(II) Board Diversity Policy

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.

(III) 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.

(IV) 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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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	Types of training <i>(See Remarks)</i>
Douglas C K Woo	A, C
Stephen T H Ng	A, C
Stewart C K Leung	A, C
Paul Y C Tsui	A, C
Ricky K Y Wong	A, C
Mignonne Cheng (Mrs)	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.*

(V) Directors' Emoluments

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 (proposed to be increased to HK\$300,000 per annum with retroactive effect from 1 January 2019), the fee payable to each of the other Directors of the Company, currently at the rate of HK\$200,000 per annum (proposed to be increased to HK\$250,000 per annum with retroactive effect from 1 January 2019), the fee payable to each of those Directors who are also members of the Audit Committee of the Company, currently at the rate of HK\$100,000 per annum (proposed to be increased to HK\$150,000 per annum with retroactive effect from 1 January 2019), and the fee payable to each of those Directors who are also members of the Remuneration Committee of the Company currently 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.

(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.

Four AC meetings were held during the financial year ended 31 December 2018. Attendance of the AC members is set out below:

Members	Attendance/Number of Meetings
Alan H Smith (<i>Chairman of AC</i>)	4/4
Kenneth W S Ting	4/4
Nancy S L Tse	4/4
Glenn S Yee	3/4

(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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

(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 2018 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;

CORPORATE GOVERNANCE REPORT (CONTINUED)

- (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.

(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 2018, three RC meetings were held and the attendance of the RC members is set out below:

Members	Attendance/Number of Meeting
Kenneth W S Ting (<i>Chairman of RC</i>)	3/3
Alan H Smith	3/3
Douglas C K Woo	3/3

- (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 2018 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.

(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 2018, 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;

CORPORATE GOVERNANCE REPORT (CONTINUED)

- (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 Nomination Policy which sets out the selection criteria of Board members, procedures of nomination of new Board members and re-election and/or election of Directors to ensure an optimal composition of the Board with sustainability.
- (1) The criteria listed below will be used as reference in assessing the suitability of a proposed candidate:
- character and integrity;
 - skills, knowledge and experience relevant to the Company's business and corporate strategy;
 - willingness and availability to dedicate sufficient time and attention to ensure the diligent performance of duties in concurrence with his/her other major appointments and significant commitments;
 - attributes enhancing the Board diversity in line with the Company's Board Diversity Policy;
 - such other perspectives appropriate to the Company's business; and
 - requirements in respect of independent non-executive directors under the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines as set out in the Listing Rules.
- (2) Procedures for Appointment of New Director by the Board:
- (a) For appointment of new Director, the NC as delegated by the Board shall identify and evaluate candidate based on the criteria set out in paragraph (1) above to determine whether the candidate is qualified for directorship.
 - (b) If the candidate is considered qualified, the NC shall recommend to the Board for consideration and the Board, if considered appropriate, shall approve the appointment of the proposed candidate as a new Director.
- (3) Procedures for Re-election and/or Election of Director at General Meeting:
- (a) The NC as delegated by the Board shall review the contribution made by the retiring Director and whether he/she can continue to fulfill his/her role as required with reference to the criteria set out in paragraph (1) above.

- (b) The Board shall then, under advice of the NC, make recommendation to Shareholders for the proposed re-election of Director(s) at the general meeting.
- (c) For any candidate (other than a retiring Director) nominated by the Board or Shareholder(s) to stand for election as a Director in a general meeting of the Company, the NC shall, upon receipt of the proposal of nomination and the biographical information of the candidate, evaluate his/her suitability based on the same criteria as set out in paragraph (1) above. The Board, under advice of the NC, may or may not make recommendation to Shareholders on their voting to the proposed election in the relevant announcement and/or circular to Shareholders.

(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 2018 provided by KPMG, the external auditors of the Company, amounted to HK\$36 million and HK\$6 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 evolution 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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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:



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 2018, 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 2018, 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 56 to 57 in the Report of the Directors.

CORPORATE GOVERNANCE REPORT (CONTINUED)

(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 2018, 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 2018:

- (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) DIVIDEND POLICY

The Company adopts a dividend policy of providing Shareholders with regular dividends which will take into account the Company's financial performance, capital requirements, future investment plans, cash flow and general business and economic environment. The policy will be reviewed from time to time so as to keep in line with changes in market conditions.

(N) AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents during the financial year ended 31 December 2018.

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their Report and the Audited Financial Statements for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on pages 144 to 150.

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 56 to 57)

Throughout the financial year under review, the Group had duly complied with relevant laws and regulations which have a significant impact on the Group, including Companies Ordinance, Competition Ordinance, Employment Ordinance, Minimum Wage Ordinance, Personal Data (Privacy) Ordinance, Residential Properties (First-hand Sales) Ordinance, Securities and Futures Ordinance, the Rules Governing the Listing of Securities (the "Listing Rules") 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 57 to 59.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the financial year ended 31 December 2018 are set out in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income on pages 67 to 68.

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 70 and Note 25 to the Financial Statements on pages 112 to 113.

DIVIDENDS

A first interim dividend of HK\$0.50 per share was paid in September 2018. In lieu of a final dividend, a second interim dividend of HK\$1.05 per share will be paid on 26 April 2019 to Shareholders on record as at 11 April 2019. Total distribution for the year 2018 will amount to HK\$1.550 (2017: HK\$1.425) 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 6,200,000 ordinary shares of the Company, credited as fully paid, were allotted and issued for a total consideration of HK\$245,848,000.

Details of movements in share capital of the Company during the financial year are set out in Note 25(a) to the Financial Statements on page 112.

DONATIONS

The Group made donations during the financial year totalling HK\$38 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 Dr Glenn S Yee.

Mr Stephen T H Ng, Mr Tak Hay Chau, Mrs Mignonne Cheng, Mr Alan H Smith and Mr Kenneth W S Ting 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 60.

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.

REPORT OF THE DIRECTORS (CONTINUED)

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 4,200,000 ordinary shares of the Company were allotted and issued to three Directors of the Company, namely, Mr Douglas C K Woo, Mr Stewart C K Leung and Mr Ricky K Y Wong, and a total of 2,500,000 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 51 to 53.

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 2019

SUPPLEMENTARY CORPORATE INFORMATION

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

(I) Directors

Douglas C K WOO, *JP, Chairman & Managing Director (Age: 40)*

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 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 director and Executive Committee member of The Real Estate Developers Association of Hong Kong (“REDA”); General Committee member, chairman of the Real Estate & Infrastructure Committee of the Hong Kong General Chamber of Commerce (“HKGCC”); and Patron of Project *WeCan* (a Business-in-Community school project). Mr Woo is also a member of the Beijing Committee of the Chinese People’s Political Consultative Conference (“CPPCC”) and a member of the All-China Youth Federation. He was appointed a Justice of the Peace in 2016.

Mr Woo holds a Bachelor degree in Architecture from Princeton University in USA and a Master of Business Administration degree (EMBA Program) from The HKUST Business School and The Kellogg School of Management of Northwestern University. He was awarded an Honorary Doctor of Humane Letters degree by Savannah College of Art and Design (Hong Kong). Under the existing service contract between the Group and Mr Woo, his basic salary and various allowances for the year 2019, calculated on an annualised basis, would be approximately HK\$6.94 million (2018: HK\$6.48 million) per annum.

Stephen T H NG, *Deputy Chairman (Age: 66)*

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”), as well as chairman of Harbour Centre Development Limited, all of which are publicly listed subsidiaries of the Company. Furthermore, he is non-executive chairman of publicly listed Joyce Boutique Holdings Limited (“JBHL”) and chairman of Wheelock Properties (Singapore) Limited (a subsidiary of the Company, publicly listed in Singapore until October 2018). 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 Hotel Properties Limited (publicly listed in Singapore and formerly an associated company of the Company) until his resignation in December 2018.

Mr Ng was born in Hong Kong in 1952 and grew up in Hong Kong. He attended Ripon College in Ripon, Wisconsin, USA and the University of Bonn, Germany, from 1971 to 1975, and graduated with a major in mathematics. He is chairman of Project *WeCan* Committee (a Business-in-Community school project), vice chairman of the Employers’ Federation of Hong Kong (“EFHK”) and a council member of HKGCC. Under the existing service contract between the Group and Mr Ng, his basic salary and various allowances for the year 2019, calculated on an annualised basis, would be approximately HK\$8.65 million (2018: HK\$8.39 million) per annum.

Stewart C K LEUNG, *Vice Chairman (Age: 80)*

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 2019, calculated on an annualised basis, would be approximately HK\$5.50 million (2018: HK\$5.50 million) per annum.

REPORT OF THE DIRECTORS (CONTINUED)

Paul Y C TSUI, *Executive Director & Group Chief Financial Officer (Age: 72)*

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. Mr Tsui is a vice chairman and the group chief financial officer of WHL and a vice chairman and an executive director of Wharf REIC. Furthermore, he is 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 i-CABLE until his resignation in September 2017. Mr Tsui is currently a member of the General Committee of the EFHK and chairman of the EFHK's Property & Construction functional group. Under the existing service contract between the Group and Mr Tsui, his basic salary and various allowances for the year 2019, calculated on an annualised basis, would be approximately HK\$5.64 million (2018: HK\$5.47 million) per annum.

Ricky K Y WONG, *Executive Director (Age: 54)*

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 a member of the General Committee of the EFHK, 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. Mr Wong is currently the chairman of the Advisory Committee on Enhancing Self-reliance through District Partnership (ESR) Programme of the Home Affairs Department after serving as a member of the committee from July 2016 to June 2018.

He was an associate member of Hong Kong Special Administrative Region ("HKSAR") — Central Policy Unit from 2013 to June 2017 and also served as a co-opted member of the Hong Kong Diploma of Secondary Education Examination (HKDSE) — Applied Learning Subject Committee of the Hong Kong Examinations and Assessment Authority from September 2015 to August 2018. Mr Wong graduated from University of Wisconsin in the US with a Master Degree in Business Administration. Under the existing service contract between the Group and Mr Wong, his basic salary and various allowances for the year 2019, calculated on an annualised basis, would be approximately HK\$5.22 million (2018: HK\$4.97 million) per annum.

Tak Hay CHAU, *GBS, Director (Age: 76)*

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: 72)*

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 28 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: 59)*

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: 75)*

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. He has been appointed as an INED of ICBC Credit Suisse Asset Management Co., Ltd. since 21 March 2018.

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: 66)*

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 and an executive director of Miramar Hotel and Investment Company, Limited, both companies are publicly listed on the Stock Exchange. Mr Tang formerly served as an INED of Hang Seng Bank Limited until his retirement in May 2018. Furthermore, he is a director of various private business enterprises and an advisor of Tang Shiu Kin and Ho Tim Charitable Fund.

REPORT OF THE DIRECTORS (CONTINUED)

Kenneth W S TING, SBS, JP, Director (Age: 76)

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

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

Nancy S L TSE, JP, Director (Age: 66)

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. Ms Tse is also a Fellow of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Hong Kong Institute of Directors.

Glenn S YEE, Director (Age: 68)

Dr Yee has been an INED of the Company since 2010. He also serves as a member of the Company's Audit Committee. Dr Yee is the founder, managing director and chairman of Pacific Can China Holdings Limited ("Pacific Can"), which was a leading beverage can manufacturers in China. In 2018, after completing the sale of the entire China manufacturing business to a Chinese entity, he founded Oakhaven Limited, a private investment company involved in green industry and other projects. Dr Yee obtained a B.S. in Mechanical Engineering from Worcester Polytechnic Institute ("WPI") in Massachusetts, an MBA Degree from Columbia University in New York, and received an Honorary Doctor of Engineering Degree from WPI. Starting his career in General Electric Company in New York, and later joining Continental Can Company in Stamford, Connecticut, he has held senior positions in Marketing and Finance areas and became managing director of Continental Can Hong Kong Ltd in 1988. He resigned in 1991 and subsequently started Pacific Can. Dr 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 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 2018, 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 China Holdings Limited, 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	
Douglas C K Woo — Ordinary Shares	3,000,000 (0.1465%)
Stephen T H Ng — Ordinary Shares	176,000 (0.0086%)
Stewart C K Leung — Ordinary Shares	500,000 (0.0244%)
Paul Y C Tsui — Ordinary Shares	300,000 (0.0146%)
Ricky K Y Wong — Ordinary Shares	610,000 (0.0298%)
WHL	
Stephen T H Ng — Ordinary Shares	1,509,445 (0.0495%)
Kenneth W S Ting — Ordinary Shares	659,024 (0.0216%)
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 — HKD Guaranteed Notes due 2022	HK\$5,000,000
Greentown China Holdings Limited	
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 2018. 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".

REPORT OF THE DIRECTORS (CONTINUED)

(II) Interests in Share Options of the Company

Set out below are particulars and movements, if any, of all options (all being personal interests) held during the financial year ended 31 December 2018 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 2018 (percentage based on all issued shares)	Date of grant (Day/Month/Year)	No. of Wheelock’s shares under option				Subscription price per share (HK\$)
			As at date of grant	As at 1 January 2018	Exercised during the year	As at 31 December 2018	
Douglas C K Woo (Note b)	5,000,000 (0.24%)	14/06/2013	3,000,000	3,000,000	(3,000,000) (Note c)	-	39.98
		07/07/2016	5,000,000	5,000,000	-	5,000,000	36.60
Stewart C K Leung	1,200,000 (0.06%)	14/06/2013	3,000,000	-	-	-	39.98
		07/07/2016	3,000,000	1,800,000	(600,000) (Note d)	1,200,000	36.60
Paul Y C Tsui	900,000 (0.04%)	14/06/2013	1,500,000	-	-	-	39.98
		07/07/2016	1,500,000	900,000	-	900,000	36.60
Ricky K Y Wong	1,800,000 (0.09%)	14/06/2013	3,000,000	600,000	(600,000) (Note e)	-	39.98
		07/07/2016	3,000,000	1,800,000	-	1,800,000	36.60

Notes:

- 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.
- As at 1 January 2018 (and also as at the date of grant), 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 options granted by the Company on 14 June 2013 covering 2,000,000 shares (0.098% based on all issued shares) of the Company. All such options for Wheelock’s shares were exercised by Mr Peter K C Woo during the year. Other particulars of the share options 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.
- The closing price of Wheelock’s shares immediately before the date of exercise of options by both Mr Douglas C K Woo and Mr Peter K C Woo (all exercised on the same day) during the year was HK\$57.15 per share.
- The closing price of Wheelock’s shares immediately before the date of exercise of options by Mr Stewart C K Leung (all exercised on the same day) during the year was HK\$42.65 per share.
- The closing price of Wheelock’s shares immediately before the date of exercise of options by Mr Ricky K Y Wong (all exercised on the same day) during the year was HK\$59.20 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 and movements, if any, of all options (all being personal interests) held during the financial year ended 31 December 2018 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 2018 (percentage based on all issued shares)	Date of grant (Day/Month/Year)	No. of WHL’s shares under option				Subscription price per share (HK\$)
			As at date of grant	As at 1 January 2018	Exercised during the year	As at 31 December 2018	
Stephen T H Ng	3,500,000 (0.11%)	05/06/2013	2,000,000	1,000,000	(1,000,000) (Note iii)	-	23.83
		07/07/2016	5,000,000	4,000,000	(500,000) (Note iii)	3,500,000	15.92
Paul Y C Tsui	900,000 (0.03%)	05/06/2013	1,000,000	1,000,000	(1,000,000) (Note iv)	-	23.83
		07/07/2016	1,500,000	900,000	-	900,000	15.92

Notes:

- (i) 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.
- (ii) As at 1 January 2018 (and also as at the date of grant), 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 options granted by WHL on 5 June 2013 covering 2,000,000 shares of WHL. All such options for WHL’s shares were exercised by Mr Peter K C Woo during the year. The closing price of WHL’s shares immediately before the date of exercise of options by Mr Peter K C Woo (all exercised on the same day) was HK\$28.85 per share. Other particulars of the share options are set out below under section (C) “Substantial Shareholders’ Interests”.
- (iii) 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\$27.72 per share.
- (iv) The closing price of WHL’s shares immediately before the date of exercise of the options by Mr Paul Y C Tsui (all exercised on the same day) during the year was HK\$29.20 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

REPORT OF THE DIRECTORS (CONTINUED)

- (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 2018 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 2018.

(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 2018 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 (12.96%)
(ii) Mrs Bessie P Y Woo (Notes 1 & 4)	265,490,652 (12.96%)
(iii) HSBC Trustee (C.I.) Limited	995,221,678 (48.60%)

Notes:

- (1) The interests of party (i) (who is the spouse of party (ii) and is therefore 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 1 January 2018 (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 the 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 under subsections (II) and (III) in section (B) “Directors’ Interests in Securities”. All the abovementioned share options of the Company and of WHL were exercised by party (i) during the year. Other particulars relating to the respective exercise(s) of those options by party (i) are set out above under 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 2018, 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:
187,084,928
- (ii) Percentage which the 187,084,928 ordinary shares represent to the total number of Wheelock’s shares in issue as at the date of this annual report:
9.14%
- (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

REPORT OF THE DIRECTORS (CONTINUED)

- (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 2 years (expiring on 8 June 2021)

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

Set out below are particulars and movements, 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:

Date of grant (Day/Month/Year)	No. of Wheelock's shares under option			Vesting/Exercise Period (both dates inclusive) (Day/Month/Year)	Subscription price per share (HK\$)
	As at 1 January 2018	Exercised during the year	As at 31 December 2018		
(i) 14/06/2013:	1,000,000	(1,000,000)	-	15/06/2013 - 14/06/2018	39.98
	1,000,000	(1,000,000)	-	15/06/2014 - 14/06/2018	39.98
	1,000,000	(1,000,000)	-	15/06/2015 - 14/06/2018	39.98
	1,000,000	(1,000,000)	-	15/06/2016 - 14/06/2018	39.98
	1,600,000	(1,600,000)	-	15/06/2017 - 14/06/2018	39.98
	5,600,000	(5,600,000)	-		
(ii) 07/07/2016:	1,000,000	-	1,000,000	08/07/2016 - 07/07/2021	36.60
	1,000,000	-	1,000,000	08/07/2017 - 07/07/2021	36.60
	2,500,000	(600,000)	1,900,000	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
	9,500,000	(600,000)	8,900,000		
Total:	15,100,000	(6,200,000)	8,900,000		

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\$55.95 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 9.06% respectively.

Set out below are particulars and movements, 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 (Day/Month/Year)	No. of WHL's shares under option			Vesting/Exercise Period (both dates inclusive) (Day/Month/Year)	Subscription price per share (HK\$)
	As at 1 January 2018	Exercised during the year	As at 31 December 2018		
(i) 05/06/2013:	1,300,000	(1,300,000)	-	06/06/2013 - 05/06/2018	23.83
	1,700,000	(1,700,000)	-	06/06/2014 - 05/06/2018	23.83
	1,900,000	(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
	9,100,000	(9,100,000)	-		
(ii) 07/07/2016:	-	-	-	08/07/2016 - 07/07/2021	15.92
	1,600,000	(800,000)	800,000	08/07/2017 - 07/07/2021	15.92
	2,900,000	(600,000)	2,300,000	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
	10,300,000	(1,400,000)	8,900,000		
Total:	19,400,000	(10,500,000)	8,900,000		

Notes:

- (1) 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\$27.96 per share.
- (2) 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.

REPORT OF THE DIRECTORS (CONTINUED)

(F) MAJOR CUSTOMERS & SUPPLIERS

For the financial year ended 31 December 2018:

- (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 8% of the Group's total purchases;
- (b) the largest supplier accounted for 4% 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 2018 which were repayable on demand or within a period not exceeding one year or after one year are set out in Note 21 to the Financial Statements on pages 99 to 100.

(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 2018.

(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 2 January 2018, 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 properties owned by the Group for operating various retail businesses, including Lane Crawford stores and CitySuper stores.

