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WHEELOCK AND COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 20

2016 Final Results Announcement

Record sales in a buoyant 2016 market

Hong Kong Development Properties Highlights

- **Contracted sales** increased by 71% to achieve a new record of HK\$22.1 billion.
- **Residential contracted sales** was the growth driver which increased by 156% to HK\$16.9 billion and accounted for 76% of contracted sales.
 - 92% average sell-through rate was achieved on all newly launched units.
 - Mount Nicholson sold six houses and 16 apartments for HK\$10.0 billion or HK\$81,300 per square foot (HK\$5.0 billion on attributable basis). Two adjoining apartment units were sold for a new record of HK\$104,800 per square foot.
 - Savannah presold 99% of launched units for HK\$5.4 billion, underpinning the continued success of O'South portfolio.
 - ONE HOMANTIN gained momentum and presold 86% of launched units for HK\$4.3 billion.
- **One HarbourGate** East Office Tower and East Retail Villa were sold en-bloc for HK\$4.5 billion, marking the fourth en-bloc office transaction in four consecutive years.
- **Net order book** increased by 27% to HK\$15.9 billion, locking in future revenue stream.
- **Urban-focused land bank** under management was maintained at 8.2 million square feet after acquiring a residential site in Kwun Tong.

Wheelock Group Financials

- Group's core profit increased by 11% to a record high at HK\$11.8 billion.
- Attributable core profit from Wharf increased to HK\$8.3 billion.
- Strong balance sheet and holding power with net gearing at 14.6% and Wheelock's own net gearing before consolidation at 13.8%.

GROUP RESULTS

Excluding investment property revaluation gain and exceptional items, the core profit was HK\$11,811 million (2015: HK\$10,598 million).

Group profit attributable to equity shareholders was HK\$16,294 million (2015: HK\$14,232 million). Earnings per share were HK\$8.02 (2015: HK\$7.00).

DIVIDENDS

A first interim dividend of 45.0 cents per share was paid on 19 September 2016. In lieu of a final dividend, a second interim dividend ("Second Interim Dividend") of 85.0 cents per share will be paid on 28 April 2017 to Shareholders on record as at 12 April 2017. Total distribution for the year 2016 will amount to HK\$1.30 (2015: HK\$1.15) per share.

BUSINESS REVIEW

Core Business – Hong Kong Development Properties ("DP")

Contracted sales increased by 71% to reach a new record of **HK\$22.1 billion**, of which residential contracted sales accounted for 76%. This solid growth was driven by contribution from successful launches of diverse mix of products, including the Peak luxury residence, O'South residence and Grade A office, demonstrating all-rounded sales capabilities.

Residential contracted sales was the growth driver with an increase of 156% to **HK\$16.9 billion**, which ranks among the top selling developers in 2016. Four new developments were launched during the year and achieved 92% average sell-through rate on all units launched. On one hand, this encouraging result exhibited the increasing recognition of our commitment to deliver customer-focused products and services. On the other, it affirmed our proven execution of fast asset turnover business strategy.

Mount Nicholson, the ultra-luxury residence on the Peak, successfully sold six houses and 16 apartments during the year for HK\$10.0 billion since its debut in February 2016, of which HK\$5.0 billion is attributable to the Group. House No. 1, the biggest one among the development features 9,950 square feet of living space, spectacular harbour view, private garden and an outdoor swimming pool, was sold for HK\$1.1 billion. Apartment 16A & B, the two adjoining units with a total of 8,702 square feet, were sold for a new record of HK\$104,800 per square foot. This promising result has again shown robust demand for prestigious and exclusive residence on the Peak.

ONE HOMANTIN has gained momentum gradually since its debut in March 2016 and presold 86% of 423 units launched for HK\$4.3 billion. The opening of Ho Man Tin MTR station in October will further enhance its attractiveness and market demand. Following ONE HOMANTIN, **Savannah** was launched in May and successfully presold 99% of 798 units launched for HK\$5.4 billion, underpinning the continued success of The Parkside and CAPRI in O'South. **NAPA**, a low-density development surrounded by green area, was launched in mid-October and presold 74% of 201 units launched for HK\$1.0 billion.

Commercial contracted sales amounted to **HK\$5.2 billion**. The East Office Tower and East Retail Villa of One HarbourGate were sold en-bloc for HK\$4.5 billion in July, marking the fourth en-bloc office transaction in four consecutive years. One HarbourGate was handed over to China Life Insurance and Cheung Kei Group in 2016. Together with One Bay East, these two Grade A office developments successfully attracted multinational corporations such as Manulife, Citigroup and China Life Insurance to set up their regional headquarters which could house more than 10,000 employees. This also presented our substantial contributions to the development in CBDs.

On **completion**, four developments were completed during the year, including One HarbourGate, Kensington Hill, Mount Nicholson and Peninsula East. Presold but not yet completed contracted sales i.e. **net order book** increased by 27% to **HK\$15.9 billion**, locking in future revenue stream.

Land bank under management was maintained at **8.2 million square feet**. On one hand, the size of this land bank is adequate for development in the next four to five years. On the other, this urban-focused land bank is spread among Hong Kong's key strategic regions, including the Peak, CBDs, O'South and LOHAS. To replenish and strengthen this urban land bank, a residential site in Kwun Tong was acquired in November for HK\$6.4 billion or HK\$7,700 per square foot via public tender. This site has a maximum total GFA of 826,546 square feet which is rightly located in a mature residential district with well-developed transportation network to key CBDs.

Corporate Social Responsibility (“CSR”) and Business-in-Community

Wheelock strives to contribute to sustainable development and create positive impact in society. Under the banner of “Business-in-Community”, our CSR efforts aim to bring lasting value to our people, environment and community.

Project WeCan is a youth development programme launched in 2011 aiming to provide underprivileged secondary school students with opportunities and cares to pursue higher studies and future career. The project is continuing to earn recognition and moving into a new phase with number of supporting partners has nearly jumped four-fold to 42 in 2016, comprising of 31 corporates, five local universities, three consulates and three Government organisations. With their immense dedication and contribution, 43,000 students from 51 secondary schools have benefited. In 2016, 73 students were awarded Project *WeCan* Scholarship to continue their education in local universities. Together with the 58 awardees last year, a total of 131 students from humble background are provided with financial aid with a maximum amount of HK\$100,000 throughout the four-year study for each of them. This echoes the project's vision of inspiring the next generation for a brighter future.

Riding on the successes of the previous three years, the Community Chest Wheelock **Swim for Millions** has become one of the most popular annual charity sports events in Hong Kong. The popularity of the event was marked by a jump in the number of relay teams to 123 in 2016, with participations varied from 15 families, 71 corporations, 25 schools and 12 disciplinary forces. Furthermore, the oldest swimmer was 74 while the youngest was only 5, underpinning our initiatives to promote healthy lifestyle. It has not only created unparalleled excitement for the competitors, but also a fun day for family with an array of game booths for children and cheering teams. During the

year, the event raised over HK\$4 million to support local youth services.

Sustainable development, product and service excellence are fully embedded in the Group's strategy throughout the stages from planning, design, procurement, construction, sales and marketing to property management. We work together with different ends of our value chain to adopt international standards. On sustainable development, nearly all of our projects follow the BEAM Plus guidelines, demonstrating our commitment to green building standards. One HarbourGate has been awarded "Best Green Development" and "Best Office Development" by China Property Awards. Meanwhile, One Bay East won the "Sustainability Achievement of the Year" in RICS Hong Kong Awards 2016. On product and service excellence, Wheelock Properties Limited was named one of the "Top 10 Developers" by BCI Asia for the fifth consecutive year.

Wheelock and Company Limited is the majority shareholder of The Wharf (Holdings) Limited and Wheelock Properties (Singapore) Limited. Below is a report on their operations and achievements during the year ended 31 December 2016.

The Wharf (Holdings) Limited ("Wharf") 61.6% Equity Investment

Core profit from Hong Kong properties increased by 35% to exceed HK\$10.0 billion, while that from China properties, notwithstanding the devaluation of Renminbi, grew by 16% to exceed HK\$2.6 billion. As a result, properties' share of core profit surged to 92%, affirming its primary strategic focus. Investment Properties ("IP") core profit increased by 6% to HK\$8.8 billion, on the back of high occupancy and favourable rental reversion achieved. In Hong Kong, IP continued to underpin the solid performance with total revenue increased by 6% to HK\$12.9 billion and operating profit by 7% to HK\$11.3 billion. Performance of Harbour City, Times Square and Plaza Hollywood remained solid with 3% to 6% increase in revenue. On office, steady demand continued to drive positive rental reversion and revenue.

In China, adverse impact of currency movements on translation to Hong Kong dollars slowed China IP growth in 2016. Revenue increased by 2% to HK\$2.4 billion and operating profit by 1% to HK\$1.3 billion. Chengdu International Finance Square ("IFS") continued to outshine the competition. The mega mall boasts an exquisite collection of nearly 300 global premium brands with over 100 debuts in western China, has earned a host of reputable accolades including "VIVA Best-of-the-Best Design and Development Award" by International Council of Shopping Centers in 2016, signifying China's first-ever commercial project winning this prestigious global title. Office demand from renowned tenants remained solid. Nearly 110,000 square metres (40% of total GFA) have been leased, with rental rates achieved among the highest in the city.

A solid pipeline of IFS developments is progressing at full speed to strengthen the recurrent income base. Chongqing IFS, a 114,000-square-metre retail podium, coupled with Niccolo Chongqing, are scheduled to open in the third quarter of 2017. Currently, over 90% of the retail floor plates were under offer to tenants or in serious discussion with key anchors. Changsha IFS, a massive 254,000-square-metre mall is scheduled to open in late 2017, which will be the ultimate shopping, dining, lifestyle and leisure destination in Hunan province and the most coveted destination for a wide assortment of celebrated retailers. Over 85% of total retail areas were under offer to tenants or discussion, a good testament to retailers' trust and confidence in management execution capabilities and the untapped potential of the city.

DP contracted sales and revenue in Hong Kong and China both soared to fresh record highs at HK\$40 billion and HK\$37 billion respectively, while core profit nearly tripled to approach HK\$4 billion, inclusive of joint ventures and associates on an attributable basis. China DP's revenue increased by 12% to HK\$30.7 billion and operating profit by 22% to HK\$5.1 billion. Despite a new wave of cooling measures, favourable market sentiments drove up Wharf's attributable interest in contracted sales by 21% to RMB31.4 billion, 31% above target. The net order book increased to RMB27.4 billion for 1.2 million square metres at year-end.

The first Niccolo which opened in Chengdu IFS in 2015 signaled the start of a new era of the group's brand extension. In Hong Kong, it is in full swing developing the former landmark Murray Building into The Murray, a new 336-room Niccolo hotel in Central and is scheduled to open in late 2017. On the other hand, the disposal of the entire equity interests in Wharf T&T recognised a gain on disposal of HK\$7.3 billion in 2016.

Strategic Reviews

Communications, Media & Entertainment (“CME”)

A review on the CME segment started in early 2016 with Goldman Sachs (Asia) L.L.C as financial advisor. Discussions with a variety of potential parties were conducted over an extended period. The conclusion was to exit the segment completely.

Our entire equity interest in Wharf T&T was disposed in November 2016 for HK\$9.5 billion. A net gain on disposal of HK\$7.3 billion was recognized.

No disposal agreement has been entered into in respect of i-CABLE, the remaining interest in our CME segment, and all discussion with potential buyers have been terminated. Current funding commitments for i-CABLE will not be extended upon expiry.

Investment Properties

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

Wheelock Properties (Singapore) Limited (“WPSL”) 76.2% Equity Investment

WPSL continued to deliver stable performance. On DP, residential projects in Singapore and Hangzhou generated contracted sales of S\$435 million and RMB560 million respectively. On IP, Wheelock Place office tower and retail portion were near fully occupied as at 31 December 2016.

FINANCIAL REVIEW

(I) Review of 2016 results

Wheelock & Company (before consolidation of listed subsidiaries WPSL and Wharf)

Wheelock's own core profit, HK\$3,085 million (2015: HK\$4,012 million), was mainly due to smaller Gross Floor Area (GFA) completed and recognised in 2016.

Wheelock Group

Group's record high core profit increased by 11% to HK\$11,811 million (2015: HK\$10,598 million). This was mainly attributable to higher China and Hong Kong DP profit and resilient rental revenue.