On 2 January 2018, the Group entered into a master tenancy agreement (the "MTA") with WGL for a term of three years from 1 January 2018 to 31 December 2020. 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 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 2 January 2018, received by the Group from the Eligible Tenants for the financial year ended 31 December 2018 amounted to HK\$973 million.

- (ii) With regard to the Material Related Party Transactions as disclosed under Note 29 to the Financial Statements on page 116, the transactions stated under paragraph “(a)” therein constitutes connected transactions (as defined under the Listing Rules) for 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 2018; 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.

REPORT OF THE DIRECTORS (CONTINUED)

(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 as well as in the economies in the surrounding region.

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 affecting the issue of pre-sale licenses and permitted selling prices, mortgage levels and ownership, interest rate changes, supply and demand conditions as well as the overall economic volatility in Mainland China.

The Group's DP segment is expected to continue exposing to these risks, which may affect the Group's investment strategy and business model as well as the performance in DP. In this respect, the Group actively assesses the overall economic, political and legal developments as well as the property markets 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 an 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 60% 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. Macroeconomic risks moved into sharper focus as global growth appears to lose momentum in the advanced economies. Sino-US trade tension further dampened confidence in investment and economic development.

The Group operates 18 hotels in the Asia Pacific region, 8 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 24 to the Financial Statements on pages 106 to 111.

(K) ENVIRONMENT, SOCIAL AND GOVERNANCE

Wheelock proactively drives positive changes in the communities where we do business. Our Business-in-Community approach outlines the direction and commitment of our corporate social responsibility ("CSR"), enabling our business in the face of emerging global ESG trends and challenges. We live up to our CSR commitments while ensuring compliance with all laws and regulations applicable to our business operations.

Our next standalone CSR Report will be published in June 2019 on the Company's corporate website (www.wheelockcompany.com). The Report will be prepared in accordance with the ESG Reporting Guide issued by The Stock Exchange of Hong Kong Limited and Core Option of the Global Reporting Initiative (GRI) Standards, and it will be independently assured to enhance content reliability.

Environment

Wheelock strives to optimise the use of resources and minimises negative environmental impacts across our offices, managed properties and construction sites. We strive to exceed regulatory requirements and adopt international best practices whenever appropriate. To create environmental impacts on our properties, we are committed to achieve BEAM Plus Provisional Gold certification for all developments and endeavour to attain LEED¹ Gold certification for all commercial developments. As of 31 December 2018, 100% of construction floor area in our entire portfolio has been certified with BEAM Plus standard or under application. In 2018, we proudly presented our O'South portfolio (Tseung Kwan O South), with extensive recognitions received. In particular, THE PARKSIDE, CAPRI, MONTEREY and SAVANNAH obtained BEAM Plus Provisional/Final Gold Certification by possessing excellent building environmental quality and user experience. By requiring contractors to source materials with lower environmental footprints such as sustainably-sourced timber, we created additional sustainability values in the O'South portfolio.

¹ 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.

REPORT OF THE DIRECTORS (CONTINUED)

Within our operations at Wheelock's headquarter, we continue to work towards our target to reduce energy consumption by 10% by 2020, compared to 2015 base year. In 2018, we have further reduced our energy use and achieved about 9% reduction compared to 2015. We are on a good track to meet our energy target.

With concerted effort in greening our daily operations and development projects, WPL has attained Low Carbon Office Operation Programme (LOOP) Gold Label for the seventh consecutive year (carbon emission per employee has been reduced by 33% compared to seven years ago), and received the "Sustainability Achievement of the Year" and "Corporate Social Responsibility Project of the Year" awards at RICS (Royal Institution of Chartered Surveyors) Awards 2018, which recognised our outstanding performance in pursuing long-term sustainability.

Community

Wheelock places foci on three areas in community investment, namely youth and art, community betterment, and nature and environment, which we support through financial and in-kind donations, as well as volunteer services. Project *WeCan*, continued to receive support from 68 partners and over 66,000 students stand to benefit. During 2018, Project *WeCan* collaborated with the Hong Kong University of Science and Technology (HKUST) to help students develop their creative minds and engineering skills through the *WeCan* x HKUST STEAM Project. Other youth and art initiatives include the National Geographic Wheelock Youth Photo Competition 2018 and the Wheelock Interior Design Internship Programme, which supported youths to shine with their talents. To enhance community betterment, we delivered furniture to residents in need in Tai O whose living environment was severely damaged after Typhoon Mangkhut in September 2018.

Valuing our Employees

Wheelock maintains its important quality as an equal opportunity employer. We recruit and promote employees based on their ability and performance relevant to the position. We have Group-wide Equal Opportunities Policy and Grievance Procedures which allow employees to be treated equally no matter their background.

Our human resources policies comply strictly with all applicable employment-related laws and regulations, including but not limited to anti-corruption, anti-discrimination, health and safety, etc. We have an overall gender ratio of 47:53 (Female:Male) in our team.

We understand customers' need on high standards of our products and services. We are committed to grow our team by investing to build our employees' leadership and professional skills. Training and development programmes are provided to employees on a regular basis, helping them to get prepared for the fast-changing operational needs. We also understand that maintaining a high level of employee well-being is beneficial to enhancing the sense of belonging and productivity. We encourage our employees to volunteer during office hours to contribute back to the communities.

Health and Safety

Wheelock spares no effort in upholding occupational health and safety across all our operations. Relevant task forces and departments are responsible for monitoring potential health and safety risks and the implementation of improvement plans where appropriate. We deliver timely occupational health and safety trainings to employees and subcontracted workers, focusing on potential risks elimination and preventive measures of accidents on construction sites. In parallel with the preventive measures, we strive to identify and get rid of existing hazards through inspections and independent audits, to ensure practices executed on-sites are in alignment with relevant laws and regulations as well as Wheelock's safety standards.

Products and Services

Quality products and attentive services are the cornerstone to our business' success. We have dedicated internal committees and task forces to oversee and develop initiatives on product concept, design and quality, who are also responsible for regular products and services assessments to ensure quality and customer satisfaction. In addition, we established Club Wheelock for members to enjoy privileges and lifestyle events offered within the property and esteemed circle of Club Wheelock. We value feedbacks from our customers and maintain continuous communications with them via social media channels. In handling information collected from our customers, we pay extra attention to privacy issues and manage to comply with the Personal Data (Privacy) Ordinance.

Supply Chain Management

Wheelock shares not only the success of our business with our suppliers and contractors, but also our belief and responsibility of sustainable property development. The procurement policies and procedures address clearly our ethical conduct, labour standards, product responsibility and environmental impact management. We also express our preference over suppliers and contractors who share and comply with the same social, environmental and labour standards with us, as well as those who are certified with ISO 14001 and OHSAS 18001. Throughout the business relationship, we conduct continuous performance tracking at construction sites, and regular reviews to ensure supply chain partners' compliance status with all applicable local laws and Wheelock's requirements.

Stakeholder Engagement

Our business depends on strong relationships built on trust, transparency and communication. To ensure our decisions and performance disclosures continuously meet our stakeholders' expectations, we carry out engagement exercises regularly with key stakeholders — employees, customers, business partners, community partners, government and regulators, investors and the media — through meetings, calls, reports and events. In addition, an extensive stakeholder engagement exercise, including survey, interviews and focus group discussions, has been conducted for the identification of key ESG issues for the CSR Report 2018, which is to be published in June 2019.

REPORT OF THE DIRECTORS (CONTINUED)

(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 2019 (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	Name	Name
Admirable Corporation	LENG Yen Thean	TING Tien Li Ivan
Andrea Limited	LEUNG Chi Kin	TO King Yan Adam
AU Siu Kee Alexander	LEUNG Kai Hang	TSANG Yiu Fat Peter
CHAK Hoi Kit Jacques	LEUNG Kwan Yuen Andrew	TSO Hok Chiu Vivian
CHAN Kai Cheuk	LEUNG Ping Chiu	TSUI Yiu Cheung Paul
CHAN Kwok Pong	LEUNG Yan Yee Hester	TURNBULL David Muir
CHAN Mable	LEVESQUE Peter Jon	WEI Qing Shan
CHAN Sik Wah	LI Jun	WILLIAMS Richard Gareth
CHAN Wai Leung	LI Lei	WONG Kwong Yiu
CHAN Wing Sang Wilson	LI Qingan	WONG Wing Sing
CHAVALIT Uttasart	LI Yubin	WONG Yee Lut Eliot
CHEN Kwan Yiu Edward	LIE-A-CHEONG Tai Chong David	WOO Chun Kuen Douglas
CHEUNG Mark Quintin	LIM Tik En David	WU Guan
CHIANG Sui Fook Lilian	LING Miu Ngan	YEOH Eng Kiong
CHOI Kevin	LO Wai Man	YICK Chi Ming Frankie
CHOI Margaret	LUK Koon Hoo	YIM Kong
CHOW Ming Kuen Joseph	MAN Yuk Sim	YOUNG Stephen Ying Yuen
CHOW Ming Po Aaron	MCCARTHY Colm Martin	YUNG Yung Cheng Frank
CHOW On Kiu	NG Tin Hoi Stephen	ZEMAN Allan
CHOW Siu Ngor	NGAN Chiu Long Sunny	ZHANG Lu
FANG Kang Vincent	OON Hock Neo	ZHANG Vicky Yuanyuan
FU Wai Hung	PAO Zen Kwok Peter	ZHANG Yi
GUO Guanghui	POON Kwok Fai	王佳宏
GUO Yong	SEATON Andrew James	王玲
HAU Shun	SEOW Fook Hin Greg	周建罡
HAU Wing Shing Vincent	SIT Kien Ping Peter	唐雷明
HENNIG Hans Helmuth	SIU Man Ho Simon	徐斯偉
HUI Chung Ying Kevin	SIU Wing Koon	凌學風
HUNG Hing On	SIU Yau Chung Joseph	符冰力
JEBSEN Hans Michael	SUN Ligan	郭志成
KWOK Khien Kevin	SZE Tsai Ping Michael	陳小平
LAM Man Shing	TAM Wai Choi	陳信霖
LAW Elizabeth	TAN Bee Kim	劉鳴
LEE Wai Chung	TAN Zing Yan	蔣曉洲
LEE Yuk Fong Doreen	TANG See King	聶煥新

INDEPENDENT AUDITOR'S REPORT



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 67 to 153, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

The Key Audit Matter

The Group holds a portfolio of IP and IPUD located in Hong Kong, major cities across Mainland China and Singapore which accounted for 58% of the Group's total assets as at 31 December 2018.

The fair values of the IP and IPUD as at 31 December 2018 were assessed by the Group based on independent valuations prepared by qualified external property valuers.

The net changes in fair value of IP and IPUD recorded in the consolidated income statement represented 27% of the Group's profit before taxation for the year ended 31 December 2018.

We identified the valuation of IP and IPUD as a key audit matter because 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 involves significant judgement and estimation, particularly in selecting appropriate valuation methodology, and for IP, in selecting capitalisation rates and market rents while, for IPUD, an estimation of costs to complete each IPUD, which increases the risk of error or potential management bias.

How the matter was addressed in our audit

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

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

For IPUD our audit procedures also included the following:

- evaluating the design, implementation and operating effectiveness of key internal controls over the preparation, monitoring and management of the budgeted construction and other costs for each IPUD;
- performing a retrospective review for all IPUD by comparing the actual construction costs incurred during the current year with those included in the prior year's forecasts in order to assess the accuracy of the Group's budgeting process; 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 with reference to quantity surveyors' reports for the construction costs incurred.

Assessing the net realisable value of properties for sale in Mainland China

Refer to accounting policy K and note 15 to the consolidated financial statements

The Key Audit Matter

The Group had a number of property development projects located in major cities across Mainland China, which were stated at the lower of cost and net realisable value.

As at 31 December 2018, such properties for sale accounted for 42% of the Group's total properties for sale.

The calculation of the net realisable value of each property for sale, including both completed properties for sale and properties under development for sale ("PUD"), at the financial reporting date is performed by the Group's internal property valuers.

The calculation of net realisable value of properties for sale involves significant management judgement and estimation in preparing and updating project feasibility studies and estimations of the costs to complete each PUD as well as in assessing the expected selling prices for each property for sale.

Changes in government policies, which affect interest rates, the required reserve ratio for banks and/or mortgage requirements for second-home buyers, could lead to volatility in property prices.

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

How the matter was addressed in our audit

Our audit procedures to assess the net realisable value of properties for sale 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 properties for sale on a sample basis, discussing the progress with the Group's internal property valuers and comparing the observed progress with the latest development budgets for PUD provided by management with reference to quantity surveyors' reports;
- 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 for sale and comparing costs to complete each PUD with publicly available construction cost information for similar properties (taking into account both property type and location);
- re-performing the calculations made by the internal property valuers in arriving at the year end assessments of net realisable value of each property for sale, on a sample basis, and comparing the estimated costs to complete each PUD with the Group's latest budgets; and
- performing sensitivity analyses to determine the extent of change in those estimates that, either individually or collectively, would be required for properties for sale 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Revenue recognition for investment properties ("IP") and development properties ("DP") in Hong Kong and Mainland China

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

The Key Audit Matter	How the matter was addressed in our audit
<p>Revenue from the IP and DP segments in Hong Kong and Mainland China accounted for 85% of the Group's revenue for the year ended 31 December 2018.</p>	<p>Our audit procedures to assess the revenue recognition for IP and DP included the following:</p> <ul style="list-style-type: none">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; andinspecting, on a sample basis, documents which evidenced that the properties were legally assigned to or accepted by customers in respect of Hong Kong and Mainland China properties respectively and assessing whether the related revenue should be recorded in the current accounting period.
<p>Revenue from IP in Hong Kong and Mainland China 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.</p>	
<p>Revenue from DP in Hong Kong and Mainland China is recognised at a point in time when control of the property has been transferred to the customer. It is considered control of the property has been transferred, in respect of Hong Kong property, when the property is legally assigned to the customer or in respect of Mainland China property, when the property is accepted by the customer.</p>	
<p>We identified the revenue recognition for IP and DP in Hong Kong and Mainland China as a key audit matter because of its significance to the Group and because small errors in the recognition of revenue, either individually or in aggregate, for each property development project could have a material impact on the Group's profit for the year.</p>	

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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

12 March 2019

CONSOLIDATED INCOME STATEMENT

	Note	2018 HK\$ Million	2017 HK\$ Million
Revenue	1	48,490	70,953
Direct costs and operating expenses		(19,435)	(42,264)
Selling and marketing expenses		(1,513)	(2,198)
Administrative and corporate expenses		(1,667)	(1,650)
Operating profit before depreciation, amortisation, interest and tax		25,875	24,841
Depreciation and amortisation	2	(941)	(984)
Operating profit	1 & 2	24,934	23,857
Increase in fair value of investment properties		9,195	9,860
Other net (charge)/income	3	(1,894)	4,478
Finance costs	4	(1,599)	(1,154)
Share of results after tax of:			
Associates	10(e)	1,585	1,471
Joint ventures	11(d)	1,279	2,954
Profit before taxation		33,500	41,466
Income tax	5	(6,630)	(8,435)
Profit for the year		26,870	33,031
Profit attributable to:			
Equity shareholders		17,239	20,570
Non-controlling interests		9,631	12,461
		26,870	33,031
Earnings per share	7		
Basic		HK\$8.43	HK\$10.09
Diluted		HK\$8.41	HK\$10.06

The notes and principal accounting policies on pages 74 to 153 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

	2018 HK\$ Million	2017 HK\$ Million
Profit for the year	26,870	33,031
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange (losses)/gains on translation of foreign operations	(4,027)	5,448
Share of other comprehensive income of associates and joint ventures	(1,088)	1,075
Net deficit on bond investments:	(15)	(2)
Fair value changes	(21)	–
Transfer from investments revaluation reserve to profit or loss on disposal	6	(2)
Others	1	5
Items that will not be reclassified to profit or loss:		
Fair value changes on listed equity investments	(7,076)	4,090
Revaluation on reclassification of other properties	–	1,427
Other comprehensive income for the year	(12,205)	12,043
Total comprehensive income for the year	14,665	45,074
Total comprehensive income attributable to:		
Equity shareholders	9,168	28,425
Non-controlling interests	5,497	16,649
	14,665	45,074

The notes and principal accounting policies on pages 74 to 153 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2018 HK\$ Million	2017 HK\$ Million
Non-current assets			
Investment properties	8	341,466	346,442
Property, plant and equipment	9	21,970	21,772
Interest in associates	10	21,390	25,533
Interest in joint ventures	11	29,161	16,390
Other long term investments	12	42,645	29,001
Goodwill and other intangible assets	13	298	298
Deferred tax assets	23	1,116	1,336
Derivative financial assets	17	282	204
Other non-current assets		1,032	1,158
		459,360	442,134
Current assets			
Properties for sale	15	91,433	58,518
Inventories		13	12
Trade and other receivables	16	10,002	12,359
Derivative financial assets	17	171	175
Bank deposits and cash	18	28,824	56,474
		130,443	127,538
Non-current assets classified as held for sale	14	2,821	–
		133,264	127,538
Total assets		592,624	569,672
Non-current liabilities			
Derivative financial liabilities	17	(682)	(814)
Deferred tax liabilities	23	(13,984)	(13,535)
Other deferred liabilities		(331)	(314)
Bank loans and other borrowings	21	(106,863)	(79,021)
		(121,860)	(93,684)
Current liabilities			
Liabilities directly associated with the non-current assets classified as held for sale	14	(11)	–
Trade and other payables	19	(34,916)	(32,314)
Deposits from sale of properties	20	(24,780)	(14,861)
Derivative financial liabilities	17	(490)	(347)
Taxation payable	5(d)	(6,121)	(5,473)
Bank loans and other borrowings	21	(14,968)	(35,170)
		(81,286)	(88,165)
Total liabilities		(203,146)	(181,849)
NET ASSETS		389,478	387,823
Capital and reserves			
Share capital	25(a)	3,724	3,418
Reserves		247,353	238,266
Shareholders' equity		251,077	241,684
Non-controlling interests		138,401	146,139
TOTAL EQUITY		389,478	387,823

The notes and principal accounting policies on pages 74 to 153 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

	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 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
Shares 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 and 1 January 2018	3,418	1,888	734	235,644	241,684	146,139	387,823
Changes in equity for 2018:							
Profit	–	–	–	17,239	17,239	9,631	26,870
Other comprehensive income	–	(4,965)	(3,103)	(3)	(8,071)	(4,134)	(12,205)
Total comprehensive income	–	(4,965)	(3,103)	17,236	9,168	5,497	14,665
Shares issued under the share option scheme	306	(60)	–	–	246	–	246
Equity settled share-based payments	–	29	–	–	29	6	35
Shares issued by a subsidiary	–	(111)	–	–	(111)	350	239
Acquisition of additional interest in subsidiaries	–	–	–	3,030	3,030	(9,587)	(6,557)
Transfer to revenue reserves upon de-recognition of equity investments	–	16	–	(16)	–	–	–
2017 second interim dividend paid	–	–	–	(1,945)	(1,945)	–	(1,945)
2018 first interim dividend paid	–	–	–	(1,024)	(1,024)	–	(1,024)
Dividends paid to non-controlling interests	–	–	–	–	–	(4,004)	(4,004)
At 31 December 2018	3,724	(3,203)	(2,369)	252,925	251,077	138,401	389,478