Group profit attributable to equity shareholders increased by 14% to HK\$16,294 million (2015: HK\$14,232 million), including the one-off attributable gain on disposal of Wharf's entire equity interest in Wharf T&T Limited ("Wharf T&T") of HK\$4,416 million though with a lower IP revaluation gain this year.

Revenue and Operating Profit

Group revenue and operating profit both increased by 5% to HK\$60,579 million (2015: HK\$57,431 million) and HK\$21,135 million (2015: HK\$20,053 million) respectively.

Investment Property

Revenue and operating profit increased by 5% and 6% to HK\$15,736 million (2015: HK\$15,054 million) and HK\$12,837 million (2015: HK\$12,163 million) respectively. Hong Kong revenue and operating profit increased by 5% and 6% respectively, benefitting from firm retail base rent and stable positive office rental reversions. Mainland revenue and operating profit increased moderately by 2% and 1% respectively, or up by 9% and 7% in terms of RMB, which depreciated by 6% in 2016.

Development Property

Revenue and operating profit increased by 8% and 7% to HK\$36,539 million (2015: HK\$33,718 million) and HK\$7,253 million (2015: HK\$6,810 million) respectively.

In Hong Kong, recognised property sales and operating profit were HK\$13,497 million (2015: HK\$15,459 million) and HK\$3,772 million (2015: HK\$4,470 million) respectively. One HarbourGate was completed with all two towers sold, enabling a revenue recognition of HK\$10,350 million. Peninsula East and Kensington Hill were also completed with 100% and 93% residential units sold at year end and contributed revenue of HK\$1,985 million and HK\$1,145 million respectively.

In the Mainland, recognised property sales and operating profit increased by 20% and 43% to HK\$21,670 million (2015: HK\$18,018 million) and HK\$3,234 million (2015: HK\$2,266 million) respectively with more projects.

Hotels

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

Logistics

Revenue decreased by 4% to HK\$2,748 million (2015: HK\$2,848 million). Operating profit increased by 4% to HK\$719 million (2015: HK\$689 million), mainly due to lower operating costs from Modern Terminals.

Communications, Media and Entertainment

Revenue and operating profit decreased by 10% and 47% to HK\$3,145 million (2015: HK\$3,501 million) and HK\$59 million (2015: HK\$112 million) respectively. Wharf disposed of Wharf T&T in November 2016, reducing its contributed revenue by 13% while operating profit increased by 3% to HK\$372 million (2015: HK\$362 million). i-CABLE's operating loss widened to HK\$313 million (2015: HK\$246 million).

Investment and Others

Operating profit amounted to HK\$719 million (2015: HK\$752 million), comprising largely dividend and interest income.

Fair Value Gain of IP

The book value of the Group's IP portfolio as at 31 December 2016 increased by 1% to HK\$329.1 billion (2015: HK\$325.0 billion), with HK\$309.6 billion thereof stated at fair value based on independent valuation as at that date. That resulted in a revaluation gain of HK\$597 million for the year (2015: HK\$7,360 million), which was credited to the consolidated income statement.

IP under development of HK\$19.5 billion is carried at cost and will not be carried at fair value until the earlier of when the fair values first become reliably measurable or the dates of their respective completion.

Other Net Income/(Charge)

Other net income amounted to HK\$6,341 million (2015: charge of HK\$240 million), primarily included a gain of HK\$7,260 million arising from the disposal of Wharf's entire equity interest in Wharf T&T.

In 2015, the non-recurrent accounting loss of HK\$1,620 million arising from the deemed disposal of Wharf's entire 24.3% equity interest in Greentown China Holdings Limited ("Greentown") upon reclassification of such interest as financial investment instead of an associate and the gain of HK\$908 million arising from the disposal of 50% equity interest in the Taicang container port businesses by Modern Terminals were recognised.

Finance Costs

Finance costs charged to the consolidated income statement were HK\$1,484 million (2015: HK\$2,092 million). Excluding the unrealised mark-to-market gain of HK\$261 million (2015: loss of HK\$447 million) on swaps, finance costs decreased by 3% to HK\$3,262 million (2015: HK\$3,376 million) before capitalisation of HK\$1,517 million (2015: HK\$1,731 million), and HK\$1,745 million (2015: HK\$1,645 million) after capitalisation. The Group's effective borrowing rate for the year was 3.2% (2015: 2.8%) per annum.

Share of Results of Associates and Joint Ventures

Share of profits of associates decreased by 4% to HK\$1,190 million (2015: HK\$1,241 million) with lower profit contributions from Mainland DP.

Share of profits of joint ventures increased significantly to HK\$1,984 million (2015: HK\$222 million), mainly attributable to Mount Nicholson in Hong Kong and more completed Mainland DP projects.

Income Tax

The taxation charge was HK\$4,691 million (2015: HK\$4,710 million), which included deferred taxation of HK\$23 million (2015: HK\$488 million) provided for the revaluation gain of IP located in the Mainland.

Excluding the above deferred taxation, the taxation charge increased by 11% to HK\$4,668 million (2015: HK\$4,222 million), mainly due to higher profit recognised by IP and China DP segments.

Non-controlling Interests ("NCI")

Profit attributable to NCI increased by 15% to HK\$8,778 million (2015: HK\$7,602 million), mainly due to increase in net profit of Wharf.

Profit attributable to Equity Shareholders

Group profit attributable to equity shareholders increased by 14% to HK\$16,294 million (2015:

HK\$14,232 million). Earnings per share were HK\$8.02 based on weighted average of 2,033 million issued shares (2015: HK\$7.00 based on 2,032 million issued shares).

Excluding the attributable IP revaluation gain (after deducting related deferred tax and NCI) of HK\$307 million (2015: HK\$4,258 million), Group profit attributable to equity shareholders increased by 60% to HK\$15,987 million (2015: HK\$9,974 million).

Further stripping out the exceptional items, core profit increased by 11% to HK\$11,811 million (2015: HK\$10,598 million). Core earnings per share were HK\$5.81 (2015: HK\$5.22).

Set out below is an analysis of the Group profit attributable to equity shareholders as contributed by each of Wheelock, WPSL and Wharf.

	2016	2015
	HK\$ Million	HK\$ Million
Profit attributable to		
Wheelock	3,085	4,012
WPSL group	428	263
Wharf group	8,298	6,323
Core profit	11,811	10,598
Attributable gain arising from the disposal of Wharf T&T	4,416	—
Attributable gain arising from the disposal of Taicang container port businesses	—	361
Attributable loss arising from the deemed disposal of Greentown	—	(916)
Others	(240)	(69)
Profit before IP revaluation gain	15,987	9,974
IP revaluation gain (after deferred tax)	307	4,258
Profit attributable to equity shareholders	16,294	14,232

WPSL's profit for the year ended 31 December 2016 was S\$58.3 million (2015: S\$40.3 million), according to the accounting standards adopted in Singapore. In accordance with Hong Kong Financial Reporting Standards, WPSL's contributed profit to the Group was HK\$296 million (2015: HK\$217 million).

Wharf's profit for the year ended 31 December 2016 increased by 34% to HK\$21,440 million (2015: HK\$16,024 million). Excluding the exceptional items, Wharf's core profit increased by 25% to HK\$13,754 million (2015: HK\$10,969 million).

Early adoption of HKFRS 9 “Financial Instruments”

The Group has early adopted the complete version of HKFRS 9 “Financial Instruments” in its consolidated financial statements with effect from 1 January 2016. As a result, the investments in equity securities of HK\$8,950 million that were previously classified as available-for-sale investments under HKAS 39 have been re-designated as equity investments measured at fair value through other comprehensive income. Accordingly, loss on disposal of equity securities of HK\$154 million in the year was recognised through other comprehensive income instead of the income statement as previously accounted for (2015: profit of HK\$387 million through the income statement).

(II) Liquidity, Financial Resources and Capital Commitments

Shareholders' and Total Equity

Shareholders' equity increased by 7% to HK\$215.4 billion (2015: HK\$201.7 billion), or HK\$105.85 per share based on 2,035 million issued shares (2015: HK\$99.26 per share based on 2,032 million issued shares) as at 31 December 2016.

Including the NCI, the Group's total equity increased by 3% to HK\$349.5 billion (2015: HK\$340.9 billion).

Assets and Liabilities

The Group's total assets increased by 1% to HK\$520.4 billion (2015: HK\$512.8 billion). Total business assets, i.e. excluding bank deposits and cash, financial and deferred tax assets, slightly decreased to HK\$468.1 billion (2015: HK\$475.0 billion), mainly due to selling down of DP but mitigating by IP increase.

Geographically, the Group's business assets in the Mainland, mainly properties and terminals, decreased to HK\$122.6 billion (2015: HK\$141.7 billion), representing 26% (2015: 30%) of the Group's total business assets.

Investment Properties

The Group's IP portfolio, included in the Group's total assets, increased by 1% to HK\$329.1 billion (2015: HK\$325.0 billion), representing 70% of total business assets. Harbour City (excluding the three hotels) and Times Square in Hong Kong were valued at HK\$219.0 billion, representing 67% of the value of the portfolio. Wharf's IP in the Mainland amounted to HK\$58.5 billion, including IP under development at a cost of HK\$16.7 billion.

Properties for Sale

DP amounted to HK\$70.1 billion (2015: HK\$76.2 billion), mainly comprised of properties in Hong Kong of HK\$39.7 billion, in China of HK\$25.5 billion and in Singapore of HK\$4.9 billion, which were held for sale as at 31 December 2016.

Interests in Associates and Joint Ventures

Interests in associates and joint ventures amounted to HK\$35.1 billion (2015: HK\$39.3 billion), mainly represented by various joint-venture DP projects undertaken in the Mainland and Hong Kong.

Deposits from Sale of Properties

Deposits from sale of properties increased by 33% to HK\$30.6 billion (2015: HK\$23.1 billion), reflecting the increase in contracted sales in the Mainland, Hong Kong and Singapore pending revenue recognition.

Debt and Gearing

The Group's net debt was reduced by 35% or HK\$27.9 billion to HK\$51.0 billion (2015: HK\$78.9 billion) as at 31 December 2016, resulting from the Group's strong recurrent operating cash inflow, record DP sales and disposal of Wharf T&T. The net debt comprised debt of HK\$95.0 billion less bank deposits and cash of HK\$44.0 billion (including Wharf's deposits and cash of HK\$19.6 billion placed with banks in the Mainland and deposits of HK\$8.7 billion placed with banks in Hong Kong with maturity over three months). Excluding WPSL's net cash of HK\$2.5 billion and Wharf's net debt of HK\$23.8 billion, which were non-recourse to the Company and its wholly-owned subsidiaries, Wheelock's own net debt decreased by HK\$2.5 billion to HK\$29.7 billion (2015: HK\$32.2 billion). An analysis of the net debt by group is shown below:

	2016	2015
Net debt/(cash)	HK\$ Million	HK\$ Million
Wheelock	29,674	32,258
WPSL group	(2,534)	(528)
Wharf group	23,837	47,197
Group	<u>50,977</u>	<u>78,927</u>

As at 31 December 2016, the net debt to total equity (on a consolidated basis) was reduced to 14.6% (2015: 23.2%). Excluding the net cash of WPSL and net debt of Wharf, Wheelock's own net debt to shareholders' equity (on an attributable net asset value basis) declined to 13.8% (2015: 16.0%).

Finance and Availability of Facilities

As at 31 December 2016, the Group's available loan facilities and issued debt securities amounted to HK\$146.5 billion (2015: HK\$153.5 billion), of which HK\$95.0 billion were utilised. An analysis is shown below:

	Available Facilities HK\$ Billion	Total Debt HK\$ Billion	Undrawn Facilities HK\$ Billion
Wheelock	68.8	34.2	34.6
WPSL group	—	—	—
Wharf group	77.7	60.8	16.9
Group	<u>146.5</u>	<u>95.0</u>	<u>51.5</u>

Of the above debt, HK\$13.6 billion (2015: HK\$15.1 billion) was secured by mortgages over certain DP, IP and property, plant and equipment with a total carrying value of HK\$43.5 billion (2015: HK\$51.8 billion).