The notes and principal accounting policies on pages 74 to 153 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2018 HK\$ Million	2017 HK\$ Million
Operating cash inflow	(a)	24,439	23,971
Changes in working capital	(a)	(15,210)	(2,420)
Exchange differences	(a)	288	251
Cash generated from operations	(a)	9,517	21,802
Net interest paid		(3,171)	(1,573)
Interest paid		(3,907)	(2,211)
Interest received		736	638
Dividends received from associates		737	933
Dividends received from joint ventures		279	207
Dividends received from other long term investments		783	315
Hong Kong profits tax paid		(2,015)	(3,086)
Overseas tax paid		(2,548)	(1,365)
Net cash generated from operating activities		3,582	17,233
Investing activities			
Additions to investment properties		(2,739)	(5,793)
Additions to property, plant and equipment		(422)	(2,176)
Additions to programming library		–	(72)
Net increase in interest in associates		(4,364)	(7,542)
Net decrease in interest in joint ventures		32	4,400
Acquisition of additional interest in subsidiaries		(6,495)	(1,025)
Purchase of other long term investments		(19,509)	(16,143)
Net proceeds from disposal of subsidiaries		–	824
Net proceeds from disposal of an associate		22	850
Proceeds from disposal of other long term investments		1,156	1,611
Proceeds from disposal of investment properties		–	5,525
Net proceeds from disposal of property, plant and equipment		–	2
Decrease/(increase) in long term receivables		8	(633)
Net release of bank deposits with maturity greater than three months		1,430	4,528
Release/(placement) of pledged bank deposits		105	(8)
Net cash used in investing activities		(30,776)	(15,652)
Financing activities			
Proceeds from the issue of shares under the share option scheme		246	277
Proceeds from the issue of shares under the share option scheme of a subsidiary		239	225
Drawdown of bank loans and other borrowings	(c)	66,435	65,591
Repayment of bank loans and other borrowings	(c)	(58,026)	(45,944)
Net capital repatriation from non-controlling interests of subsidiaries		–	(344)
Dividends paid to equity shareholders		(2,969)	(3,264)
Dividends paid to non-controlling interests		(4,004)	(2,715)
Net cash generated from financing activities		1,921	13,826
Net (decrease)/increase in cash and cash equivalents		(25,273)	15,407
Cash and cash equivalents at 1 January		52,244	35,214
Effect of exchange rate changes		(842)	1,623
Cash and cash equivalents at 31 December	(b)	26,129	52,244

The notes and principal accounting policies on pages 74 to 153 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

a) Reconciliation of operating profit to cash generated from operations

	2018 HK\$ Million	2017 HK\$ Million
Operating profit	24,934	23,857
Adjustments for:		
Interest income	(684)	(638)
Dividend income from other long term investments	(791)	(315)
Depreciation and amortisation	941	984
Loss on disposal of property, plant and equipment	4	8
Equity settled share-based payment expenses	35	75
Operating cash inflow	24,439	23,971
Increase in properties under development for sale	(43,787)	(24,346)
Decrease in completed properties for sale	14,146	33,338
(Increase)/decrease in inventories	(1)	3
Decrease/(increase) in trade and other receivables	2,639	(1,483)
Increase in trade and other payables	1,896	6,795
Increase/(decrease) in deposits from sale of properties	9,904	(15,738)
Decrease in derivative financial instruments	(36)	(1,015)
Other non-cash items	29	26
Changes in working capital	(15,210)	(2,420)
Exchange differences	288	251
Cash generated from operations	9,517	21,802

b) Cash and cash equivalents

	2018 HK\$ Million	2017 HK\$ Million
Bank deposits and cash in the consolidated statement of financial position (note 18)	28,824	56,474
Less: Bank deposits with maturity greater than three months	(2,695)	(4,125)
Pledged bank deposits	–	(105)
Cash and cash equivalents in the consolidated statement of cash flows	26,129	52,244

c) Reconciliation of liabilities arising from financing activities

	Bank loans and other borrowings 2018 HK\$ Million	Bank loans and other borrowings 2017 HK\$ Million
At 1 January	114,191	94,941
Changes from financing cash flows:		
Proceeds from new bank loans	66,435	65,591
Repayment of bank loans	(58,026)	(45,944)
Total changes from financing activities	8,409	19,647
Exchange adjustments	(544)	1,342
Other changes:		
Disposal of subsidiaries	–	(1,945)
Fair value (gain)/loss	(225)	206
At 31 December	121,831	114,191

NOTES TO THE FINANCIAL STATEMENTS

1. SEGMENT INFORMATION

The Group manages its diversified businesses according to the nature of services and products provided. Management has determined four reportable operating segments for measuring performance and allocating resources. The segments are investment property, development property, hotels and logistics. The Group completed the exit from communications and media and entertainment (“CME”) on distribution of i-CABLE Communication Limited’s shares in specie to the Company’s shareholders. 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.

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 other long term 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	Increase/ (decrease) in fair value of investment properties HK\$ Million	Other net (charge)/ income HK\$ Million	Finance costs HK\$ Million	Share of results after tax of associates HK\$ Million	Share of results after tax of joint ventures HK\$ Million	Profit before taxation HK\$ Million
For the year ended 31 December 2018								
Investment property	18,326	14,825	9,195	23	(1,048)	-	95	23,090
Hong Kong	14,549	12,704	8,803	-	(835)	-	-	20,672
Mainland China	3,429	1,872	568	23	(213)	-	95	2,345
Singapore	348	249	(176)	-	-	-	-	73
Development property	23,283	8,404	-	114	(420)	1,117	1,167	10,382
Hong Kong	9,740	2,754	-	15	(278)	-	947	3,438
Mainland China	13,478	5,596	-	99	(142)	1,117	220	6,890
Singapore	65	54	-	-	-	-	-	54
Hotels	2,284	345	-	8	(39)	-	7	321
Logistics	2,742	606	-	(50)	(191)	272	10	647
Terminals	2,606	587	-	(9)	(191)	176	10	573
Others	136	19	-	(41)	-	96	-	74
Inter-segment revenue	(264)	-	-	-	-	-	-	-
Segment total	46,371	24,180	9,195	95	(1,698)	1,389	1,279	34,440
Investment and others	2,119	1,515	-	(1,989)	99	196	-	(179)
Corporate expenses	-	(761)	-	-	-	-	-	(761)
Group total	48,490	24,934	9,195	(1,894)	(1,599)	1,585	1,279	33,500
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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Analysis of inter-segment revenue

	2018			2017		
	Total revenue HK\$ Million	Inter-segment revenue HK\$ Million	Group revenue HK\$ Million	Total revenue HK\$ Million	Inter-segment revenue HK\$ Million	Group revenue HK\$ Million
Investment property	18,326	(127)	18,199	16,529	(156)	16,373
Development property	23,283	-	23,283	47,836	-	47,836
Hotels	2,284	(106)	2,178	1,686	-	1,686
Logistics	2,742	-	2,742	2,817	-	2,817
CME	-	-	-	874	-	874
Investment and others	2,119	(31)	2,088	1,481	(114)	1,367
	48,754	(264)	48,490	71,223	(270)	70,953

c) Disaggregation of revenue

	2018 HK\$ Million	2017 HK\$ Million
Revenue recognised under Hong Kong Financial Reporting Standard ("HKFRS") 15		
Sales of development properties	23,283	47,836
Management and service income	1,697	1,301
Other rental related income	243	156
Hotel and club operations	2,178	1,686
Logistic service income	2,742	2,817
CME service income	-	874
	30,143	54,670
Revenue recognised under other accounting standards		
Rental income	16,343	14,937
Investment and others	2,004	1,346
	18,347	16,283
Group total	48,490	70,953

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to revenue from hotels, logistics and management fee under investment property such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts with customers that had an original expected duration of one year or less.

d) Analysis of segment business assets

	2018 HK\$ Million	2017 HK\$ Million
Investment property	345,614	351,386
Hong Kong	283,745	276,610
Mainland China	55,747	68,375
Singapore	6,122	6,401
Development property	149,081	108,990
Hong Kong	72,477	47,552
Mainland China	76,256	56,623
Singapore	348	4,815
Hotels	10,937	10,118
Logistics	16,176	16,803
Terminals	15,287	15,865
Others	889	938
Total segment business assets	521,808	487,297
Unallocated corporate assets	70,816	82,375
Total assets	592,624	569,672

Unallocated corporate assets mainly comprise certain other long term 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:

	2018 HK\$ Million	2017 HK\$ Million
Development property	45,923	37,242
Logistics	4,628	4,681
Group total	50,551	41,923

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

e) Other segment information

	Capital expenditure		Increase in interests in associates and joint ventures		Depreciation and amortisation	
	2018 HK\$ Million	2017 HK\$ Million	2018 HK\$ Million	2017 HK\$ Million	2018 HK\$ Million	2017 HK\$ Million
Investment property	5,914	5,237	–	–	182	128
Hong Kong	680	2,375	–	–	30	32
Mainland China	5,225	2,857	–	–	151	95
Singapore	9	5	–	–	1	1
Development property	–	–	9,868	6,332	–	–
Hong Kong	–	–	7	4	–	–
Mainland China	–	–	9,861	6,328	–	–
Hotels	37	1,630	–	–	271	174
Logistics	218	406	–	–	487	456
Terminals	218	406	–	–	484	454
Others	–	–	–	–	3	2
CME	–	135	–	–	–	225
i-CABLE	–	135	–	–	–	222
Telecommunications	–	–	–	–	–	3
Segment total	6,169	7,408	9,868	6,332	940	983
Investment and others	–	–	–	–	1	1
Group total	6,169	7,408	9,868	6,332	941	984

In 2017, the CME segment incurred HK\$74 million for its programming library. The Group had no significant non-cash expenses other than i) provision of HK\$17 million (2017: write-back of provision HK\$1,104 million) made for certain development projects and assets and ii) depreciation and amortisation.

f) Geographical information

	Revenue		Operating profit	
	2018 HK\$ Million	2017 HK\$ Million	2018 HK\$ Million	2017 HK\$ Million
Hong Kong	29,529	37,427	17,064	13,911
Mainland China	18,310	27,451	7,375	9,226
Singapore	651	6,075	495	720
Group total	48,490	70,953	24,934	23,857

	Specified non-current assets		Total business assets	
	2018 HK\$ Million	2017 HK\$ Million	2018 HK\$ Million	2017 HK\$ Million
Hong Kong	306,013	298,298	370,879	339,174
Mainland China	102,177	102,435	144,459	136,907
Singapore	6,095	9,817	6,470	11,216
Group total	414,285	410,550	521,808	487,297

Specified non-current assets exclude deferred tax assets, certain other long term 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 listed equity and bond investments, where they are listed. The geographical location of specified non-current assets and total business assets is based on the physical location of operations.

2. OPERATING PROFIT

a) Operating profit

	2018 HK\$ Million	2017 HK\$ Million
Operating profit is arrived at after charging/(crediting):		
Depreciation and amortisation on		
— assets held for use under operating leases	168	167
— property, plant and equipment	704	670
— leasehold land	69	66
— programming library	—	81
Total depreciation and amortisation	941	984
Staff costs (note i)	3,494	3,527
Auditors' remuneration		
— audit services	36	42
— other services	6	5
Cost of trading properties for recognised sales	13,935	36,657
(Reversal of impairment)/impairment of trade receivables	(2)	4
Gross rental revenue from investment properties (note ii)	(18,326)	(16,529)
Direct operating expenses of investment properties	3,365	2,535
Rental income under operating leases in respect of owned plant and equipment	(8)	(28)
Interest income (note iii)	(684)	(638)
Dividend income from other long term investments	(791)	(315)
Loss on disposal of property, plant and equipment	4	8

Notes:

- (i) Staff costs included contributions to defined contribution pension schemes of HK\$300 million (2017: HK\$294 million) and equity settled share-based payment expenses of HK\$35 million (2017: HK\$75 million).
- (ii) Rental income included contingent rentals of HK\$2,011 million (2017: HK\$1,278 million).
- (iii) Interest income of HK\$662 million (2017: HK\$603 million) was in respect of financial assets, which mainly comprise bank deposits, stated at amortised cost. The remaining of HK\$22 million (2017: HK\$35 million) was in respect of financial assets at fair value through other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 were as follows:

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Contributions to pension schemes HK\$'000	2018 Total emoluments HK\$'000	2017 Total emoluments HK\$'000
Board of Directors						
Douglas C K Woo	300	6,480	15,000	643	22,423	17,141
Stephen T H Ng	300	8,392	41,640	–	50,332	92,475
Stewart C K Leung	200	5,501	12,000	–	17,701	14,676
Paul Y C Tsui	200	5,470	17,430	–	23,100	11,954
Ricky K Y Wong	200	4,968	10,000	738	15,906	13,428
Non-executive Director						
Mignonne Cheng	200	–	–	–	200	200
Independent Non-executive Directors						
T H Chau	200	–	–	–	200	200
Winston K W Leong	200	–	–	–	200	200
Alan H Smith (note ii)	350	–	–	–	350	350
Richard Y S Tang	200	–	–	–	200	200
Kenneth W S Ting (note ii)	350	–	–	–	350	350
Nancy S L Tse (note ii)	300	–	–	–	300	300
Glenn S Yee (note ii)	300	–	–	–	300	300
	3,300	30,811	96,070	1,381	131,562	151,774
Total for 2017	3,300	29,568	117,600	1,306		151,774

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 2018 and 2017.
- (ii) Includes Audit Committee Members' fee for the year ended 31 December 2018 of HK\$100,000 (2017: HK\$100,000) and Remuneration Committee Members' fee for the year ended 31 December 2018 of HK\$50,000 (2017: HK\$50,000) received/receivable by each relevant Directors.
- (iii) All the salaries, allowances, benefits-in-kind, discretionary bonuses and retirement scheme contributions payable to the executive directors of the Company were in respect of their respective services in connection with the management of the affairs of the Company and/or its subsidiary undertakings.
- (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 22.

c) Five highest paid employees

For the year ended 31 December 2018, information regarding emoluments of 3 (2017: 2) employees of the Group who, not being Directors of the Company, were among the top five highest paid individuals (including Directors of the Company and other employees of the Group) employed by the Group has been set out below:

(i) Aggregate emoluments

	2018 HK\$ Million	2017 HK\$ Million
Salaries, allowances and benefits in kind	23	16
Equity settled share-based payment expenses (note)	8	11
Contributions to pension schemes	–	–
Discretionary bonuses	117	27
Total	148	54

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

	2018 Number	2017 Number
Bands (in HK\$)		
\$22,500,001 – \$23,000,000	–	1
\$31,500,001 – \$32,000,000	–	1
\$44,500,001 – \$45,000,000	1	–
\$50,500,001 – \$51,000,000	1	–
\$52,500,001 – \$53,000,000	1	–
	3	2

3. OTHER NET (CHARGE)/INCOME

Other net charge for the year amounted to HK\$1,894 million (2017: income of HK\$4,478 million) and mainly comprised:

- a) A deficit of HK\$1,171 million (2017: HK\$Nil) resulted from the reclassification of the investment in an associate from interest in associates to other long term investments (see note 10).
- b) Net exchange loss of HK\$692 million (2017: HK\$703 million) which included a fair value loss on forward foreign exchange contracts of HK\$41 million (2017: HK\$381 million).
- c) 2017 included a gain of HK\$4,499 million arising from disposal of an investment property.
- d) 2017 included write-back of impairment provision of HK\$1,104 million on certain development projects and assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. FINANCE COSTS

	2018 HK\$ Million	2017 HK\$ Million
Interest charged on:		
Bank loans and overdrafts	1,624	1,245
Other borrowings	1,204	1,037
Total interest charge	2,828	2,282
Other finance costs	327	265
Less: Amount capitalised	(1,213)	(1,093)
	1,942	1,454
Fair value (gain)/loss:		
Cross currency interest rate swaps	(210)	(433)
Interest rate swaps	(133)	133
	(343)	(300)
Total	1,599	1,154

- a) Interest was capitalised at an average annual rate of approximately 1.9% (2017: 2.1%).
- b) Included in the total interest charge are amounts totalling HK\$2,351 million (2017: HK\$1,494 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:

	2018 HK\$ Million	2017 HK\$ Million
Current income tax		
Hong Kong		
– provision for the year	2,530	2,051
– under/(over)-provision in respect of prior years	2	(8)
Outside Hong Kong		
– provision for the year	1,452	2,669
– over-provision in respect of prior years	(9)	(38)
	3,975	4,674
Land appreciation tax (“LAT”) in Mainland China (note 5(c))	1,551	2,453
Deferred tax (note 23)		
Change in fair value of investment properties	522	572
Origination and reversal of temporary differences	582	736
	1,104	1,308
Total	6,630	8,435

- 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% (2017: 16.5%).
- b) Income tax on assessable profits outside Hong Kong is mainly China corporate income tax calculated at a rate of 25% (2017: 25%), China withholding income tax at a rate of up to 10% and Singapore income tax at a rate of 17% (2017: 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 2018 of HK\$1,247 million (2017: HK\$1,435 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 2018, the Group has provided HK\$314 million (2017: HK\$1,427 million) for withholding taxes on accumulated earnings generated by its Mainland China subsidiaries which have been/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:

	2018 HK\$ Million	2017 HK\$ Million
Profit before taxation	33,500	41,466
Notional tax on profit before taxation calculated at applicable tax rates	6,072	7,146
Tax effect of non-deductible expenses	774	396
Tax effect of non-taxable income	(993)	(1,814)
Tax effect of non-taxable fair value gain on investment properties	(1,425)	(1,419)
Net over-provision in respect of prior years	(7)	(46)
Tax effect of tax losses not recognised	291	205
Tax effect of previously unrecognised tax losses utilised	(105)	(54)
Tax effect of previously unrecognised tax losses recognised as deferred tax assets	(10)	(102)
Tax effect of temporary difference not recognised	(214)	(52)
LAT on trading properties	1,551	2,453
Deferred LAT on change in fair value of investment properties	382	295
Withholding tax on distributed/undistributed earnings	314	1,427
Actual total tax charge	6,630	8,435

6. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	2018 HK\$ per share	2018 HK\$ Million	2017 HK\$ per share	2017 HK\$ Million
First interim dividend declared and paid	0.500	1,024	0.475	969
Second interim dividend declared after the end of the reporting period	1.050	2,150	0.950	1,940
Total	1.550	3,174	1.425	2,909

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- a) The second interim dividend based on 2,048 million (2017: 2,042 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\$1,945 million for 2017 was approved and paid in 2018.
- c) In 2017, the distribution in specie comprised (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

	2018 HK\$ Million	2017 HK\$ Million
Profit attributable to equity shareholders	17,239	20,570

b) Weighted average number of ordinary shares

	2018 No. of shares	2017 No. of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,046,116,410	2,039,045,177
Effect of dilutive potential shares — Share options	3,014,607	5,788,888
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,049,131,017	2,044,834,065

8. INVESTMENT PROPERTIES

	Completed HK\$ Million	Under development HK\$ Million	Total HK\$ Million
a) Cost or valuation			
At 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 and 1 January 2018	312,486	33,956	346,442
Exchange differences	(2,205)	(926)	(3,131)
Additions	319	5,461	5,780
Reclassification	18,141	(32,140)	(13,999)
Revaluation surplus	9,173	22	9,195
Transfer to assets held for sale (note 14)	(2,821)	–	(2,821)
At 31 December 2018	335,093	6,373	341,466

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

2018 valuation	335,093	5,526	340,619
At cost	–	847	847
	335,093	6,373	341,466
2017 valuation	312,486	12,187	324,673
At cost	–	21,769	21,769
	312,486	33,956	346,442

c) Tenure of title to properties:

At 31 December 2018			
Held in Hong Kong			
Long term leases	237,204	–	237,204
Medium term leases	37,433	5,670	43,103
	274,637	5,670	280,307
Held outside Hong Kong			
Freehold	1,159	–	1,159
Long term leases	4,925	–	4,925
Medium term leases	54,372	703	55,075
	335,093	6,373	341,466
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

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 (including those classified as held for sale) stated at fair value as at 31 December 2018 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 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 as "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 HKFRS 13, Fair value measurement. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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				Total HK\$ Million
	Retail HK\$ Million	Office HK\$ Million	Residential HK\$ Million	Others HK\$ Million	
Recurring fair value measurements At 31 December 2018					
Hong Kong	155,312	99,127	20,656	5,068	280,163
Mainland China	29,988	20,412	3,972	–	54,372
Singapore	3,854	2,230	–	–	6,084
	189,154	121,769	24,628	5,068	340,619
Non-current assets classified as held for sale – Hong Kong	2,821	–	–	–	2,821
	191,975	121,769	24,628	5,068	343,440
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

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 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 and 1 January 2018	312,486	12,187	324,673
Reclassification	18,141	(6,957)	11,184
Exchange differences	(2,205)	–	(2,205)
Additions	319	274	593
Revaluation surplus	9,173	22	9,195
Transfer to assets held for sale (note 14)	(2,821)	–	(2,821)
At 31 December 2018	335,093	5,526	340,619

During the years ended 31 December 2018 and 2017, there were no transfers between Level 1 and Level 2 or transfers into or out of Level 3.