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

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

The Group continued to maintain a strong financial position with ample surplus cash denominated principally in RMB, HKD, USD and Singapore dollars, and undrawn committed facilities to facilitate the Group's business and investment activities. The Group also maintained a portfolio of equity and bond investments with an aggregate market value of HK\$9.5 billion (2015: HK\$12.5 billion) as at 31 December 2016, which is immediately available for liquidation for the Group's use when in need.

Cash Flows from the Group's Operating and Investing Activities

For the year under review, the Group's operating cash inflows was HK\$21.8 billion (2015: HK\$20.9 billion). The changes in working capital and others of HK\$9.8 billion (2015: HK\$11.8 billion) increased the net cash inflow from operating activities to HK\$31.6 billion

(2015: HK\$32.7 billion), mainly attributable to increase in DP pre-sales. For investing activities, the Group recorded a net cash outflow of HK\$5.9 billion (2015: HK\$11.3 billion), mainly attributable to the construction costs for Mainland IP, placement of bank deposits with maturity over three months and increase in interest in Wharf but partly compensating by the net proceeds from disposal of Wharf T&T.

Major Capital and Development Expenditure and Commitments

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

A. Major Capital and Development Expenditure

	Hong Kong / Singapore HK\$ Million	Mainland China HK\$ Million	Total HK\$ Million
Wheelock			
IP	652	—	652
DP	14,767	—	14,767
	15,419	—	15,419
WPSL group			
IP	9	—	9
DP	488	140	628
	497	140	637
Wharf group			
IP	2,862	4,465	7,327
DP	219	12,356	12,575
Non property and others	1,836	113	1,949
	4,917	16,934	21,851
Analysis by segment:			
IP	3,523	4,465	7,988
DP	15,474	12,496	27,970
Non property and others	1,836	113	1,949
Group total	20,833	17,074	37,907

- i. Wheelock's own expenditure for IP and DP amounted to HK\$15.4 billion, mainly attributable to the land cost payment for the LOHAS Park Phase 9 and Kwun Tong project, and construction cost payments for its Hong Kong DP projects.
- ii. WPSL's expenditure of HK\$0.6 billion was mainly for construction cost payments for its Singapore and China DP projects.
- iii. Wharf's expenditure totalled HK\$21.9 billion, comprising expenditure of HK\$7.3 billion for IP (mainly construction costs of the Mainland IFS projects), HK\$12.6 billion for DP and HK\$1.9 billion for Hotels, Modern Terminals, Wharf T&T and i-CABLE. Wharf's expenditure has excluded the intra-group acquisition of Wheelock House from Wheelock during the year.

B. Commitments to Capital and Development Expenditure

As at 31 December 2016, the Group's major commitments to capital and development expenditure to be incurred in the forthcoming years were estimated at HK\$61.4 billion, of which HK\$25.5 billion was committed. By segment, the commitments are analysed as follows:

	As at 31 December 2016		Total HK\$ Million
	Committed HK\$ Million	Uncommitted HK\$ Million	
Wheelock			
IP	—	—	—
DP	10,603	14,138	24,741
	10,603	14,138	24,741
WPSL group			
IP	7	—	7
DP	255	1,572	1,827
	262	1,572	1,834
Wharf group			
IP	5,025	6,730	11,755
DP	7,959	12,729	20,688
Non property and others	1,644	749	2,393
	14,628	20,208	34,836
Analysis by segment:			
IP	5,032	6,730	11,762
DP	18,817	28,439	47,256
Non property and others	1,644	749	2,393
Group total	25,493	35,918	61,411
Hong Kong IP	990	429	1,419
Hong Kong DP	10,603	14,138	24,741
China IP	4,035	6,301	10,336
China DP	8,073	14,098	22,171
Singapore	148	203	351
Properties total	23,849	35,169	59,018
Non property and others	1,644	749	2,393
Group total	25,493	35,918	61,411

- i. Wheelock's own commitments of HK\$24.7 billion mainly relate to construction costs for DP in Hong Kong.
- ii. WPSL's commitments of HK\$1.8 billion mainly relate to construction costs of HK\$0.3 billion for DP in Singapore and HK\$1.5 billion for DP in the Mainland.
- iii. Wharf's commitments of HK\$34.8 billion mainly comprise of expenditure of HK\$11.7 billion for IP, HK\$20.7 billion construction costs for DP and HK\$2.4 billion mainly for Hotels, Modern Terminals and i-CABLE.

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

(III) Human Resources

The Group had approximately 14,400 employees as at 31 December 2016, including about 2,300 employed by managed operations. Employees are remunerated according to their job responsibilities and the market pay trends, with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the respective group's achievement and results.

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2016

	Note	2016 HK\$ Million	2015 HK\$ Million
Revenue	2	60,579	57,431
Direct costs and operating expenses		(34,447)	(31,879)
Selling and marketing expenses		(1,956)	(2,217)
Administrative and corporate expenses		(1,629)	(1,727)
Operating profit before depreciation, amortisation, interest and tax		22,547	21,608
Depreciation and amortisation	3	(1,412)	(1,555)
Operating profit	2 & 3	21,135	20,053
Increase in fair value of investment properties		597	7,360
Other net income/(charge)	4	6,341	(240)
		28,073	27,173
Finance costs	5	(1,484)	(2,092)
Share of results after tax of :			
Associates		1,190	1,241
Joint ventures		1,984	222
Profit before taxation		29,763	26,544
Income tax	6	(4,691)	(4,710)
Profit for the year		25,072	21,834
Profit attributable to:			
Equity shareholders		16,294	14,232
Non-controlling interests		8,778	7,602
		25,072	21,834
Earnings per share	7		
Basic		HK\$8.02	HK\$7.00
Diluted		HK\$8.01	HK\$7.00

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2016

	2016 HK\$ Million	2015 HK\$ Million
Profit for the year	25,072	21,834
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange losses on:	(5,652)	(6,654)
Translation of foreign operations	(5,652)	(6,537)
Transferred to profit or loss on disposal of a subsidiary	—	(117)
Net deficit on bond investments (2015: available-for-sale investments):	(28)	(3,215)
Deficit on revaluation	(9)	(2,573)
Transferred to profit or loss on disposal	(19)	(642)
Share of other comprehensive income of associates/joint ventures	(1,099)	(1,355)
Others	14	10
Item that will not be reclassified to profit or loss:		
Fair value changes on equity investments	(747)	—
Other comprehensive income for the year	(7,512)	(11,214)
Total comprehensive income for the year	17,560	10,620
Total comprehensive income attributable to:		
Equity shareholders	11,911	7,279
Non-controlling interests	5,649	3,341
	17,560	10,620

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2016

	Note	2016 HK\$ Million	2015 HK\$ Million
Non-current assets			
Investment properties		329,057	325,044
Property, plant and equipment		20,756	22,804
Interest in associates		17,539	20,857
Interest in joint ventures		17,578	18,481
Equity and bond investments		9,530	—
Available-for-sale investments		—	12,475
Goodwill and other intangible assets		298	305
Deferred tax assets		705	732
Derivative financial assets		324	769
Other non-current assets		609	289
		<u>396,396</u>	<u>401,756</u>
Current assets			
Properties for sale		70,050	76,184
Inventories		29	46
Trade and other receivables	9	9,567	7,154
Derivative financial assets		429	352
Bank deposits and cash		43,964	27,266
		<u>124,039</u>	<u>111,002</u>
Total assets		<u>520,435</u>	<u>512,758</u>
Non-current liabilities			
Derivative financial liabilities		(2,073)	(2,102)
Deferred tax liabilities		(10,700)	(10,836)
Other deferred liabilities		(305)	(334)
Bank loans and other borrowings		(69,055)	(95,681)
		<u>(82,133)</u>	<u>(108,953)</u>
Current liabilities			
Trade and other payables	10	(28,881)	(26,493)
Deposits from sale of properties		(30,599)	(23,092)
Derivative financial liabilities		(777)	(620)
Taxation payable		(2,639)	(2,229)
Bank loans and other borrowings		(25,886)	(10,512)
		<u>(88,782)</u>	<u>(62,946)</u>
Total liabilities		<u>(170,915)</u>	<u>(171,899)</u>
NET ASSETS		<u>349,520</u>	<u>340,859</u>
Capital and reserves			
Share capital	11	3,075	2,949
Reserves		212,290	198,718
Shareholders' equity		<u>215,365</u>	<u>201,667</u>
Non-controlling interests		134,155	139,192
TOTAL EQUITY		<u>349,520</u>	<u>340,859</u>

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

This financial information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance (Cap. 622). The financial information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of the financial information are consistent with those used in the annual financial statements for the year ended 31 December 2015 except for the changes mentioned below.

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented.

The Group has early adopted the complete version of HKFRS 9, “Financial Instruments” (“HKFRS 9”) in the consolidated financial statements for the year ended 31 December 2016. Other than the changes mentioned below, the adoption of HKFRS 9 has no significant impact on the Group’s financial statements.

HKFRS 9 introduces new classification and measurement requirements for financial assets on the basis of the Group’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, a new expected credit loss model that replaces the incurred loss impairment model used in HKAS 39, “Financial Instruments: Recognition and Measurement” (“HKAS 39”), with the result that a loss event will no longer need to occur before an impairment allowance is recognised, and a new hedge accounting model where the hedged ratio is required to be the same as the one used by an entity’s management for risk management purposes.

As at 1 January 2016, the Directors of the Company have reviewed and reassessed the Group’s financial assets on that date and the results for the year. The initial application of HKFRS 9 has had impacts on the following financial assets and results of the Group:

- (i) investments in equity securities (not held for trading) of HK\$8,950 million that were previously classified as available-for-sale investments and measured at fair value at each reporting date under HKAS 39 have been designated as equity investments measured at fair value through other comprehensive income. The Group's profit for the year has been increased by HK\$154 million, representing the loss on disposal of equity securities recognised through other comprehensive income instead of the income statement as previously accounted for (2015: profit of HK\$387 million); and
- (ii) impairment based on expected credit loss model on the Group’s rental, sales and trade receivables have no significant financial impacts.

Except for the foregoing, the Group has not adopted any new standard or interpretation that is not yet effective for the current accounting period.

The financial information relating to the financial years ended 31 December 2016 and 2015 included in this announcement of annual results does not constitute the Company's statutory annual financial statements for those financial years but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2016 in due course. The Company's auditor has reported on those financial statements for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. SEGMENT INFORMATION

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

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

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

Hotels segment includes hotel operations in the Asia Pacific region. Currently, The Wharf (Holdings) Limited ("Wharf") operates 14 hotels in the Asia Pacific region, six of which are owned by Wharf.

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

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

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

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

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

(a) Analysis of segment revenue and results

	Revenue	Operating profit	Investment properties fair value	Other net income/ (charge)	Finance costs	Associates	Joint ventures	Profit before taxation
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
For the year ended 31 December 2016								
Investment property	15,736	12,837	597	(49)	(1,394)	-	-	11,991
Hong Kong	13,035	11,356	1,286	54	(1,349)	-	-	11,347
Mainland China	2,350	1,253	(376)	(103)	(45)	-	-	729
Singapore	351	228	(313)	-	-	-	-	(85)
Development property	36,539	7,253	-	(411)	(145)	875	1,973	9,545
Hong Kong	13,497	3,772	-	-	(81)	1	1,634	5,326
Mainland China	21,670	3,234	-	(457)	(52)	874	339	3,938
Singapore	1,372	247	-	46	(12)	-	-	281
Hotels	1,587	289	-	-	(4)	-	-	285
Logistics	2,748	719	-	(161)	(152)	244	11	661
Terminals	2,635	710	-	(120)	(152)	166	11	615
Others	113	9	-	(41)	-	78	-	46
CME	3,145	59	-	-	(29)	-	-	30
i-CABLE	1,406	(313)	-	1	(6)	-	-	(318)
Telecommunications	1,739	372	-	(1)	(23)	-	-	348
Inter-segment revenue	(430)	-	-	-	-	-	-	-
Segment total	59,325	21,157	597	(621)	(1,724)	1,119	1,984	22,512
Investment and others	1,254	719	-	6,962	240	71	-	7,992
Corporate expenses	-	(741)	-	-	-	-	-	(741)
Group total	60,579	21,135	597	6,341	(1,484)	1,190	1,984	29,763
For the year ended 31 December 2015								
Investment property	15,054	12,163	7,360	111	(1,311)	-	-	18,323
Hong Kong	12,387	10,690	6,555	-	(1,302)	-	-	15,943
Mainland China	2,305	1,243	968	111	(9)	-	-	2,313
Singapore	362	230	(163)	-	-	-	-	67
Development property	33,718	6,810	-	(1,498)	(112)	897	187	6,284
Hong Kong	15,459	4,470	-	-	-	2	(71)	4,401
Mainland China	18,018	2,266	-	(1,532)	(93)	895	258	1,794
Singapore	241	74	-	34	(19)	-	-	89
Hotels	1,549	278	-	-	(4)	-	-	274
Logistics	2,848	689	-	627	(194)	266	35	1,423
Terminals	2,739	676	-	668	(194)	188	35	1,373
Others	109	13	-	(41)	-	78	-	50
CME	3,501	112	-	2	(34)	-	-	80
i-CABLE	1,510	(246)	-	2	(3)	-	-	(247)
Telecommunications	1,991	362	-	-	(31)	-	-	331
Others	-	(4)	-	-	-	-	-	(4)
Inter-segment revenue	(437)	-	-	-	-	-	-	-
Segment total	56,233	20,052	7,360	(758)	(1,655)	1,163	222	26,384
Investment and others	1,198	752	-	518	(437)	78	-	911
Corporate expenses	-	(751)	-	-	-	-	-	(751)
Group total	57,431	20,053	7,360	(240)	(2,092)	1,241	222	26,544