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

Valuation processes

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

Valuation methodologies

The valuations of completed office and retail properties in Hong Kong, 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 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:

	Capitalisation rate		Market rent	
	2018	2017	2018	2017
Hong Kong			(per square foot)	(per square foot)
– Retail (note)	5.2%	5.2%	HK\$260	HK\$264
– Office	4.2%	4.2%	HK\$59	HK\$56
– Residential	2.6%	4.0%	HK\$68	HK\$59
Mainland China			(per square metre)	(per square metre)
– Retail	6.3%	7.0%	RMB347	RMB350
– Office	6.6%	6.5%	RMB177	RMB180
– Residential	4.3%	4.3%	RMB149	RMB144
Singapore			(per square foot)	(per square foot)
– Retail	4.9%	5.2%	S\$15.3	S\$16.7
– Office	4.0%	4.3%	S\$11.0	S\$11.0

Note: The weighted average capitalisation rate and market rent in 2018 included inputs adopted for those investment properties classified as held for sale.

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 twelve 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	2018 HK\$ Million	2017 HK\$ Million
Within 1 year	13,523	12,547
After 1 year but within 5 years	20,459	16,936
After 5 years	1,076	1,209
	35,058	30,692

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 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 and 1 January 2018	4,155	11,258	1,610	14,323	-	31,346
Exchange differences	(119)	(129)	(71)	(193)	-	(512)
Additions/(reversal)	-	(45)	11	422	-	388
Disposals	-	-	-	(69)	-	(69)
Reclassification	-	1,140	(7)	4	-	1,137
At 31 December 2018	4,036	12,224	1,543	14,487	-	32,290
Accumulated depreciation, amortisation and impairment losses						
At 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 and 1 January 2018	1,044	1,680	-	6,850	-	9,574
Exchange differences	(20)	(44)	-	(63)	-	(127)
Charge for the year	69	271	-	601	-	941
Written back on disposals	-	-	-	(65)	-	(65)
Reclassification	-	-	-	(3)	-	(3)
At 31 December 2018	1,093	1,907	-	7,320	-	10,320
Net book value						
At 31 December 2018	2,943	10,317	1,543	7,167	-	21,970
At 31 December 2017	3,111	9,578	1,610	7,473	-	21,772

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	Total HK\$ Million
At 31 December 2018					
Held in Hong Kong					
Long term leases	81	177	-	-	258
Medium term leases	787	7,223	-	2,593	10,603
	868	7,400	-	2,593	10,861
Held outside Hong Kong					
Medium term leases	2,075	2,917	1,543	1,789	8,324
	2,943	10,317	1,543	4,382	19,185
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

10. INTEREST IN ASSOCIATES

	2018 HK\$ Million	2017 HK\$ Million
Share of net assets	8,833	9,532
Goodwill	1,853	1,853
	10,686	11,385
Amounts due from associates	10,704	14,148
	21,390	25,533
Amounts due to associates (note 19)	(2,709)	(2,933)
	18,681	22,600

On 28 December 2018, the Group completed the divestment in 68 Holdings Pte. Ltd, parent of Hotel Properties Limited (“HPL”) and in return, received 22.5% of equity interest in HPL. Since the Group no longer have significant influence on HPL, a deficit on reclassification of an associate of HK\$1,171 million was recorded in other net charge in the consolidated income statement, principally reflecting the shortfall of the fair value of the shares in HPL held by the Group over its net assets on 28 December 2018 and the release of the cumulative foreign exchange loss from exchange reserve. The fair value of the shares in HPL is included in other long term investments in the consolidated statement of financial position of the Group as at 31 December 2018.

a) Details of principal associates at 31 December 2018 are shown on pages 150 to 151.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- b)** Amounts due from associates are unsecured, interest free and have no fixed terms of repayment, except for an advance of HK\$371 million (2017: 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 (2017: HK\$1,853 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)** At 31 December 2018, no associate is considered to be individually material to the Group. Aggregate information of associates that are not individually material is summarised below:

	2018 HK\$ Million	2017 HK\$ Million
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	10,686	11,385
Aggregate amounts of the Group's share of those associates		
Profit from continuing operations	1,585	1,471
Other comprehensive income	(634)	524
Total comprehensive income	951	1,995

11. INTEREST IN JOINT VENTURES

	2018 HK\$ Million	2017 HK\$ Million
Share of net assets	13,956	11,523
Amounts due from joint ventures	15,205	4,867
	29,161	16,390
Amounts due to joint ventures (note 19)	(5,707)	(3,209)
	23,454	13,181

- a)** Details of principal joint ventures at 31 December 2018 are shown on page 151.
- b)** Amounts due from joint ventures are unsecured, interest free and have no fixed terms of repayment, except for advances of HK\$4,564 million (2017: HK\$315 million) made by the Group to joint ventures which are 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) At 31 December 2018, no joint venture is considered to be individually material to the Group. Aggregate information of joint ventures that are not individually material is summarised below:

	2018 HK\$ Million	2017 HK\$ Million
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	13,956	11,523
Aggregate amounts of the Group's share of those joint ventures		
Profit from continuing operations	1,279	2,954
Other comprehensive income	(454)	551
Total comprehensive income	825	3,505

12. OTHER LONG TERM INVESTMENTS

	2018 HK\$ Million	2017 HK\$ Million
Equity and bond investments		
– listed in Hong Kong	24,200	20,709
– listed outside Hong Kong	17,092	8,201
	41,292	28,910
Other unlisted equity investments	1,353	91
	42,645	29,001

Analysed by industry sectors as follows:

	2018 HK\$ Million	2017 HK\$ Million
– Property	21,056	18,976
– Technology and new economy	17,787	9,129
– Others	3,802	896
	42,645	29,001

Equity investments are designated as financial assets at fair value through other comprehensive income which mainly represent a portfolio of blue chips including property counters and investments in technology and new economy held for long term growth potential with reasonable dividend return that in line with market and each investment within the portfolio is individually immaterial to the Group's total assets. Other unlisted equity investments are classified as financial assets through profit or loss.

Bond investments are designated as financial assets at fair value through other comprehensive income which mainly represent a portfolio of bonds issued by scalable companies with high credit-rating.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill HK\$ Million	Other intangible assets HK\$ Million	Total HK\$ Million
Cost			
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	298	12	310
Accumulated amortisation			
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	–	12	12
Net carrying value			
At 31 December 2018	298	–	298
At 31 December 2017	298	–	298

Goodwill mainly relates to the Group's terminals business. As at 31 December 2018, 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. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On 3 October 2018, the Group entered into a sale and purchase agreement with an independent third party to dispose of certain investment properties situated in Hong Kong. Accordingly, the following assets and liabilities are presented as assets held for sale.

	2018 HK\$ Million
Non-current assets classified as held for sale	
Investment properties	2,821
Liabilities directly associated with the non-current assets classified as held for sale	
Deposits received	11

The fair value of investment properties was determined by reference to the same methodology of valuing investment properties and were categorised as a level 3 measurement, details of which are disclosed in note 8(d).

15. PROPERTIES FOR SALE

	2018 HK\$ Million	2017 HK\$ Million
Properties under development for sale	76,258	47,987
Completed properties for sale	15,175	10,531
	91,433	58,518

- a) As at 31 December 2018, properties under development for sale of HK\$64,533 million (2017: HK\$37,688 million) are expected to be completed after more than one year.
- b) As at 31 December 2017, included in properties under development for sale were deposits of HK\$11,867 million paid for the acquisition for certain land sites/properties located in Mainland China.
- c) Properties under development for sale and completed properties for sale are stated at the lower of cost and net realisable value. The total carrying value of properties stated at net realisable value at 31 December 2018 was HK\$2,083 million (2017: HK\$2,163 million).

- d) At 31 December 2018, 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:

	2018 HK\$ Million	2017 HK\$ Million
Held in Hong Kong		
Long term leases	3,862	1,149
Medium term leases	35,703	20,558
	39,565	21,707
Held outside Hong Kong		
Freehold	104	3,025
Long term leases	25,081	20,333
Medium term leases	434	215
	25,619	23,573
	65,184	45,280

16. 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 2018 as follows:

	31 December 2018 HK\$ Million	31 December 2017 and 1 January 2018 HK\$ Million
Trade receivables		
0 – 30 days	632	944
31 – 60 days	86	150
61 – 90 days	40	55
Over 90 days	100	115
	858	1,264
Accrued sales receivables	18	4,425
Other receivables and prepayments (note)	9,126	6,670
	10,002	12,359

Note: Contract costs capitalised as at 31 December 2018 relate to the incremental sales commissions paid to property agents whose selling activities resulted in customers entering into sale and purchase agreements for the Group's properties which are still under construction at the end of the reporting period.

Such sales commissions capitalised included in other receivables and prepayments were HK\$475 million (2017: HK\$190 million).

Contract costs are recognised as part of "selling and marketing expenses" in the consolidated income statement in the period in which revenue from the related property sales is recognised. The amount of capitalised costs recognised in profit or loss during the year was HK\$208 million. There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the year.

The amount of capitalised contract costs that is expected to be recovered after more than one year is HK\$304 million.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

Except for other contract costs, all of the above receivables and prepayments are financial assets measured at amortised cost.

b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account based on expected credit losses. Given the Group has not experienced any significant credit losses in the past and holds sufficient rental deposits from tenants to cover the potential exposure to credit risk, the allowance for expected credit losses is therefore insignificant.

The movement in the allowance account for the bad and doubtful debts during the year is as follows:

	2018 HK\$ Million	2017 HK\$ Million
At 1 January	14	23
(Reversal of impairment)/impairment loss recognised	(2)	4
Uncollectible amounts written off	–	(4)
Disposal of subsidiaries	–	(9)
At 31 December	12	14

c) Trade receivables that are not impaired

As at 31 December 2018, 99% (2017: 99%) of the Group's trade receivables was not impaired, of which 88% (2017: 92%) was either not past due or less than two months past due.

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

17. DERIVATIVE FINANCIAL INSTRUMENTS

	2018		2017	
	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	188	95	169	52
Floating-to-fixed interest rate swaps	–	67	–	176
Cross currency interest rate swaps	137	994	87	932
Forward foreign exchange contracts	128	16	123	1
Total	453	1,172	379	1,161
Analysis				
Non-current	282	682	204	814
Current	171	490	175	347
Total	453	1,172	379	1,161

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

	2018		2017	
	Assets HK\$ Million	Liabilities HK\$ Million	Assets HK\$ Million	Liabilities HK\$ Million
Fixed-to-floating interest rate swaps				
Expiring within 1 year	21	–	29	7
Expiring after more than 1 year but not exceeding 5 years	82	23	55	16
Expiring after 5 years	85	72	85	29
	188	95	169	52
Floating-to-fixed interest rate swaps				
Expiring within 1 year	–	7	–	26
Expiring after more than 1 year but not exceeding 5 years	–	17	–	78
Expiring after 5 years	–	43	–	72
	–	67	–	176
Cross currency interest rate swaps				
Expiring within 1 year	23	305	12	211
Expiring after more than 1 year but not exceeding 5 years	84	505	56	584
Expiring after 5 years	30	184	19	137
	137	994	87	932
Forward foreign exchange contracts				
Expiring within 1 year	81	–	59	–
Expiring after more than 1 year but not exceeding 5 years	46	1	64	1
Expiring after 5 years	1	15	–	–
	128	16	123	1
Total	453	1,172	379	1,161

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	2018 HK\$ Million	2017 HK\$ Million
Fixed-to-floating interest rate swaps	18,093	15,904
Floating-to-fixed interest rate swaps	5,730	8,230
Cross currency interest rate swaps	29,130	33,256
Forward foreign exchange contracts	17,503	21,666

- 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\$41 million (2017: HK\$381 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\$210 million (2017: HK\$433 million) and gain on interest rate swaps in the amounts of HK\$133 million (2017: loss of HK\$133 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 2018, the Group has not offset any of the financial instruments as no parties have exercised their rights to offset the recognised amounts in the consolidated financial statements.

18. BANK DEPOSITS AND CASH

	2018 HK\$ Million	2017 HK\$ Million
Bank deposits and cash	28,824	56,474

At 31 December 2018, bank deposits and cash included:

- a) HK\$15,734 million equivalent (2017: HK\$16,926 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) RMB790 million equivalent to HK\$901 million (2017: RMB1,753 million equivalent to HK\$2,098 million) which is solely for certain designated property development projects in Mainland China, and Singapore dollar balances of HK\$207 million equivalent (2017: HK\$163 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 2.7% (2017: 1.3%) per annum.

Bank deposits and cash are denominated in the following currencies:

	2018 HK\$ Million	2017 HK\$ Million
RMB	15,835	17,098
HKD	8,352	34,805
SGD	4,328	3,667
USD	308	902
Other currencies	1	2
	28,824	56,474

19. TRADE AND OTHER PAYABLES

Included in this item are trade payables with an ageing analysis based on invoice dates as at 31 December 2018 as follows:

	2018 HK\$ Million	2017 HK\$ Million
Trade payables		
0–30 days	579	431
31–60 days	227	204
61–90 days	24	36
Over 90 days	73	114
	903	785
Rental and customer deposits	4,742	4,530
Construction costs payable	12,853	12,089
Amounts due to associates (note 10)	2,709	2,933
Amounts due to joint ventures (note 11)	5,707	3,209
Other payables	8,002	8,768
	34,916	32,314

The amount of trade and other payables that is expected to be settled after more than one year is HK\$3,641 million (2017: HK\$4,235 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. DEPOSITS FROM SALE OF PROPERTIES

Deposits from sale of properties as at 31 December 2018 are recognised as contract liabilities in accordance with HKFRS 15 (see note 30) except for deposits of HK\$864 million received relating to the subsequent disposal of investment properties (see note 14).

Deposits from sale of properties in the amount of HK\$11,932 million (2017: HK\$1,180 million) are expected to be recognised as income in the consolidated income statement after more than one year.

Deposits from sale of properties as at 31 December 2017 were regarded as contract liabilities as at 1 January 2018 upon the adoption of HKFRS 15 (see note 30).

Movements in deposits from sale of properties regarded as contract liabilities

	2018 HK\$ Million
At 1 January	14,861
Exchange differences	37
Decrease in deposits from sale of properties as a result of recognising revenue during the year	(19,051)
Increase in deposits from sale of properties as a result of receiving sales deposits during the year	28,069
At 31 December	23,916

The Group receives certain percentage of the contract value as a deposit from customers when the Group signs the sale and purchase agreement with the customers. This deposit is recognised as a contract liability until the properties are completed and legally assigned to/accepted by the customer.

In some sale arrangements, the customers agree to pay the balance of the consideration early while construction is still ongoing, rather than when legal assignment is completed or the property is accepted by the customer. Such advance payment schemes result in contract liabilities being recognised throughout the remaining property construction period.

Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 December 2018, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK\$34,842 million. This amount represents revenue expected to be recognised in the future from pre-completion sales contracts for properties under development entered into by the customers with the Group. The Group will recognise the expected revenue in future when the legal assignments are completed or the properties are accepted by the customers, which is expected to occur over the next 36 months.

21. BANK LOANS AND OTHER BORROWINGS

	2018 HK\$ Million	2017 HK\$ Million
Bonds and notes (Unsecured)		
Due within 1 year	9,521	8,517
Due after 1 year but within 2 years	5,790	9,864
Due after 2 years but within 5 years	8,747	9,386
Due after 5 years	10,436	3,680
	34,494	31,447
Bank loans (Secured)		
Due within 1 year	121	3,494
Due after 1 year but within 2 years	1,307	962
Due after 2 years but within 5 years	14,670	7,306
Due after 5 years	651	335
	16,749	12,097
Bank loans (Unsecured)		
Due within 1 year	5,326	23,159
Due after 1 year but within 2 years	17,620	3,906
Due after 2 years but within 5 years	47,642	43,582
	70,588	70,647
Total bank loans and other borrowings	121,831	114,191
Analysis of maturities of the above borrowings		
Non-current borrowings		
Due after 1 year but within 2 years	24,717	14,732
Due after 2 years but within 5 years	71,059	60,274
Due after 5 years	11,087	4,015
	106,863	79,021
Current borrowings		
Due within 1 year	14,968	35,170
Total bank loans and other borrowings	121,831	114,191

- 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 24(b)):

	2018 HK\$ Million	2017 HK\$ Million
HKD	115,250	103,889
RMB	6,581	10,302
	121,831	114,191

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- 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 24(a) and 24(b) respectively) are as follows:

	2018		2017	
	Effective interest rate %	HK\$ Million	Effective interest rate %	HK\$ Million
Fixed rate borrowings				
Bonds and notes	3.5	7,348	3.1	5,370
Bank loans	2.7	5,730	2.6	8,833
		13,078		14,203
Floating rate borrowings				
Bonds and notes	3.9	27,146	3.4	26,077
Bank loans	2.4	81,607	2.4	73,911
		108,753		99,988
Total borrowings		121,831		114,191

- c) All the interest bearing borrowings are carried at amortised cost except for loans in an amount of HK\$23,171 million (2017: HK\$19,926 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\$43,086 million and HK\$42,097 million (2017: HK\$36,409 million and HK\$45,552 million) borrowed by WHL and Wharf REIC respectively. The loans are without recourse to the Company and its other subsidiaries.
- e) At 31 December 2018, 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\$55,248 million (2017: HK\$42,307 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.

22. 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 (lapsed in 2018)	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	2018 Number of share options					At Exercisable at 31 December 2018	Remaining contractual life
			At 1 January 2018	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2018		
14 June 2013	39.98	15 June 2013 to 14 June 2018	5,600,000	-	(5,600,000)	-	-	-	-
7 July 2016	36.60	8 July 2016 to 7 July 2021	9,500,000	-	(600,000)	-	8,900,000	3,900,000	2.5 years
			15,100,000	-	(6,200,000)	-	8,900,000	3,900,000	
Weighted average exercise price (HK\$)			37.85	-	39.65	-	36.60	36.60	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Date of grant	Exercise price HK\$	Exercise period	2017 Number of share options					At 31 December 2017	Exercisable at 31 December 2017	Remaining contractual life
			At 1 January 2017	Granted during the year	Exercised during the year	Lapsed during the year				
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		

The weighted average share price at the date of exercise for share options exercised during the year was HK\$56.06 (2017: HK\$59.49).

- 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 2018 and 2017, estimated in accordance with the Group's accounting policy in note (X)(i) was as follows:

	2018 HK\$'000	2017 HK\$'000
Douglas C K Woo	6,842	13,174
Stewart C K Leung	4,105	8,437
Paul Y C Tsui	2,052	4,218
Ricky K Y Wong	4,105	8,437
	17,104	34,266

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 (lapsed in 2016)	9,000,000	5 years after
– on 5 June 2013 (lapsed in 2018)	11,750,000	the date of grant
– on 7 July 2016	14,500,000	
Options granted to employees of WHL:		
– on 4 July 2011 (lapsed in 2016)	3,100,000	5 years after
– on 5 June 2013 (lapsed in 2018)	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	2018 Number of share options					At 31 December 2018	Exercisable at 31 December 2018	Remaining contractual life
			At 1 January 2018	Granted during the year	Exercised during the year	Lapsed during the year				
5 June 2013	23.83	6 June 2013 to 5 June 2018	9,100,000	-	(9,100,000)	-	-	-	-	
7 July 2016	15.92	8 July 2016 to 7 July 2021	10,300,000	-	(1,400,000)	-	8,900,000	3,100,000	2.5 years	
			19,400,000	-	(10,500,000)	-	8,900,000	3,100,000		
Weighted average exercise price (HK\$)			19.63	-	22.78	-	15.92	15.92		

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 31 December 2017	Exercisable at 31 December 2017	Remaining contractual life
			At 30 November 2017	Granted during the year	Exercised during the year	Lapsed during the year			
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	

The weighted average share price at the date of exercise for share options exercised during the year was HK\$27.84 (2017: HK\$65.24).