(b) Analysis of inter-segment revenue

	2016			2015		
	Total revenue	Inter-segment revenue	Group revenue	Total revenue	Inter-segment revenue	Group revenue
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Investment property	15,736	(251)	15,485	15,054	(206)	14,848
Development property	36,539	-	36,539	33,718	-	33,718
Hotels	1,587	-	1,587	1,549	-	1,549
Logistics	2,748	-	2,748	2,848	-	2,848
CME	3,145	(63)	3,082	3,501	(78)	3,423
Investment and others	1,254	(116)	1,138	1,198	(153)	1,045
	61,009	(430)	60,579	57,868	(437)	57,431

(c) Analysis of segment business assets

	2016	2015
	HK\$ Million	HK\$ Million
Investment property	330,337	326,522
Hong Kong	265,355	261,495
Mainland China	59,111	58,737
Singapore	5,871	6,290
Development property	110,493	118,548
Hong Kong	51,511	40,431
Mainland China	50,766	69,490
Singapore	8,216	8,627
Hotels	8,361	7,728
Logistics	17,732	18,244
Terminals	16,727	17,245
Others	1,005	999
CME	1,193	3,918
i-CABLE	1,193	1,189
Telecommunications	—	2,729
Total segment business assets	468,116	474,960
Unallocated corporate assets	52,319	37,798
Total assets	520,435	512,758

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

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

	2016	2015
	HK\$ Million	HK\$ Million
Development property	28,970	33,273
Logistics	5,974	6,065
Group total	34,944	39,338

(d) Other segment information

	Capital expenditure		Increase in interests in associates and joint ventures		Depreciation and amortisation	
	2016	2015	2016	2015	2016	2015
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	Million	Million	Million	Million	Million	Million
Investment property	7,988	6,047	-	-	112	125
Hong Kong	3,514	1,892	-	-	37	37
Mainland China	4,465	4,137	-	-	74	86
Singapore	9	18	-	-	1	2
Development property	-	-	1,130	3,487	-	-
Hong Kong	-	-	243	155	-	-
Mainland China	-	-	887	3,332	-	-
Hotels	1,021	372	-	-	206	208
Logistics	431	294	-	8	421	457
Terminals	431	294	-	8	418	454
Others	-	-	-	-	3	3
CME	497	538	-	-	673	765
i-CABLE	238	207	-	-	324	351
Telecommunications	259	331	-	-	349	414
Group total	9,937	7,251	1,130	3,495	1,412	1,555

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

(e) Geographical information

	Revenue		Operating profit	
	2016	2015	2016	2015
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	33,538	35,080	16,422	16,309
Mainland China	25,240	21,685	4,205	3,406
Singapore	1,801	666	508	338
Group total	60,579	57,431	21,135	20,053

	Specified non-current assets		Total business assets	
	2016	2015	2016	2015
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	285,975	281,207	331,395	318,352
Mainland China	94,239	101,326	122,634	141,691
Singapore	8,966	9,363	14,087	14,917
Group total	389,180	391,896	468,116	474,960

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

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

3. OPERATING PROFIT

	2016	2015
	HK\$ Million	HK\$ Million
Operating profit is arrived at after charging/(crediting):		
Depreciation and amortisation on		
- assets held for use under operating leases	161	162
- property, plant and equipment	1,081	1,197
- leasehold land	60	69
- programming library	110	127
Total depreciation and amortisation	1,412	1,555
Staff costs (Note a)	4,039	4,057
Auditors' remuneration		
- audit services	31	30
- other services	3	4
Cost of trading properties for recognised sales	27,769	25,450
Rental charges under operating leases in respect of telecommunications equipment and services	71	74
Impairment of property, plant and equipment	—	45
Impairment of trade receivables	1	10
Gross rental revenue from investment properties (Note b)	(15,736)	(15,054)
Direct operating expenses of investment properties	2,743	2,712
Rental income under operating leases in respect of owned plant and equipment	(34)	(16)
Interest income (Note c)	(575)	(454)
Dividend income from investments	(238)	(333)
Loss on disposal of property, plant and equipment	5	2

Notes:

- (a) Staff costs included contributions to defined contribution pension schemes of HK\$315 million (2015: HK\$308 million), which included MPF schemes (after a forfeiture of HK\$2 million (2015: HK\$3 million)) and equity settled share-based payment expenses of HK\$92 million (2015: HK\$62 million).
- (b) Rental income included contingent rentals of HK\$1,114 million (2015: HK\$1,478 million).
- (c) Interest income of HK\$523 million (2015: HK\$384 million) was in respect of financial assets, which mainly comprise bank deposits, stated at amortised cost.

4. OTHER NET INCOME/(CHARGE)

Other net income for the year amounted to HK\$6,341 million (2015: charge of HK\$240 million) and mainly comprised:

- (a) A gain of HK\$7,260 million arising from the disposal of Wharf's entire equity interest in Wharf T&T.
- (b) Net foreign exchange gain of HK\$310 million (2015: HK\$40 million) which included a fair value gain on forward foreign exchange contracts of HK\$76 million (2015: loss of HK\$150 million).
- (c) Impairment provision of HK\$1,296 million made for certain development projects and assets.