- 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 2018 and 2017, estimated in accordance with the Group's accounting policy in note (X)(i) was as follows:

	2018 HK\$'000	2017 HK\$'000
Stephen T H Ng	6,249	12,657
Paul Y C Tsui	1,874	4,102
	8,123	16,759

23. DEFERRED TAXATION

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

	2018 HK\$ Million	2017 HK\$ Million
Deferred tax liabilities	13,984	13,535
Deferred tax assets	(1,116)	(1,336)
Net deferred tax liabilities	12,868	12,199

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 arising from valuation of investment properties HK\$ Million	Others HK\$ Million	Future benefit of tax losses HK\$ Million	Total HK\$ Million
At 1 January 2017	3,364	7,075	(40)	(404)	9,995
Charged to the consolidated 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 and 1 January 2018	3,740	8,162	322	(25)	12,199
Charged/(credited) to the consolidated income statement	381	522	263	(62)	1,104
Exchange differences	(62)	(393)	20	–	(435)
At 31 December 2018	4,059	8,291	605	(87)	12,868

b) Deferred tax assets not recognised

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

	2018		2017	
	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	899	220	150	77
Future benefits of tax losses				
– Hong Kong	2,695	445	3,117	559
– Outside Hong Kong	3,492	872	3,562	890
	6,187	1,317	6,679	1,449
	7,086	1,537	6,829	1,526

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 2018. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. 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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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\$16,007 million (2017: HK\$17,853 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\$5,730 million with maturities of 10 to 15 years together with another HK\$5,730 million fixed-to-floating IRS with a maturity of 2 years. Effectively, this arrangement has locked in fixed interest rates ranging from 2.4% 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 2018, after taking into account of IRS and CCS, approximately 89% (2017: 87%) of the Group's borrowings was at floating rates and the remaining 11% (2017: 13%) was at fixed rates. (see note 21(b)).

Based on the sensitivity analysis performed as at 31 December 2018, it was estimated that a general increase/decrease of 1% (2017: 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\$383 million (2017: HK\$134 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 2017.

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 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.

	2018						2017					
	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	36	156	6	75	-	-	96	304	-	4	-	-
Other long term investments	1,923	-	-	-	1,225	-	345	-	-	-	1,027	-
Trade and other receivables	8	-	-	-	-	-	-	-	-	-	-	-
Trade and other payables	(7)	(7)	-	(1)	-	(2)	(8)	-	(3)	-	-	(2)
Bank loans and other borrowings	(1,269)	(7,215)	(17,466)	(610)	-	(175)	(1,246)	(5,800)	(21,962)	(610)	-	(175)
Inter-company balances	25	305	-	-	-	-	25	4,132	-	(250)	-	-
Gross exposure arising from recognised assets and liabilities	716	(6,761)	(17,460)	(536)	1,225	(177)	(788)	(1,364)	(21,965)	(856)	1,027	(177)
Notional amount of forward foreign exchange contracts at fair value through profit or loss	1,435	4,000	7,000	8	(1,225)	-	6,978	-	17,000	-	(1,027)	-
Notional amount of CCS	(686)	1,215	10,500	610	-	175	(1,008)	1,800	5,000	860	-	175
Overall net exposure	1,465	(1,546)	40	82	-	(2)	5,182	436	35	4	-	(2)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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\$64 million, HK\$4 million, HK\$Nil million and HK\$338 million respectively as at 31 December 2018 (2017: HK\$191 million, HK\$6 million, HK\$524 million and HK\$342 million respectively).

Based on the sensitivity analysis performed as at 31 December 2018, 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% (2017: 1%) increase/decrease of exchange rate of RMB against HKD, the Group's total equity would have increased/decreased by HK\$1,095 million (2017: HK\$1,046 million).

c) Equity price risk

The Group is exposed to equity price changes arising from other long term investments.

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

Based on the sensitivity analysis performed as at 31 December 2018, it is estimated that an increase/decrease of 10% (2017: 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\$4,129 million (2017: HK\$2,891 million). The analysis has been performed on the same basis as for 2017.

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 2018						
Bank loans and other borrowings	(121,831)	(135,661)	(19,338)	(27,321)	(76,278)	(12,724)
Trade and other payables	(34,916)	(34,916)	(31,275)	(2,134)	(1,287)	(220)
Interest rate swaps	26	12	(31)	1	2	40
Cross currency interest rate swaps	(857)	(402)	(219)	(73)	(127)	17
Forward foreign exchange contracts	112	112	80	21	25	(14)
	(157,466)	(170,855)	(50,783)	(29,506)	(77,665)	(12,901)
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)

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 2018 was HK\$36,831 million (2017: HK\$32,531 million).

e) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. 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.

The Group measures loss allowance for trade receivables from customers in accordance with accounting policy (J)(i). The allowance for expected credit losses is insignificant.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 27, 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 8(d).

Financial instruments carried at fair value

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

	Fair value measurements as at 31 December categorised into					
	2018			2017		
	Level 1 HK\$ Million	Level 2 HK\$ Million	Total HK\$ Million	Level 1 HK\$ Million	Level 2 HK\$ Million	Total HK\$ Million
Assets						
Other long term investments:						
– Listed investments	41,292	–	41,292	28,910	–	28,910
– Unlisted investments	–	1,353	1,353	–	91	91
Derivative financial instruments:						
– Interest rate swaps	–	188	188	–	169	169
– Cross currency interest rate swaps	–	137	137	–	87	87
– Forward foreign exchange contracts	–	128	128	–	123	123
	41,292	1,806	43,098	28,910	470	29,380
Liabilities						
Derivative financial instruments:						
– Interest rate swaps	–	(162)	(162)	–	(228)	(228)
– Cross currency interest rate swaps	–	(994)	(994)	–	(932)	(932)
– Forward foreign exchange contracts	–	(16)	(16)	–	(1)	(1)
Bank loans and other borrowings:						
– Bonds and notes	–	(21,644)	(21,644)	–	(18,933)	(18,933)
– Bank loans	–	(1,527)	(1,527)	–	(993)	(993)
	–	(24,343)	(24,343)	–	(21,087)	(21,087)

During the years ended 31 December 2018 and 2017, 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 2018 and 2017.

g) Capital management

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

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

The Group monitors its capital structure by reviewing its net debt-to-total 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-total equity ratios as at 31 December 2018 and 2017 were as follows:

	2018 HK\$ Million	2017 HK\$ Million
Total bank loans and other borrowings (note 21)	121,831	114,191
Less: Bank deposits and cash (note 18)	(28,824)	(56,474)
Net debt	93,007	57,717
Shareholders' equity	251,077	241,684
Total equity	389,478	387,823
Net debt-to-total equity ratio	23.9%	14.9%

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. SHARE CAPITAL AND RESERVES

a) Share capital

	2018 No. of shares	2018 HK\$ Million	2017 No. of shares	2017 HK\$ Million
Issued and fully paid ordinary shares At 1 January	2,041,749,287	3,418	2,034,699,287	3,075
Shares issued under the share option scheme	6,200,000	306	7,050,000	343
At 31 December	2,047,949,287	3,724	2,041,749,287	3,418

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 other long term investments, other capital reserves for dealing with the grant date fair value of the granted unexercised share options in accordance with accounting policy note (X)(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 (Q).

The revenue reserves of the Group at 31 December 2018 included HK\$2,605 million (2017: HK\$2,212 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 2017	3,075	129	5,076	8,280
Shares 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 and 1 January 2018	3,418	98	5,013	8,529
Shares issued under the share option scheme	306	(60)	–	246
Profit	–	–	3,490	3,490
Equity settled share-based payments	–	17	–	17
2017 second interim dividend paid	–	–	(1,945)	(1,945)
2018 first interim dividend paid	–	–	(1,024)	(1,024)
At 31 December 2018	3,724	55	5,534	9,313

- c) Reserves of the Company available for distribution to equity shareholders of the Company at 31 December 2018 amounted to HK\$5,534 million (2017: HK\$5,013 million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2018 HK\$ Million	2017 HK\$ Million
Non-current asset			
Interest in subsidiaries		12,337	9,270
Current asset			
Receivables and prepayments		1	1
Total assets		12,338	9,271
Current liabilities			
Trade and other payables		(15)	(13)
Amount due to a subsidiary		(3,010)	(729)
Total liabilities		(3,025)	(742)
NET ASSETS		9,313	8,529
Capital and reserves			
Share capital		3,724	3,418
Reserves		5,589	5,111
TOTAL EQUITY	25(b)	9,313	8,529

Douglas C K Woo
Chairman & Managing Director

Paul Y C Tsui
Executive Director & Group Chief Financial Officer

27. CONTINGENT LIABILITIES

- a)** As at 31 December 2018, there were contingent liabilities in respect of guarantees given by the Group on behalf of certain associates and joint ventures of HK\$1,998 million (2017: HK\$2,664 million), of which HK\$1,034 million (2017: HK\$892 million) had been drawn.
- b)** As at 31 December 2018, there were guarantees of HK\$3,362 million (2017: HK\$7,221 million) provided by WHL group and Wharf REIC group in aggregate 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 development properties of WHL group and Wharf REIC group. There were also mortgage loan guarantees of HK\$1,780 million (2017: HK\$3,470 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.

28. COMMITMENTS

The Group's outstanding commitments as at 31 December 2018 are detailed below:

a) Planned expenditure

	2018			2017		
	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million
(I) Properties						
Investment properties						
Hong Kong	1,005	891	1,896	1,091	468	1,559
Mainland China	196	545	741	3,726	8,312	12,038
Singapore	1	–	1	2	–	2
	1,202	1,436	2,638	4,819	8,780	13,599
Development properties						
Hong Kong	8,415	7,528	15,943	12,372	6,022	18,394
Mainland China	10,565	18,120	28,685	4,824	16,207	21,031
	18,980	25,648	44,628	17,196	22,229	39,425
Properties total						
Hong Kong	9,420	8,419	17,839	13,463	6,490	19,953
Mainland China	10,761	18,665	29,426	8,550	24,519	33,069
Singapore	1	–	1	2	–	2
	20,182	27,084	47,266	22,015	31,009	53,024
(II) Non-properties and others						
Hotels	5	119	124	16	120	136
Modern Terminals	93	70	163	113	26	139
Others	3,519	–	3,519	–	–	–
	3,617	189	3,806	129	146	275
Total	23,799	27,273	51,072	22,144	31,155	53,299

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- (i) Properties commitments are mainly for construction costs to be incurred in the forthcoming years, including attributable land costs of HK\$1.3 billion (2017: HK\$2.1 billion).
- (ii) The expenditure for development properties includes attributable amounts for developments undertaken by associates and joint ventures of HK\$0.9 billion (2017: HK\$0.9 billion) in Hong Kong and HK\$12.6 billion (2017: HK\$9.4 billion) in Mainland China, respectively.
- 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:

	2018 HK\$ Million	2017 HK\$ Million
Expenditure for operating leases		
Within one year	31	23
After one year but within five years	47	5
	78	28

29. 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 2018 are as follows:

- a)** In respect of the year ended 31 December 2018, the Group earned rental income totalling HK\$1,122 million (2017: HK\$1,096 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\$973 million (2017: HK\$899 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.

30. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs which are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's consolidated financial statements:

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
Amendments to HKFRS 2	Share-based payment: Classification and measurement of share-based payment transactions
Amendments to HKAS 40	Investment property: Transfers of investment property
HK(IFRIC) 22	Foreign currency transactions and advance consideration

The Group has early adopted HKFRS 9 since the financial year ended 31 December 2016. Except for HKFRS 15, the adoption of these new standards and amendments to HKFRSs does not have significant impact on the Group's results and financial position for the current and prior periods have been prepared or presented.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method for the adoption of HKFRS 15. As allowed by HKFRS 15, the Group applied the new requirements only to contracts that were not completed before 1 January 2018. No adjustments to the opening balance of equity at 1 January 2018 have been made upon the initial application of HKFRS 15 as the number of "open" contracts for sales of development properties at 31 December 2017 is immaterial.

Further details of the nature and the changes in accounting policies are set out below:

a) Timing of revenue recognition

HKFRS 15 does not have significant impact on how the Group recognises revenue from logistics and hotels operation. However, the timing of revenue recognition for sales of development properties in Hong Kong and Mainland China is affected. Taking into account the contract terms, the Group's business practice and the respective local legal and regulatory environment of Hong Kong and Mainland China, the Group has assessed that its property sales contracts in Hong Kong and Mainland China do not meet the criteria for recognising revenue over time and therefore revenue from property sales in Hong Kong and Mainland China continues to be recognised at a point in time. Previously the Group recognised revenue from property sales upon the later of the signing of the sale and purchase agreement and the issue of occupation permit/completion certificate by the relevant government authorities, which was taken to be the point in time when the risks and rewards of ownership of the property had been transferred to the customers. Under the transfer-of-control approach of HKFRS 15, revenue from sale of development properties in Hong Kong is generally recognised when legal assignment is completed while for sale of development properties in Mainland China, revenue from sale of development properties is generally recognised when the property is accepted by the customer, 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 resulted in the Group's revenue from sales of development properties being recognised later than the time it was recognised under the previous accounting policy.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

This change in accounting policy had no material impact on opening balances as at 1 January 2018. However, in future periods it may have a material impact, depending on the timing when the customer obtains control of the property as discussed above.

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. Previously, the Group did not apply such a policy when payments were received in advance.

Payments received in advance of revenue recognition are common in the Group's arrangements with its customers in its development property segment, when residential properties are marketed by the Group while the property is still under construction. In some situations, the customers agree to pay the balance of the consideration early while construction is still ongoing, rather than when legal assignment is completed or the property is accepted by the customer.

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

c) Sales commissions payable related to property sales contracts

HKFRS 15 requires the Group to capitalise the sales commissions related to property sales contracts as costs of obtaining contracts when they are incremental and are expected to be recovered, unless the expected amortisation period is one year or less from the date of initial recognition of the asset, in which case the sales commissions can be expensed when incurred. Capitalised commissions are charged to profit or loss when the revenue from the related property sale is recognised and are included as selling and marketing expenses at that time. Previously, the Group capitalised the sales commissions as prepayments when they are incurred. This is consistent with the Group's accounting policy in the past.

d) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue (see accounting policy note (R)) before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis (see accounting policy note (P)).

Previously, contract liabilities relating to sale of properties were presented in the statement of financial position as deposits from sales of properties. These deposits are regarded as contract liabilities upon the adoption of HKFRS 15.

- e) Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of HKFRS 15 on 1 January 2018

The following tables summarises the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended 31 December 2018, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 if HKAS 18 had continued to apply to 2018 instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15:

	Amounts reported in accordance with HKFRS 15 (A) HK\$ Million	Hypothetical amounts under HKAS 18 (B) HK\$ Million	Difference: Estimated impact of adoption of HKFRS 15 in 2018 (A)–(B) HK\$ Million
Line items in the consolidated income statement for the year ended 31 December 2018:			
Revenue	48,490	57,154	(8,664)
Direct costs and operating expenses	(19,435)	(24,423)	4,988
Selling and marketing expenses	(1,513)	(1,775)	262
Operating profit	24,934	28,348	(3,414)
Share of results after tax of joint ventures	1,279	1,435	(156)
Profit before taxation	33,500	37,070	(3,570)
Income tax	(6,630)	(7,193)	563
Profit for the year	26,870	29,877	(3,007)
Profit attributable to:			
Equity shareholders	17,239	20,191	(2,952)
Non-controlling interests	9,631	9,686	(55)
Earnings per share			
Basic	HK\$8.43	HK\$9.87	HK\$(1.44)
Diluted	HK\$8.41	HK\$9.85	HK\$(1.44)
Line items in the consolidated statement of comprehensive income for the year ended 31 December 2018:			
Total comprehensive income for the year	14,665	17,672	(3,007)
Total comprehensive income attributable to:			
Equity shareholders	9,168	12,120	(2,952)
Non-controlling interests	5,497	5,552	(55)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Amounts reported in accordance with HKFRS 15 (A) HK\$ Million	Hypothetical amounts under HKAS 18 (B) HK\$ Million	Difference: Estimated impact of adoption of HKFRS 15 in 2018 (A)-(B) HK\$ Million
Line items in the consolidated statement of financial position as at 31 December 2018:			
Interests in joint ventures	29,161	29,317	(156)
Total non-current assets	459,360	459,516	(156)
Properties for sale	91,433	86,445	4,988
Trade and other receivables	10,002	12,991	(2,989)
Total current assets	133,264	131,265	1,999
Total assets	592,624	590,781	1,843
Trade and other payables	(34,916)	(35,033)	117
Deposits from sale of properties	(24,780)	(19,250)	(5,530)
Taxation payables	(6,121)	(6,684)	563
Total current liabilities	(81,286)	(76,436)	(4,850)
Total liabilities	(203,146)	(198,296)	(4,850)
NET ASSETS	389,478	392,485	(3,007)
Reserves	247,353	250,305	(2,952)
Shareholder's equity	251,077	254,029	(2,952)
Non-controlling interests	138,401	138,456	(55)
TOTAL EQUITY	389,478	392,485	(3,007)

The adoption of HKFRS 15 has no material impact to the net cash flow from operating, investing and financing activities on the consolidated statement of cash flows.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The "Principal accounting policies" set out on pages 123 to 143 summarise the accounting policies of the Group after the adoption of these policies to the extent that they are relevant to the Group.

31. FUTURE CHANGES IN ACCOUNTING POLICIES

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16, Leases	1 January 2019
HK(IFRIC) 23, Uncertainty over income tax treatments	1 January 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019
Amendments to HKAS 28, Long-term interests in associates or joint ventures	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 16, 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 ending 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

HKFRS 16, Leases

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated income statement over the period of the lease.

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 statements of the Group upon the adoption of HKFRS 16.

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

32. EVENT AFTER THE REPORTING PERIOD

On 1 February 2019, a wholly-owned subsidiary of the Group entered into a sale and purchase agreement with an independent third party (the "Vendor") to purchase the entire issued share capital and the shareholder's loans of its wholly-owned subsidiary of the Vendor, which owns a residential property project in Hong Kong, for a total consideration of HK\$3,912 million, before certain completion adjustments. The transaction was completed on 15 February 2019.

33. COMPARATIVE FIGURES

The Group has initially applied HKFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 30.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Directors on 12 March 2019.

PRINCIPAL ACCOUNTING POLICIES

A. STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. 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 30 to the financial statements provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

B. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year 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 (Y).

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.

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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 (J)(ii)).

(ii) Associates and Joint Ventures

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

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

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any) (see note (C)(iii)). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note (J)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income. Adjustments are made on consolidation to the financial information of associates and joint ventures where necessary to ensure consistency with the accounting policies adopted by the Group.

When the Group's share of losses exceeds its interest in an associate or a joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest in the associate or joint venture is the carrying amount of the investment under the equity method together with the Group's long term interests that, in substance, form part of the Group's net investment in the associate or joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated income statement.

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

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

(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 (J) (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.

(iv) Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement in accordance with contractual arrangements.

Investments in joint operations are accounted for such that the Group (as a joint operator) recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). The Group accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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 (J)(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 (R)(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 (J)(ii)). Hotel properties under development are stated at cost less impairment losses (see note (J)(ii)).

(iii) 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 (J)(ii)).

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

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

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

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

F. FINANCIAL INSTRUMENTS

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

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

(i) Classification and measurement of financial assets

On initial recognition, a financial asset is classified as measured at amortised cost; fair value through other comprehensive income ("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 FVOCI 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.

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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 "other long term 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.

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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 HKFRSs, 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).

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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 (K)).