In 2015, the non-recurrent accounting loss of HK\$1,620 million arising from the deemed disposal of Wharf's entire 24.3% equity interest in Greentown upon reclassification of such interest as financial investment instead of an associate and the gain of HK\$908 million arising from the disposal of 50% equity interest in the Taicang container port businesses by Modern Terminals were recognised.

5. FINANCE COSTS

	2016 HK\$ Million	2015 HK\$ Million
Interest charged on:		
Bank loans and overdrafts	1,085	1,332
Other borrowings	1,641	1,616
Total interest charge	<u>2,726</u>	<u>2,948</u>
Other finance costs	536	428
Less: Amount capitalised	<u>(1,517)</u>	<u>(1,731)</u>
	<u>1,745</u>	<u>1,645</u>
Fair value loss/(gain):		
Cross currency interest rate swaps	48	420
Interest rate swaps	<u>(309)</u>	<u>27</u>
	<u>(261)</u>	<u>447</u>
Total	<u>1,484</u>	<u>2,092</u>

6. INCOME TAX

Taxation charged to the consolidated income statement includes:

	2016 HK\$ Million	2015 HK\$ Million
Current income tax		
Hong Kong		
- provision for the year	2,338	2,378
- overprovision in respect of prior years	(7)	(21)
Outside Hong Kong		
- provision for the year	1,215	1,214
- overprovision in respect of prior years	<u>(61)</u>	<u>(9)</u>
	<u>3,485</u>	<u>3,562</u>

Land appreciation tax (“LAT”) in Mainland China (Note c)	727	411
Deferred tax		
Change in fair value of investment properties	23	488
Origination and reversal of temporary differences	518	282
Benefit of previously unrecognised tax losses now recognised	(62)	(33)
	479	737
Total	4,691	4,710

- (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% (2015: 16.5%).
- (b) Income tax on profits assessable outside Hong Kong is mainly China corporate income tax calculated at a rate of 25% (2015: 25%), China withholding income tax at a rate of up to 10% (2015: 10%) and Singapore income tax at a rate of 17% (2015: 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) Tax attributable to associates and joint ventures for the year ended 31 December 2016 of HK\$1,178 million (2015: HK\$1,111 million) is included in the share of results after tax of associates and joint ventures.

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

	2016	2015
	HK\$ Million	HK\$ Million
Profit attributable to equity shareholders	16,294	14,232

(b) Weighted average number of ordinary shares

	2016	2015
	No. of shares	No. of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,032,702,292	2,031,849,287
Effect of dilutive potential shares - Share options	266,158	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,032,968,450	2,031,849,287

8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	2016	2016	2015	2015
	HK\$ per share	HK\$ Million	HK\$ per share	HK\$ Million
First interim dividend declared and paid	0.450	915	0.425	864
Second interim dividend declared after the end of the reporting period	0.850	1,729	0.725	1,473
	1.300	2,644	1.150	2,337

(a) The second interim dividend based on 2,035 million (2015: 2,032 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\$1,473 million for 2015 was approved and paid in 2016.

9. TRADE AND OTHER RECEIVABLES

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 2016, shown as follows:

	2016	2015
	HK\$ Million	HK\$ Million
Trade receivables		
0 - 30 days	500	750
31 - 60 days	132	171
61 - 90 days	31	77
Over 90 days	143	105
	806	1,103
Accrued sales receivables	252	647
Other receivables and prepayments	8,509	5,404
	9,567	7,154

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

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

10. TRADE AND OTHER PAYABLES

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

	2016	2015
	HK\$ Million	HK\$ Million
Trade payables		
0 - 30 days	413	414
31 - 60 days	280	274
61 - 90 days	39	34
Over 90 days	189	130
	921	852
Rental and customer deposits	4,235	4,140
Construction costs payable	11,087	9,979
Amounts due to associates	3,376	3,052
Amounts due to joint ventures	2,587	3,422
Other payables	6,675	5,048
	28,881	26,493

11. SHARE CAPITAL

	2016	2016	2015	2015
	No. of shares	HK\$ Million	No. of shares	HK\$ Million
Issued and fully paid ordinary shares				
At 1 January	2,031,849,287	2,949	2,031,849,287	2,949
Shares issued under the share option scheme	2,850,000	126	—	—
At 31 December	2,034,699,287	3,075	2,031,849,287	2,949

12. REVIEW OF FINANCIAL STATEMENTS

The financial results for the year ended 31 December 2016 have been reviewed with no disagreement by the Audit Committee of the Company.

The financial figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the auditor.

CORPORATE GOVERNANCE CODE

During the financial year ended 31 December 2016, all the code provisions set out in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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 the 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.

Regarding the First Deviation, 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 Independent Non-executive Directors. As regards 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.

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 under review.

BOOK CLOSURES

For the purpose of determining Shareholders' entitlement to the Second Interim Dividend, the Register of Members of the Company will be closed from Wednesday, 12 April 2017 to Thursday, 13 April 2017, both days inclusive, during which period no transfer of shares of the Company can be registered. In order to qualify for the Second Interim Dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 11 April 2017.

Furthermore, for the purpose of ascertaining Shareholders' right to attend and vote at the forthcoming Annual General Meeting to be held on Thursday, 11 May 2017 ("AGM"), the Register of Members of the Company will be closed from Monday, 8 May 2017 to Thursday, 11 May 2017, both days inclusive, during which period no transfer of shares of the Company can be registered. In order to be eligible for attending and voting at the AGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Tricor Tengis Limited, at their address as mentioned above not later than 4:30 p.m. on Friday, 5 May 2017.

By Order of the Board
Wilson W. S. Chan
Company Secretary

Hong Kong, 10 March 2017

As at the date of this Announcement, the Board of Directors of the Company comprises 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 and Mrs. Mignonne Cheng, together with seven Independent Non-executive Directors, namely, Mr. Tak Hay Chau, Mr. Winston K. W. Leong, Mr. Alan H. Smith, Mr. Richard Y. S. Tang, Mr. Kenneth W. S. Ting, Ms. Nancy S. L. Tse and Mr. Glenn S. Yee.