(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 (J). 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. 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.

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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.

K. 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 (S)), 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 (S)), 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.

L. 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.

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

M. 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. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note (J)(i).

N. ASSETS HELD FOR SALE

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if they are highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are measured at the lower of their carrying amount and fair value less costs to sell, except that financial assets, deferred tax assets and investment properties continue to be measured in accordance with the Group's accounting policies.

O. OTHER CONTRACT COSTS

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as properties for sale (see note (K)), inventories (see note (L)), property, plant and equipment (see note (D)) or intangible assets.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract. Other costs of fulfilling a contract, which are not capitalised as inventories, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note (R).

P. CONTRACT ASSETS AND CONTRACT LIABILITIES

A contract asset is recognised when the Group recognises revenue (see note (R)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note (J) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note (R)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note (R)).

In the comparative period, contract balances related to sale from properties were not regarded as contract liabilities.

Q. 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.

R. RECOGNITION OF REVENUE

Income is classified by the Group as revenue when it arises from the sale of properties, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a property or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Further details of the Group's revenue and other income recognition policies are 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 which do not meet the criteria to recognise over time is recognised when legal assignment is completed or the property is accepted by the customer, 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.

Income arising from sale of properties which have no alternative use to the Group and the Group has an enforceable right to payment from customer for performance completed to date, is recognised over time based on the progress of the construction.

Deposits and instalments received on properties sold prior to the date of revenue recognition are presented in the statement of financial position as deposits from sale of properties which are regarded as contract liabilities (see note (P)).

When residential properties are marketed by the Group while the property is still under construction, the Group may offer a discount compared to the listed sales price, provided the customer agrees to pay the balance of the consideration early. In such cases, if the advance payments are regarded as providing a significant financing benefit to the Group, interest expense arising from the adjustment of time value of money will be accrued by the Group during the period between the payment date and the completion date of legal assignment. This accrual increases the balance of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under HKAS 23, Borrowing Costs, in accordance with the policies set out in note (S).

In the comparative period, income arising from the sale of properties held for sale which recognised at the point in time 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, 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 presented in the statement of financial position as deposits from sale of properties but not regarded as contract liabilities.

- (iii) Income from 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.

- (v) Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.
- (vi) Interest income is recognised as it accrues using the effective interest method. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note (J)(i)).
- (vii) Income received in advance attributable to long term service contracts is deferred and recognised over the contract period on a straight line basis.

S. 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.

T. 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.

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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.

U. 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.

V. 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 V(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.

W. 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.

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

X. 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.

Y. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Note 24 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.

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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	65%	Holding company
Properties				
Wharf Development Limited	Hong Kong	HK\$7,000,000,000 divided into 7,000,000,000 shares	65%	Holding company
Wharf Peak Properties Limited	Hong Kong	HK\$30,000,000 divided into 3,000,000 shares	65%	Property
New Tech Centre Limited	Hong Kong	HK\$10,000 divided into 10,000 shares	65%	Property
Alpha Pioneer Limited	Hong Kong	HK\$1 divided into 1 share	65%	Property
Horizon Moon Limited	Hong Kong	HK\$1 divided into 1 share	65%	Property
Vision Charm Limited	Hong Kong	HK\$1 divided into 1 share	65%	Property
Wealthy Bay Limited	Hong Kong	HK\$1 divided into 1 share	65%	Property
Wharf China Holdings (0004) Limited	British Virgin Islands	5,129,000,000 US\$1 shares	65%	Holding company
Wharf China Estates (0004) Limited	British Virgin Islands	1,000,000 US\$1 shares	65%	Holding company
Bucksfull Company Limited	Hong Kong	HK\$158 divided into 158 shares	65%	Holding company
Cardell Company Limited	Hong Kong	HK\$2 divided into 2 shares	65%	Holding company
Cheerwill Properties Limited	British Virgin Islands	500 US\$1 shares	65%	Holding company
Chengdu IFC Development Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Genius View International Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Holmwood Limited	Hong Kong	HK\$2 divided into 2 shares	65%	Ownership of trade marks
Malaga Company Limited	Hong Kong	HK\$2 divided into 2 shares	65%	Holding company
Merry Bond (0004) Limited	British Virgin Islands	500 US\$1 shares	65%	Holding company
Radiant Lead Global Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Sharp Hero Holdings Limited	British Virgin Islands	1 US\$1 share	65%	Holding company
Simply Thrive Holdings Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Singford International Limited	British Virgin Islands	500 US\$1 shares	65%	Holding company
Strong Field International Limited	Hong Kong	HK\$1 divided into 1 share	65%	Ownership of trade marks
Topusko Limited	Hong Kong	HK\$20 divided into 2 shares	65%	Holding company
Treasure Board (0004) Limited	British Virgin Islands	1 US\$1 share	65%	Holding company
Wharf Beijing Limited	Hong Kong	HK\$2 divided into 2 shares	65%	Holding company
Wharf Chongqing Limited	Hong Kong	HK\$2 divided into 2 shares	65%	Holding company
Wharf Dalian Limited	Hong Kong	HK\$2 divided into 2 shares	65%	Holding company
Wharf Shanghai Estates Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Wise Noble Investments Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
ii Shanghai Long Xing Property Development Company Limited	The People's Republic of China	US\$45,000,000	65%	Property
ii Dalian Times Square Development Company Limited	The People's Republic of China	RMB200,000,000	65%	Property
ii Long Qing Property Development (Chongqing) Company Limited	The People's Republic of China	RMB223,533,440	65%	Property
i Shanghai Wheelock Square Development Limited	The People's Republic of China	US\$144,000,000	64%	Property
ii 龍昌綜合開發(成都)有限公司	The People's Republic of China	HK\$221,000,000	65%	Property
ii 龍錦綜合開發(成都)有限公司	The People's Republic of China	US\$1,786,000,000	65%	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	65%	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	65%	Property
ii 九龍倉(長沙)置業有限公司	The People's Republic of China	US\$1,292,000,000	65%	Property
iv 龍潤房地產開發(成都)有限公司	The People's Republic of China	RMB20,000,000	65%	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	65%	Holding company
iv 致昌(北京)企業管理有限公司	The People's Republic of China	RMB10,000,000	65%	Holding company
iv 大連德高企業管理有限公司	The People's Republic of China	RMB5,000,000	65%	Holding company

Subsidiaries	Place of incorporation/operation	Issued ordinary share capital/registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
iv 大連盈致企業管理有限公司	The People's Republic of China	RMB10,000,000	65%	Holding company
Wharf China Estates Limited	Hong Kong	HK\$1 divided into 1 share	65%	Management services
Wharf Estates China Limited	Hong Kong	HK\$2 divided into 2 shares	65%	Holding company
Harriman China Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Rising Chain International Limited	British Virgin Islands	500 US\$1 shares	65%	Holding company
Broader Link Investments Limited	Hong Kong	HK\$1 divided into 1 share	65%	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	65%	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	65%	Property management
i 大連時代家庭物業管理有限公司	The People's Republic of China	RMB1,000,000	65%	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	65%	Property management
Wharf China Development (0004) Limited	British Virgin Islands	1,000,000 US\$1 shares	65%	Holding company
Advance Trend Holdings Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
All Delight Investments Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
All Genius Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Amicable Creation Company Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Apex Mind Holdings Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Booming Era Company Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Bright Wave Group Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Concept Plus Holdings Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Corning Holdings Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Creative City Investments Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Dragon Legacy Holdings Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Eventful Decade Company Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Fantastic Gain Company Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Fame Treasure International (0004) Limited	British Virgin Islands	500 US\$1 shares	65%	Holding company
Famous Master International Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Favour Year Holdings Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Fine Noble Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Fine Super Holdings Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Flying Will Company Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Global Bloom Investments Limited	Hong Kong	HK\$100,000,000 divided into 100,000,000 shares	65%	Holding company
Go Triumph Company Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Greatworth Investments Limited	Hong Kong	HK\$2 divided into 2 shares	65%	Holding company
Great Venturer Company Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Harvest Moment Company Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Joyful Honour Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Key Advance Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Lion Voice Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Main Light Holdings Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Max Speed International Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Mega Full Holdings Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Merit Joy Investments Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Merit Perfection Investments Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Noble Key Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
One Victory Company Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Onyee Properties Limited	British Virgin Islands	500 US\$1 shares	65%	Holding company
Perfect Joy Holdings Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Pilot Focus International Limited	British Virgin Islands	500 US\$1 shares	65%	Holding company
Power Shine Investments Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Power Unicorn Holdings Limited	British Virgin Islands	1 US\$1 share	65%	Holding company
Radiant South (0004) Limited	British Virgin Islands	500 US\$1 shares	65%	Holding company
Rumba Company Limited	Hong Kong	HK\$10,000 divided into 10,000 shares	53%	Holding company
Show All Limited	Hong Kong	HK\$2 divided into 2 shares	65%	Holding company
Silver Zone International Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Sino Season Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Sky Join Investments Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Sky Step (0004) Limited	British Virgin Islands	1 US\$1 share	65%	Holding company

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (CONTINUED)

Subsidiaries	Place of incorporation/operation	Issued ordinary share capital/registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
Smart Bloom Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Smartworth Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Smooth Flow Investments Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
South Honest (0004) Limited	British Virgin Islands	500 US\$1 shares	65%	Holding company
Star Apex International Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Star Colour (0004) Limited	British Virgin Islands	500 US\$1 shares	65%	Holding company
Star Rank Investments Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Step Line Investments Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Total Up International Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Trade Right Investments Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Trendy Win Holdings Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Walsham Holdings Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Wharf Chengdu Limited	Hong Kong	HK\$2 divided into 2 shares	65%	Holding company
Wharf (Jingan) Limited	Hong Kong	HK\$2 divided into 2 shares	65%	Holding company
Wharf Shanghai Limited	Hong Kong	HK\$10,000,000 divided into 10,000,000 shares	65%	Holding company
Wharf Wuhan Limited	Hong Kong	HK\$2 divided into 2 shares	65%	Holding company
Wharf Properties China (0004) Limited	British Virgin Islands	500 US\$1 shares	65%	Holding company
Wiser Global Limited	Hong Kong	HK\$1 divided into 1 share	65%	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	65%	Property
ii 九龍倉(武漢)置業有限公司	The People's Republic of China	US\$46,000,000	65%	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	36%	Property
ii 上海莉源房地產開發有限公司	The People's Republic of China	US\$388,000,000	65%	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	65%	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	65%	Property
ii 九龍倉(無錫)置業有限公司	The People's Republic of China	US\$257,580,000	65%	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	65%	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	65%	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	65%	Property
ii 蘇州蘇龍地產發展有限公司	The People's Republic of China	US\$6,800,000	65%	Property
ii 蘇州瑞龍地產發展有限公司	The People's Republic of China	US\$63,000,000	65%	Property
ii 蘇州銀龍地產發展有限公司	The People's Republic of China	US\$200,000,000	65%	Property
ii 無錫港龍置業有限公司	The People's Republic of China	US\$62,900,000	65%	Property
ii 無錫河畔置業有限公司	The People's Republic of China	US\$20,400,000	65%	Property
ii 無錫都會置業有限公司	The People's Republic of China	US\$50,600,000	65%	Property
ii 港盈房地產(杭州)有限公司	The People's Republic of China	US\$16,990,000	65%	Property
ii 九龍倉(杭州)置業有限公司	The People's Republic of China	US\$20,000,000	65%	Property
ii 堡盈房地產(杭州)有限公司	The People's Republic of China	US\$20,000,000	65%	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	65%	Property
ii 洋立房地產(杭州)有限公司	The People's Republic of China	HK\$418,000,000	65%	Property
ii 望華房地產(杭州)有限公司	The People's Republic of China	HK\$820,000,000	65%	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	65%	Property
龍鼎房地產(杭州)有限公司	The People's Republic of China	HK\$1,996,959,479	65%	Property
寰華房地產(杭州)有限公司	The People's Republic of China	HK\$3,442,577,644	65%	Property
ii 寧波立成置業有限公司	The People's Republic of China	US\$42,000,000	65%	Property
ii 九龍倉置業(廣州)有限公司	The People's Republic of China	HK\$1,000,000	65%	Holding company
ii 會盈房地產(杭州)有限公司	The People's Republic of China	US\$4,930,000	65%	Holding company
ii 杭州抗龍置業管理有限公司	The People's Republic of China	US\$5,160,000	65%	Holding company
iv 蘇州耀龍投資管理有限公司	The People's Republic of China	RMB5,000,000	65%	Holding company
Wharf China Development Limited	Hong Kong	HK\$1 divided into 1 share	65%	Management services
Idea Treasure Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Master Joy Investments Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company

Subsidiaries	Place of incorporation/operation	Issued ordinary share capital/registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
Promise Well Investments Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Sunny Point Holdings Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Utmost Success Limited	Hong Kong	HK\$2 divided into 2 shares	65%	Holding company
Wharf China Limited	British Virgin Islands	500 US\$1 shares	65%	Holding company
Wharf CIM Limited	Hong Kong	HK\$2 divided into 2 shares	65%	Holding company
Wharf Ningbo Limited	Hong Kong	HK\$2 divided into 2 shares	65%	Holding company
Wharf Properties China Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Real Sky Investments Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Wharf China Holdings Limited	Hong Kong	HK\$1 divided into 1 share	65%	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	65%	Management services
iv 揚州堡華房地產開發有限公司	The People's Republic of China	RMB500,000,000	65%	Property
蘇州昌龍地產發展有限公司	The People's Republic of China	RMB2,181,500,000	65%	Holding company
蘇州昇龍地產發展有限公司	The People's Republic of China	RMB2,855,000,000	65%	Holding company
iv 蘇州祥龍地產發展有限公司	The People's Republic of China	RMB817,150,000	65%	Holding company
iv 蘇州兆龍地產發展有限公司	The People's Republic of China	RMB2,289,110,000	65%	Holding company
i 九龍倉置業（重慶）有限公司	The People's Republic of China	US\$300,000	65%	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	65%	Property Management
i 九龍倉（中國）物業管理有限公司	The People's Republic of China	HK\$60,000,000	65%	Property Management
i 九龍倉（中國）投資有限公司	The People's Republic of China	US\$30,000,007	65%	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	65%	Property
iv 杭州堡龍投資管理有限公司	The People's Republic of China	US\$15,000,000	65%	Property Management
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	65%	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	65%	Property Management
Logistics				
Modern Terminals Limited	Hong Kong	HK\$82,049,200 divided into 70,116 shares	44%	Container terminal
i Shenzhen Dachan Bay Modern Port Development Company, Limited	The People's Republic of China	RMB4,558,994,049	29%	Container terminal
Hotels				
Wharf Hotels Limited	British Virgin Islands	500 US\$1 shares	65%	Holding company
Chengdu Niccolo Holdings (Hong Kong) Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Extra Talent Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Primal Talent Holdings Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Wharf China Hotels Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Wharf Hotels Management Limited	Hong Kong	HK\$20 divided into 2 shares	65%	Hotel
ii 武漢馬哥孛羅酒店有限公司	The People's Republic of China	US\$3,850,000	65%	Hotel
ii 成都馬哥孛羅酒店有限公司	The People's Republic of China	US\$8,000,000	65%	Hotel
ii 長沙尼依格羅酒店有限公司	The People's Republic of China	US\$8,000,000	65%	Hotel
Investment and others				
Wharf CME2 Limited	British Virgin Islands/Hong Kong	500 US\$1 shares	65%	Investment
Wharf Limited	Hong Kong	HK\$20 divided into 2 shares	65%	Management services
iv Wharf Finance Limited	Hong Kong	HK\$2 divided into 2 shares	65%	Finance
iv Wharf Finance (BVI) Limited	British Virgin Islands/Hong Kong	500 US\$1 shares	65%	Finance
Wharf Hong Kong Limited	Cayman Islands	500,000,000 US\$1 shares	65%	Holding company
Wharf China Finance Limited	Hong Kong	HK\$5,000,000 divided into 5,000,000 shares	65%	Finance
iv Wharf Finance (No. 1) Limited	Hong Kong	HK\$2 divided into 2 shares	65%	Finance
Wharf Finance (BVI) No. 1 Limited	British Virgin Islands/Hong Kong	500 US\$1 shares	65%	Finance
iv Wharf Finance (HK) Limited	British Virgin Islands/Hong Kong	10 US\$1 shares	65%	Finance
iv Wharf MTN (Singapore) Pte. Ltd	Singapore	2 SG\$1 shares	65%	Finance
Every Success Holdings Limited	Hong Kong	HK\$1 divided into 1 share	65%	Finance
Proper Run Limited	Hong Kong	HK\$1 divided into 1 share	65%	Finance
Wobble Company Limited	Hong Kong	HK\$1 divided into 1 share	65%	Finance
Classic Partner Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company
Spring Day Holdings Limited	Hong Kong	HK\$1 divided into 1 share	65%	Holding company

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (CONTINUED)

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	63%	Holding company
Properties				
Wharf Estates Limited	Hong Kong	HK\$1,000,000 divided into 1,000,000 shares	63%	Holding company
Bright Smart Limited	Hong Kong	HK\$10,000 divided into 10,000 shares	63%	Property investment
Excellent Base Limited	Hong Kong	HK\$10,000 divided into 10,000 shares	63%	Property investment
Harbour City Estates Limited	Hong Kong	HK\$330,100,000 divided into 20,000 shares	63%	Property investment
Marnav Holdings Limited	Hong Kong	HK\$1,000,000 divided into 1,000,000 shares	63%	Property investment
Mullein Company Limited	Hong Kong	HK\$10,000 divided into 10,000 shares	63%	Property investment
Oripuma Investments Limited	Hong Kong	HK\$2 divided into 2 shares	63%	Property investment
Plaza Hollywood Limited	Hong Kong	HK\$10,000,000 divided into 10,000,000 shares	63%	Property investment
Ridge Limited	Hong Kong	HK\$10,000 divided into 10,000 shares	63%	Property investment
Times Square Limited	Hong Kong	HK\$20 divided into 2 shares	63%	Property investment
Wavatah Company Limited	Hong Kong	HK\$1,000 divided into 1,000 shares	63%	Property investment
Wettersley Company Limited	Hong Kong	HK\$10,000 divided into 10,000 shares	63%	Property investment
Wharf Realty Limited	Hong Kong	HK\$2 divided into 2 shares	63%	Property investment
Wharf REIC Holdings Limited	British Virgin Islands	500 US\$1 shares	63%	Holding company
* Harbour Centre Development Limited	Hong Kong	HK\$3,641,350,047 divided into 708,750,000 shares	45%	Holding company
Algebra Assets Limited	British Virgin Islands	500 US\$1 shares	45%	Investment
Cheer Sky Investment Limited	Hong Kong	HK\$1 divided into 1 share	45%	Holding company
Free Boost Investments Limited	Hong Kong	HK\$1 divided into 1 share	45%	Holding company
HCDL China Finance Limited	Hong Kong	HK\$1 divided into 1 share	45%	Finance
HCDL Finance Limited	Hong Kong	HK\$5,000,000 divided into 5,000,000 shares	45%	Finance
HCDL Investments Limited	Hong Kong	HK\$1 divided into 1 share	45%	Holding company
HCDL Investments Finance Limited	Hong Kong	HK\$1 divided into 1 share	45%	Finance
High Sea Investments Limited	Hong Kong	HK\$2 divided into 2 shares	45%	Holding company
Harbour Centre (Hong Kong) Limited	British Virgin Islands	500 US\$1 shares	45%	Holding company
HCDL China Development Limited	British Virgin Islands	500 US\$1 shares	45%	Holding company
Joinhill Investments Limited	Hong Kong	HK\$1 divided into 1 share	45%	Holding company
Manniworth Company Limited	Hong Kong	HK\$10,000 divided into 10,000 shares	45%	Property investment
Market Favour Investments Limited	Hong Kong	HK\$1 divided into 1 share	45%	Holding company
Mandelson Investments Limited	British Virgin Islands	500 US\$1 shares	45%	Investment
Victor Horizon (0051) Limited	British Virgin Islands	500 US\$1 shares	45%	Investment
Wealthy Flow Company Limited	Hong Kong	HK\$1 divided into 1 share	45%	Funds management
廣州秀達企業管理有限公司	The People's Republic of China	HK\$2,000,000	45%	Holding company
廣州譽港企業管理有限公司	The People's Republic of China	RMB5,000,000	45%	Holding company
廣州港捷企業管理有限公司	The People's Republic of China	RMB10,000,000	45%	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	45%	Holding company
蘇州高龍房產發展有限公司	The People's Republic of China	RMB1,500,000,000	36%	Property
九龍倉(常州)置業有限公司	The People's Republic of China	US\$144,950,000	45%	Property

Subsidiaries	Place of incorporation/operation	Issued ordinary share capital/registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
Logistics				
Wharf Transport Investments Limited	Hong Kong	HK\$2 divided into 2 shares	63%	Holding company
The "Star" Ferry Company, Limited	Hong Kong	HK\$7,200,000 divided into 1,440,000 shares	63%	Public transport
Hotels				
The Murray Limited	Hong Kong	HK\$1 divided into 1 share	45%	Hotel
The Hongkong Hotel Limited	Hong Kong	HK\$100,000 divided into 100,000 shares	45%	Hotel and property investment
The Marco Polo Hotel (Hong Kong) Limited	Hong Kong	HK\$1,000 divided into 1,000 shares	63%	Hotel
The Prince Hotel Limited	Hong Kong	HK\$2 divided into 2 shares	63%	Hotel
常州馬哥孛羅酒店有限公司	The People's Republic of China	US\$7,000,000	45%	Hotel
Investment and others				
Lotus Tycoon Limited	British Virgin Islands	500 US\$1 shares	63%	Investment
Marvel Initial Limited	British Virgin Islands	500 US\$1 shares	63%	Investment
Harriman Leasing Limited	Hong Kong	HK\$2,000,990 divided into 10,100,099 shares	63%	Leasing services
Wharf REIC Corporate Management Limited	Hong Kong	HK\$1 divided into 1 share	63%	Property management
Wharf REIC Finance Limited	Hong Kong	HK\$1 divided into 1 share	63%	Finance
Wharf REIC Treasury Limited	Hong Kong	HK\$1 divided into 1 share	63%	Bank deposit
# Wharf REIC Finance (BVI) Limited	British Virgin Islands	500 US\$1 shares	63%	Finance
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	97%	Holding company/Property
Botanica Pte. Ltd.	Singapore	1,000,000 S\$1 shares	97%	Property
Everbilt Developers Pte. Ltd.	Singapore	160,000,000 S\$1 shares	97%	Property
Nassim Developments Pte. Ltd.	Singapore	2 S\$1 shares	97%	Investment
Pinehill Investments Pte. Ltd.	Singapore	1,000,000 S\$1 shares	97%	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	97%	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
Top Genius Holdings Limited	Hong Kong	HK\$1 divided into 1 share	100%	Property
Titano Limited	Hong Kong	HK\$2 divided into 2 shares	100%	Property
Tristar Capital Limited	Hong Kong	HK\$1 divided into 1 share	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

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (CONTINUED)

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/ registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
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
Wheelock MTN (BVI) Limited	British Virgin Islands	500 US\$1 share	100%	Finance

Associates	Place of incorporation/ operation	Class of shares	Percentage of equity attributable to shareholders	Principal activities
WHL – Properties				
Cheerful Age Company Limited	Hong Kong	Ordinary	32%	Holding company
Harpen Company Limited	Hong Kong	Ordinary	32%	Holding company
Magic Delight Limited	Hong Kong	Ordinary	32%	Holding company
Start Treasure Limited	Hong Kong	Ordinary	10%	Property
Victor Choice Investments Limited	Hong Kong	Ordinary	32%	Holding company
蘇州茂龍地產發展有限公司	The People's Republic of China	Registered	32%	Property
蘇州雙湖房地產有限公司	The People's Republic of China	Registered	32%	Property
天津港威房地產開發有限公司	The People's Republic of China	Registered	32%	Property
天津雍景灣房地產開發有限公司	The People's Republic of China	Registered	32%	Property
佛山招商九龍倉房地產有限公司	The People's Republic of China	Registered	32%	Property
佛山依雲上園房地產有限公司	The People's Republic of China	Registered	32%	Property
佛山依雲觀園房地產有限公司	The People's Republic of China	Registered	26%	Property
佛山信捷房地產有限公司	The People's Republic of China	Registered	32%	Property
佛山依雲孝德房地產有限公司	The People's Republic of China	Registered	32%	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	26%	Property
杭州築家房地產開發有限公司	The People's Republic of China	Registered	32%	Property
杭州綠城九龍倉置業有限公司	The People's Republic of China	Registered	32%	Property
浙江綠九置業有限公司	The People's Republic of China	Registered	32%	Property
杭州綠九濱聞置業有限公司	The People's Republic of China	Registered	32%	Property
杭州綠九啟奧置業有限公司	The People's Republic of China	Registered	23%	Property
杭州致謙投資有限公司	The People's Republic of China	Registered	32%	Property
杭州綠城朝陽置業有限公司	The People's Republic of China	Registered	32%	Property
佛山依雲房地產有限公司	The People's Republic of China	Registered	32%	Property
杭州臻禧投資有限公司	The People's Republic of China	Registered	5%	Holding company
杭州綠城桂溪房地產開發有限公司	The People's Republic of China	Registered	5%	Property
龍景房地產(杭州)有限公司	The People's Republic of China	Registered	32%	Property
蘇州孚元置業有限公司	The People's Republic of China	Registered	21%	Property
杭州龍玖投資管理有限公司	The People's Republic of China	Registered	17%	Property
蘇州工業區圓嶼捷建設發展有限公司	The People's Republic of China	Registered	19%	Property
佛山招商果嶺房地產有限公司	The People's Republic of China	Registered	26%	Property
佛山招商光華房地產有限公司	The People's Republic of China	Registered	32%	Property

Associates	Place of incorporation/ operation	Class of shares	Percentage of equity attributable to shareholders	Principal activities
佛山招商中環房地產有限公司	The People's Republic of China	Registered	32%	Property
杭州龍昊房地產開發有限公司	The People's Republic of China	Registered	15%	Property
WHL – Logistics				
Hong Kong Air Cargo Terminals Limited	Hong Kong	Ordinary	14%	Air cargo terminal
Mega Shekou Container Terminals Limited	British Virgin Islands	Ordinary	9%	Holding company
Wharf REIC – Properties				
上海萬九綠合置業有限公司	The People's Republic of China	Registered	12%	Property
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	32%	Property
Elite Mind International Limited	Hong Kong	Ordinary	26%	Holding company
Empire Land Investments Limited	Hong Kong	Ordinary	32%	Holding company
Green Magic Investments Limited	Hong Kong	Ordinary	39%	Holding company
Long Global Investment Limited	Hong Kong	Ordinary	19%	Holding company
Tower Beyond Limited	Hong Kong	Ordinary	32%	Holding company
Vanguard Insight Limited	Hong Kong	Ordinary	32%	Holding company
Tartar Investments Limited	British Virgin Islands	Ordinary	19%	Holding company
重慶嘉江房地產開發有限公司	The People's Republic of China	Registered	26%	Property
重慶嘉益房地產開發有限公司	The People's Republic of China	Registered	32%	Property
重慶尼依格羅酒店有限公司	The People's Republic of China	Registered	32%	Hotel
浙江金盈置業有限公司	The People's Republic of China	Registered	32%	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	32%	Property
寧波姚景房地產開發有限公司	The People's Republic of China	Registered	32%	Property
寧波瑞峰置業有限公司	The People's Republic of China	Registered	32%	Property
蘇州皓龍地產發展有限公司	The People's Republic of China	Registered	39%	Property
大連九龍倉綠城置業有限公司	The People's Republic of China	Registered	39%	Property
上海龍驤房地產開發有限公司	The People's Republic of China	Registered	32%	Property
深圳前晉置業有限公司	The People's Republic of China	Registered	32%	Property
北京西局置業有限公司	The People's Republic of China	Registered	52%	Property
廣州建融房地產開發有限公司	The People's Republic of China	Registered	12%	Holding company
廣州建穗房地產開發有限公司	The People's Republic of China	Registered	12%	Property
廣州安合房地產開發有限公司	The People's Republic of China	Registered	6%	Property
Wharf REIC – Properties				
Speedy Champ Investments Limited	Hong Kong	Ordinary	24%	Investment holding
重慶豐盈房地產開發有限公司	The People's Republic of China	Registered	24%	Property
Wheelock (other than WHL and Wharf REIC) – Properties				
Sky Asia Properties Limited	Hong Kong	Ordinary	22.5%	Property
Voyage Mile Limited	Hong Kong	Ordinary	29.3%	Property

* 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.

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (CONTINUED)

Notes:

- (a) The subsidiaries, associates and joint ventures were held indirectly by the Company.
- (b) The above list gives the principal subsidiaries, associates and joint ventures of the Group which, in the opinion of the Directors, principally affect the profit and assets of the Group.
- (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 2020	HK\$250 Million
	HK\$ Guaranteed Fixed Rate Notes due 2020	HK\$370 Million
	HK\$ Guaranteed Fixed Rate Notes due 2020	HK\$480 Million
	HK\$ Guaranteed Fixed Rate Notes due 2020	HK\$500 Million
	HK\$ Guaranteed Fixed Rate Notes due 2021	HK\$100 Million
	HK\$ Guaranteed Fixed Rate Notes due 2021	HK\$280 Million
	RMB Guaranteed Fixed Rate Notes due 2021	RMB215 Million
	HK\$ Guaranteed Fixed Rate Notes due 2022	HK\$200 Million
Wharf Finance Limited	HK\$ Guaranteed Fixed Rate Notes due 2023	HK\$300 Million
	US\$ Guaranteed Fixed Rate Notes due 2019	US\$400 Million
	AUD Guaranteed Fixed Rate Notes due 2019	AUD70 Million
	AUD Guaranteed Fixed Rate Notes due 2019	AUD25 Million
	AUD Guaranteed Floating Rate Notes due 2019	AUD15 Million
	US\$ Guaranteed Floating Rate Notes due 2019	US\$10 Million
	US\$ Guaranteed Floating Rate Notes due 2020	US\$20 Million
	US\$ Guaranteed Fixed Rate Notes due 2021	US\$50 Million
	HK\$ Guaranteed Fixed Rate Notes due 2021	HK\$345 Million
	HK\$ Guaranteed Fixed Rate Notes due 2022	HK\$424 Million
	HK\$ Guaranteed Fixed Rate Notes due 2022	HK\$60 Million
	HK\$ Guaranteed Fixed Rate Notes due 2022	HK\$312 Million
	HK\$ Guaranteed Fixed Rate Notes due 2022	HK\$382 Million
	US\$ Guaranteed Fixed Rate Notes due 2022	US\$60 Million
	HK\$ Guaranteed Fixed Rate Notes due 2023	HK\$100 Million
	HK\$ Guaranteed Fixed Rate Notes due 2023	HK\$100 Million
	HK\$ Guaranteed Fixed Rate Notes due 2024	HK\$500 Million
	HK\$ Guaranteed Fixed Rate Notes due 2024	HK\$200 Million
	HK\$ Guaranteed Fixed Rate Notes due 2024	HK\$195 Million
	HK\$ Guaranteed Fixed Rate Notes due 2024	HK\$185 Million
HK\$ Guaranteed Fixed Rate Notes due 2024	HK\$177 Million	
HK\$ Guaranteed Fixed Rate Notes due 2025	HK\$800 Million	
HK\$ Guaranteed Fixed Rate Notes due 2027	HK\$230 Million	
HK\$ Guaranteed Fixed Rate Notes due 2040	HK\$250 Million	

Name of subsidiary/borrower	Description of debt securities	Outstanding principal amount
Wharf Finance (No. 1) Limited	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	
The Wharf (Holdings) Limited	RMB Fixed Rate Notes due 2019	RMB4,000 Million
	RMB Fixed Rate Notes due 2020	RMB2,000 Million
B) Wharf REIC (guaranteed by Wharf REIC)		
Wharf REIC Finance (BVI) Limited	HK\$ Guaranteed Fixed Rate Notes due 2025	HK\$1,000 Million
	US\$ Guaranteed Fixed Rate Notes due 2028	US\$600 Million
	HK\$ Guaranteed Fixed Rate Notes due 2028	HK\$1,400 Million
	HK\$ Guaranteed Fixed Rate Notes due 2030	HK\$190 Million
C) Wheelock (other than WHL and Wharf REIC) (guaranteed by the Company)		
Wheelock Finance Limited	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

Address	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)					(Remarks)
	Total	Office	Retail	Residential	Others	
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	1,879,000	434,000	–	328,000	
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	4,615,000	2,068,000	1,115,000	611,000	
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	–	–	
Crawford House						
64-70A Queen's Road Central, Central	189,000	104,000	85,000	–	–	
Wheelock House						
3/F-24/F., & Shop C, Wheelock House, 20 Pedder Street, Central	215,000	211,000	4,000	–	–	
Others						
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)
One Island South, 2 Heung Yip Road, Wong Chuk Hang	90,500	–	90,500	–	–	
ISLAND WALK, ISLAND RESIDENCE, 163 Shau Kei Wan Road, Shau Kei Wan	13,300	–	13,300	–	–	
	4,935,300	1,353,000	1,748,800	235,500	1,598,000	
The Murray						
Cotton Tree Drive, Central	336,000	–	–	336,000	–	(A 336-room hotel)
Total Hong Kong Property – Investment	13,680,300	5,968,000	3,816,800	1,686,500	2,209,000	

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	63%
126,488	KML 11 S.A.	2880	1977	N/A	63%
	(a) KML 11 S.B.	2880	1981	N/A	63%
	(a) KML 11 S.B.	2880	1981	N/A	63%
	(a) KML 11 S.D.	2880	1983	N/A	63%
	(a) KML 11 S.B. & D.	2880	1981/83	N/A	63%
	(a) KML 11 R.P.	2880	1994	N/A	63%
	(a) KML 11 S.B. & D.	2880	1998/99	N/A	63%
58,814	KML 91 S.A. & KML 10 S.B.	2863	1969	N/A	45%
	(a) KML 11 S.B.	2880	1981	N/A	63%
	(a) KML 11 S.D.	2880	1983	N/A	63%
48,309	KIL 11179	2021	1990	N/A	63%
112,441	IL 731, IL 728, IL 727, IL 725 S.A. & R.P., IL 724 S.A.	2850/60/80	1993	N/A	63%
280,510	NKIL 6160	2047	1997	N/A	63%
12,286	IL 7 R.P. & IL 45 S.A.R.P.	2842	1977	N/A	63%
N/A	ML 99 S.A., S.C. & R.P. & ML 100 S.A., S.B. & R.P.	2854	1984	N/A	63%
N/A	N/A	N/A	N/A	N/A	63%
N/A	TWTL 218	2047	1992	N/A	65%
N/A	RBL 512 & 1004	2027/28	1974/77	N/A	65%
29,640	RBL 556 S.A.R.P. & S.B.	2035	2001	N/A	65%
32,145	RBL 522, 639, 661	2027	2017	Fitout works in progress	65%
97,670	RBL 534 S.E., S.F. & R.P.	2028	2021	Superstructure in progress	65%
76,726	RBL 836	2029	2017	Fitout works in progress	65%
165,809	NKIL 5805, 5806 & 5982	2047	1984	Planning for redevelopment	65%
	N/A AIL 374	2121	2011	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	45%

SCHEDULE OF PRINCIPAL PROPERTIES (CONTINUED)

Address	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)					(Remarks)
	Total	Office	Retail	Residential	Others	
Property – Development						
Kowloon Tong Residential Project, Lung Cheung Road, Kowloon	436,400	–	–	436,400	–	
One Midtown, 11 Hoi Shing Road, Tsuen Wan	1,900	–	–	–	1,900	
Peninsula East, 5 Tung Yuen Street, Yau Tong	42,600	–	42,600	–	–	
CAPRI, 33 Tong Yin Street, Tseung Kwan O	2,922	–	–	2,922	–	
SAVANNAH, 3 Chi Shin Street, Tseung Kwan O	11,770	–	–	11,770	–	
NAPA, 88 So Kwun Wat Road, Tuen Mun	120,151	–	–	120,151	–	
ISLAND RESIDENCE, 163 Shau Kei Wan Road, Shau Kei Wan	6,897	–	–	6,897	–	
ONE HOMANTIN, 1 Sheung Foo Street, Ho Man Tin	15,780	–	–	15,780	–	
MONTEREY, 23 Tong Chun Street, Tseung Kwan O	103,704	–	–	103,704	–	
Oasis Kai Tak, Kai Tak Area 1H Site	51,122	–	8,300	42,822	–	
MALIBU, Tseung Kwan O	39,215	–	–	39,215	–	
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	–	
Kai Tak NKIL 6564	425,361	–	–	425,361	–	
Kai Tak NKIL 6563	551,138	–	–	551,138	–	
	4,512,360	–	50,900	4,459,560	1,900	
Associates/joint ventures						
(Attributable – Note i)						
Various Lots at Yau Tong Bay, Yau Tong	611,401	–	13,696	597,705	–	
8 Mount Nicholson Road, The Peak	52,100	–	–	52,100	–	
Site at Hing Wa Street, Cheung Sha Wan	222,300	–	–	222,300	–	
Kai Tak NKIL 6574	168,362	–	–	168,362	–	
	1,054,163	–	13,696	1,040,467	–	
Total Hong Kong Property – Development	5,566,523	–	64,596	5,500,027	1,900	
HONG KONG TOTAL	19,246,823	5,968,000	3,881,396	7,186,527	2,210,900	

Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
121,224	NKIL 6579	2068	2023	Foundation under preparation	65%
66,000	TWIL 36	2047	2012	N/A	65%
42,625	YTIL 40 RP	2062	2016	N/A	65%
N/A	TKOTL 125	2063	2017	N/A	100%
N/A	TKOTL 112	2063	2017	N/A	100%
N/A	TMTL 427	2063	2017	N/A	100%
N/A	SIL 547 R.P. & various lots of SIL 481 S.B.	2071	2017	N/A	100%
N/A	KIL 11228	2063	2017	N/A	100%
N/A	TKOTL 126	2063	2018	N/A	100%
82,603	NKIL 6541	2064	2019	CC application 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 work in progress	100%
78,771	NKIL 6564	2067	2022	Foundation work in progress	100%
102,064	NKIL 6563	2067	2023	Planning Stage	100%
816,872	R.P. of YTML 22 & ext., YTML 28 & ext., YTML 29 & ext., and YTML 12, 32 and 33 together with adjoining lots at Yau Tong Bay	2047	N/A	Planning stage	10%
250,930	IL 9007	2060	2016	N/A	32%
987,000	NKIL 6549	2068	2023	Foundation work in progress	22.5%
104,475	NKIL 6574	2068	2023	Planning stage	29.3%

SCHEDULE OF PRINCIPAL PROPERTIES (CONTINUED)

Address	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)					(Remarks)
	Total	Office	Retail	Residential	Others	
MAINLAND CHINA						
Property – Investment						
Completed Investment Properties						
Shanghai Times Square 93-111 Huai Hai Zhong Road, Shanghai	973,000	331,000	447,000	195,000	–	
Chongqing Times Square 100 Zou Rong Road, Yuzhong District, Chongqing	591,800	13,800	578,000	–	–	
Wuhan Times Square 160 Yan Jiang Da Dao, Jiangnan District, Wuhan	8,000	–	8,000	–	–	
Dalian Times Square 50 Ren Min Road, Zhongshan District, Dalian	188,000	–	188,000	–	–	
Times Outlets Chengdu No. 99 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	2,036,000	2,036,000	–	–	–	
Chongqing International Finance Square Zones A of Jiangbei City, Jiang Bei District, Chongqing (Attributable – Note i)	1,654,000	1,066,000	588,000	–	–	
Shanghai Wheelock Square 1717 Nan Jing Xi Road, Jingan District, Shanghai	1,199,000	1,149,000	50,000	–	–	
Changsha International Finance Square Furong District, Changsha	2,644,000	–	2,644,000	–	–	
Times Outlets Changsha 168 Ou Zhou Bei Lu, Jinzhou New District Industrial Concentration Zone Changsha, Hunan China	772,000	–	772,000	–	–	
	16,787,800	7,687,800	8,150,000	950,000	–	
Investment Properties Under Development						
Suzhou International Finance Square Xing Hu Jie, Suzhou Industrial Park, Suzhou	3,217,000	1,632,000	14,000	1,571,000	–	(A 216-room hotel)
Shenzhen Qianhai Apartment Project Site no. T102-0262, Qianhai, Nanshan District, Shenzhen (Attributable – note i)	274,000	–	43,000	226,000	5,000	
	3,491,000	1,632,000	57,000	1,797,000	5,000	
Marco Polo Changzhou 88 Hehai East Road, Xinbei District, Changzhou	474,000	–	–	343,000	131,000	(A 271-room hotel and The Mansion)
Marco Polo Wuhan 160 Yan Jiang Da Dao, Jiangnan District, Wuhan	405,000	–	–	–	405,000	(A 356-room hotel)
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 Changsha Tower 1, Changsha IFS, 188 Jiefang West Road, Furong District, Changsha, Hunan 410005, China	442,000	–	–	–	442,000	(A 243-room hotel)
Niccolo Chongqing Tower 1, Chongqing IFS, 38 North Avenue Jiangbeicheng, Jiangbei District, Chongqing 400023, China (Attributable – note i)	219,000	–	–	–	219,000	(A 252-room hotel on 100% ownership)
	1,988,000	–	–	343,000	1,645,000	
Total Mainland China Property – Investment	22,266,800	9,319,800	8,207,000	3,090,000	1,650,000	

Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
148,703	N/A	2043	1999	N/A	65%
95,799	N/A	2050	2004	N/A	65%
(b)	N/A	2053	2008	N/A	65%
(c)	N/A	2039	2008	N/A	65%
(d)	N/A	2047	2009	N/A	65%
(e)	N/A	2047/79	2013/2014/2016	N/A	65%
313,867	N/A	2047/57	2014	N/A	65%
(f)	N/A	2051	2017	N/A	32%
136,432	N/A	2049	2010	N/A	64%
(g)	N/A	2051	2018	N/A	65%
1,299,000	N/A	2055	2016	N/A	65%
229,069	N/A	2047/77	2019	Superstructure in progress	36%
80,000	N/A	2057	2021	Foundation in progress	32%
842,531	N/A	2048	2014	N/A	45%
(b)	N/A	2053	2008	N/A	65%
(e)	N/A	2049	2015	N/A	65%
(g)	N/A	2051	2018	N/A	65%
(f)	N/A	2051	2017	N/A	32%

SCHEDULE OF PRINCIPAL PROPERTIES (CONTINUED)

Address	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)					(Remarks)
	Total	Office	Retail	Residential	Others	
Property – Development						
Hangzhou Palazzo Pitti	1,000	–	–	1,000	–	
Hangzhou Hangyimian Lot C/D Gongshu District Gongchen Bridge West, Hangzhou						
Hangzhou Royal Seal Lot#FG05 of Wenhui Road, Hangzhou	44,000	–	–	44,000	–	
Hangzhou Imperial Park Lot#XC0502-R21-40, Santang Unit, Xiacheng District, Hangzhou	324,000	–	–	324,000	–	
Shi Ji Hua Fu Yingbin North Road/Fenshou Road, Fuchun District, Fuyang, Hangzhou	78,000	–	76,000	2,000	–	
Junting						
Hangzhou Qianjiang Economic Development Area 09 Provincial Road/Kangxin Road, Yuhang District, Hangzhou	1,006,000	–	–	1,006,000	–	
Longxi Site GS05-R21-14, Shenhua Unit, Gongshu District, Hangzhou	456,000	–	–	456,000	–	
Longxi Site GS05-R21-A01, Shenhua Unit, Gongshu District, Hangzhou	5,000	–	–	5,000	–	
Qinglong #84 Site FG01-R21-07, Qinglong Unit, Gongshu District, Hangzhou	748,000	–	–	748,000	–	
Qinglong #92 Site FG01-R21-05, Qinglong Unit, Gongshu District, Hangzhou	452,000	–	–	452,000	–	
Shanghai Pudong Huangpujiang Site #E18 of Pudong Huangpujiang Riverside, Shanghai	274,000	–	–	274,000	–	
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	320,000	–	–	320,000	–	
Suzhou Wuzhong Lot #24 East of Ying Chun Lu, Guo Xin Qu, Wu Zhong District, Suzhou	320,000	–	–	320,000	–	
Suzhou Yangcheng Lake Lot #27 South of Yang Cheng Hu Zhen Xiang Zhou Road, East of Shun Xian Road, Xiangcheng District, Suzhou	2,185,000	–	12,000	2,173,000	–	
Suzhou Xiangcheng Yuan He Street Lot #77 South of Yuan He Street An Yuan Road, East of Wen Ling Road, Xiangcheng District, Suzhou	1,306,000	–	–	1,306,000	–	
Suzhou Huayuan Road Lot #78 North of HuangQiao Street HuaYuan Road, East of TongHu Road, Xiangcheng District, Suzhou	1,781,000	–	–	1,781,000	–	
Wuxi Glory of Time Nanchang District and abutting on Jinhang Canal, Wuxi	221,000	–	111,000	110,000	–	
Wuxi Times City Taihu Plaza, Nanchang District, Wuxi	61,000	–	–	61,000	–	
Wuxi Xiyuan Nanchang District and abutting on Jinhang Canal, Wuxi	119,000	–	–	119,000	–	
River Pitti Nanchang District and abutting on Jinhang Canal, Wuxi	712,000	–	–	712,000	–	
The Orion Bounded by Dongdajie south, Jinhua Nan Lu east and Datiankan Jie north, Jinjiang District, Chengdu	50,000	–	–	50,000	–	
Tian Fu Times Square Junction of Dong Da Jie & Fu He, Jinjiang District, Chengdu	28,000	–	28,000	–	–	

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	65%
258,358	N/A	2080	2017	N/A	65%
115,648	N/A	2087	2021	Foundation in progress	65%
553,442	N/A	2051/81	2015	N/A	65%
1,315,296	N/A	2081	2019	Superstructure in progress	65%
211,685	N/A	2086	2019	Superstructure in progress	65%
198,596	N/A	2085	2017	N/A	65%
356,321	N/A	2088	2022	Planning stage	65%
180,824	N/A	2088	2022	Foundation in progress	65%
585,723	N/A	2081	2017	N/A	65%
170,825	N/A	2043/63	2020	Superstructure in progress	36%
526,905	N/A	2083	2016	N/A	65%
2,501,747	N/A	2081	2020	Superstructure in progress	65%
181,643	N/A	2087	2021	Planning stage	65%
1,112,825	N/A	2057/2087	2020	Superstructure in progress	65%
533,173	N/A	2058/88	2020	Planning stage	65%
1,013,022	N/A	2088	2020	Planning stage	65%
1,276,142	N/A	2078	2018	N/A	65%
3,314,418	N/A	2078	2018	N/A	65%
1,416,822	N/A	2078	2020	Superstructure in progress	65%
2,121,662	N/A	2048/78	2019	Superstructure in progress	65%
160,000	N/A	2079	2013	N/A	65%
761,520	N/A	2045/75	2013	N/A	65%

SCHEDULE OF PRINCIPAL PROPERTIES (CONTINUED)

Address	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)					(Remarks)
	Total	Office	Retail	Residential	Others	
Times Town, Shuangliu Development Zone Junction of Shuang Nan Avenue and Guang Hua Avenue, Shuangliu County, Chengdu	4,088,000	2,348,000	962,000	778,000	–	
Chengdu Times City Shuangliu Huayang Street, Qinghe Community Group 8 and Gongxing Street Outang Village Group 5, Chengdu	1,249,000	–	88,000	1,161,000	–	
Le Palais Lot No. 8 along Section 3 of the 2nd Ring Road East, Chenghua District, Chengdu	43,000	–	41,000	2,000	–	
Changsha International Finance Square Furong District, Changsha	4,447,000	3,264,000	–	753,000	430,000	(A 200-room hotel)
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	3,537,000	–	–	3,537,000	–	
	24,687,000	5,612,000	1,318,000	17,327,000	430,000	
Associates/joint ventures						
(Attributable – Note i)						
Evian Kingbay North of Jihua Bridge, Chancheng District, Foshan	58,000	–	–	58,000	–	
Evian Capital Beihu Yi Road, Luocun, Shishan, Nanhai District, Foshan	38,000	–	36,000	2,000	–	
Unique Garden East of Wenhua Lu, Chancheng District, Foshan	78,000	–	11,000	67,000	–	
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	1,219,000	–	30,000	1,189,000	–	
Glory Garden West of Jiansheyi Lu, Southwest Street, Sanshui District, Foshan	1,192,000	–	10,000	1,182,000	–	
Donghui City Guangzhou Development Zone KXCD-D1-2 Project	2,000	–	–	2,000	–	
Guangzhou Central Manor Guangzhou Baiyun District Shijing Town Shitan Road No.444	235,000	–	4,000	231,000	–	
Guangzhou Baiyun Shucai Yanjiu Suo Guangzhou Baiyun District Guanghuayui Road East	83,000	–	–	83,000	–	
Unique Garden Laiguangying Central Street, Chaoyang District, Beijing	13,000	–	11,000	2,000	–	
The Pearl on the Crown South 2nd Ring, Fengtai District, Beijing	168,000	–	–	58,000	110,000	
Crown Land South 2nd Ring, Fengtai District, Beijing	290,000	–	–	290,000	–	
One LiangMa North to Jiu Xianqiao South Street, East to Jiangtai East Road, South to Liangmahe North Road, West to planning road, Chaoyang District, Beijing	535,000	–	60,000	385,000	90,000	
West Manor Near to Lize Bridge NW corner, Beijing	1,083,000	–	–	856,000	227,000	
Scenery Bay Intersection of Hedong Road and Kunlun Road, Hedong District, Tianjin	42,000	–	39,000	3,000	–	
Willow Breeze Hangzhou Binjiang District Site R21-6 ,7	408,000	–	–	408,000	–	
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	–	
Hangzhou Guiyu Chaoyang Hangzhou Xiaoshan Shixin Road (next to Chaoyang MTR Station)	1,029,000	–	20,000	1,009,000	–	

Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
(d)	N/A	2047/77	2022	Superstructure in progress	65%
800,882	N/A	2053/83	2021	Superstructure in progress	65%
1,130,000	N/A	2050/80	2016	N/A	65%
(g)	N/A	2051	2020	Superstructure in progress	65%
(c)	N/A	2069	2009	N/A	65%
3,210,772	N/A	2082	2020	Superstructure in progress	97%
639,000	N/A	2083	2017	N/A	32%
1,069,000	N/A	2083	2018	N/A	32%
305,722	N/A	2055/85	2018	N/A	26%
740,000	N/A	2056/2086	2019	Superstructure in progress	26%
876,000	N/A	2057/2087	2021	Superstructure in progress	32%
759,000	N/A	2057/2087	2021	Superstructure in progress	32%
1,181,000	N/A	2081	2016	N/A	21%
395,000	N/A	2087	2021	Superstructure in progress	12%
308,000	N/A	2087	2021	Foundation in progress	6%
783,000	N/A	2082	2017	N/A	21%
582,000	N/A	2085	2018	N/A	16%
680,000	N/A	2085	2019	Superstructure in progress	16%
605,000	N/A	2086	2020	Superstructure in progress	26%
395,000	N/A	2087	2021	Foundation in progress	52%
902,000	N/A	2083	2018	N/A	32%
207,772	N/A	2055/85	2019	Superstructure in progress	32%
289,476	N/A	2057/87	2020	Superstructure in progress	23%
1,506,379	N/A	2057/87	2020	Superstructure in progress	15%
754,869	N/A	2058/88	2,021	Superstructure in progress	32%

SCHEDULE OF PRINCIPAL PROPERTIES (CONTINUED)

Address	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)					(Remarks)
	Total	Office	Retail	Residential	Others	
Longfor Jade Mansion Hangzhou Jianggan Yao Xiang Road/Kai Chuang Jie Junction	318,000	–	–	318,000	–	
Qinglong #28 Site FG01-R21-06, Qinglong Unit, Gongshu District, Hangzhou	563,000	–	2,000	561,000	–	
Suzhou Yuanhe Road Suzhou Xiang Cheng District Yuanhe Road	976,000	–	–	976,000	–	
Villa One The Junction between Hua Yuan Road and Tong Hu Road, Hu Qiu Wetland Park, Xiang Cheng District, Suzhou	642,000	–	–	642,000	–	
Suzhou Huangpu Street Lot #82 East & West of ShiShan Street, South of ZhuYuan Road, Suzhou New District, Suzhou	560,000	–	–	560,000	–	
Suzhou Xingtangjie East Site Suzhou Xingtang Street East & Chaoyang Road South	385,000	–	–	385,000	–	
The Beryville Site E-4#, 7#, 8#, 12# & 13#, Shuixianglinli Eastern New Town, Ningbo	4,000	–	–	4,000	–	
Garden Valley Taoyuan Area, Jiefang Road, Zhongshan District, Dalian	537,000	–	–	537,000	–	
Chengdu ICC South of Shuanggui Road, North of Niusha Road East of Erhuan Road, West of Shahe, Jinjiang District, Chengdu	3,367,200	1,182,000	404,300	1,671,000	109,900	
The Throne Zones C of Jiangbei City, Jiang Bei District, Chongqing	1,501,000	–	69,000	1,432,000	–	
International Community Tiedonglu, Hebei District, Tianjin	1,870,000	–	830,000	1,040,000	–	
	18,513,200	1,182,000	1,562,300	15,232,000	536,900	
Total Mainland China Property – Development	43,200,200	6,794,000	2,880,300	32,559,000	966,900	
MAINLAND CHINA TOTAL	65,467,000	16,113,800	11,087,300	35,649,000	2,616,900	
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	20,056	–	–	20,056	–	
Total Singapore Property – Development	20,056	–	–	20,056	–	
SINGAPORE TOTAL	616,656	221,800	374,800	20,056	–	
GROUP PROPERTY – INVESTMENT	36,543,700	15,509,600	12,398,600	4,776,500	3,859,000	
GROUP PROPERTY – DEVELOPMENT	48,786,779	6,794,000	2,944,896	38,079,083	968,800	
GROUP TOTAL (Note k)	85,330,479	22,303,600	15,343,496	42,855,583	4,827,800	

SCHEDULE OF PRINCIPAL PROPERTIES (CONTINUED)

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 Changsha International Finance Square which has a total site area of 800,452 sq. ft.
- (h) This property forms part of Scotts Square which has a total site area of 71,137 sq.ft.
- (i) The floor areas of properties held through joint ventures and associates are shown on an attributable basis.
- (j) Total Mainland development properties area included 7,605,000 sq. ft. pre-sold areas which have not yet been recognised in the financial statements.
- (k) In addition to the above floor areas, the Group has total attributable carpark areas of approximately 22 million sq. ft. mainly in Mainland China.
- (l) In January 2019, the Group acquired one site in Suzhou for RMB628 million (GFA: 23,700 square metres) on an attributable basis.

TEN-YEAR FINANCIAL SUMMARY

HK\$ Million	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Consolidated Income Statement										
Revenue	48,490	70,953	60,579	57,431	40,953	35,071	33,124	34,558	24,186	18,957
Operating profit	24,934	23,857	21,135	20,053	15,729	14,938	15,570	17,730	11,384	9,507
Underlying net profit (Note a)	13,208	12,117	11,811	10,598	8,103	7,822	7,267	9,038	4,582	3,711
Profit before property revaluation gain	11,796	14,839	15,987	9,974	7,035	7,724	8,734	8,359	4,974	4,408
Profit attributable to equity shareholders	17,239	20,570	16,294	14,232	22,009	16,954	26,935	22,866	20,194	10,459
Dividends attributable to shareholders	3,174	2,909	2,644	2,337	2,169	2,032	2,235	1,016	254	254
Consolidated Statement of Financial Position										
Investment properties	341,466	346,442	329,057	325,044	316,860	282,015	250,729	200,497	161,953	126,789
Property, plant and equipment	21,970	21,772	20,756	22,804	25,052	24,180	19,888	19,002	18,410	18,522
Interest in associates/joint ventures	50,551	41,923	35,117	39,338	45,559	40,606	37,265	27,628	24,210	13,064
Other long term investments	42,645	29,001	9,530	12,475	11,390	13,246	14,843	7,065	10,676	4,885
Properties for sale	91,433	58,518	70,050	76,184	88,148	87,178	65,007	60,909	37,233	25,824
Bank deposits and cash	28,824	56,474	43,964	27,266	21,279	29,345	30,016	42,668	27,540	27,756
Other assets	15,735	15,542	11,961	9,647	9,279	10,244	12,018	6,343	6,214	7,966
Total assets	592,624	569,672	520,435	512,758	517,567	486,814	429,766	364,112	286,236	224,806
Bank loans and other borrowings	(121,831)	(114,191)	(94,941)	(106,193)	(117,878)	(123,640)	(103,257)	(95,682)	(65,682)	(46,634)
Other liabilities	(81,315)	(67,658)	(75,974)	(65,706)	(59,773)	(51,602)	(40,629)	(33,236)	(27,478)	(19,621)
Net assets	389,478	387,823	349,520	340,859	339,916	311,572	285,880	235,194	193,076	158,551
Share capital	3,724	3,418	3,075	2,949	2,949	2,949	2,949	2,949	2,949	2,949
Reserves	247,353	238,266	212,290	198,718	188,257	163,633	149,092	119,613	97,423	73,949
Shareholders' equity	251,077	241,684	215,365	201,667	191,206	166,582	152,041	122,562	100,372	76,898
Non-controlling interests	138,401	146,139	134,155	139,192	148,710	144,990	133,839	112,632	92,704	81,653
Total equity	389,478	387,823	349,520	340,859	339,916	311,572	285,880	235,194	193,076	158,551
Net debt	93,007	57,717	50,977	78,927	96,599	94,295	73,241	53,014	38,142	18,878
Financial Data										
<i>Per share data</i>										
Earnings per share (HK\$)										
— Underlying net profit	6.46	5.94	5.81	5.22	3.99	3.85	3.58	4.45	2.26	1.83
— Before property revaluation gain	5.77	7.28	7.86	4.91	3.46	3.80	4.30	4.11	2.45	2.17
— Attributable to equity shareholders	8.43	10.09	8.02	7.00	10.83	8.34	13.26	11.25	9.94	5.15
Net assets value per share (HK\$)	122.60	118.37	105.85	99.26	94.11	81.99	74.83	60.32	49.40	37.85
Dividends per share (c) (Note b)	155.00	142.50	130.00	115.00	106.75	100.00	110.00	50.00	12.50	12.50
<i>Financial ratios</i>										
Net debt to total equity (%)	23.9	14.9	14.6%	23.2%	28.4%	30.3%	25.6%	22.5%	19.8%	11.9%
Interest cover (Times) (Note c)	8.2	9.8	6.9	6.4	4.6	4.6	6.2	10.2	13.5	16.1
Return on shareholders' equity (%) (Note d)	7.0%	9.0%	7.8%	7.2%	12.3%	10.6%	19.6%	20.5%	22.8%	14.7%
Dividend payout (%)										
— Underlying net profit	24.0%	24.0%	22.4%	22.1%	26.8%	26.0%	30.8%	11.2%	5.5%	6.8%
— Attributable to equity shareholders	18.4%	14.1%	16.2%	16.4%	9.9%	12.0%	8.3%	4.4%	1.3%	2.4%

TEN-YEAR FINANCIAL SUMMARY (CONTINUED)

Notes:

- (a) Underlying net 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 deficit on the reclassification of Hotel Properties Limited in 2018, 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.

