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## **WHEELLOCK AND COMPANY LIMITED**

*(Incorporated in Hong Kong with limited liability)*

Stock Code: 20

### **2015 Final Results Announcement**

#### ***Core Business Maintaining Momentum***

##### **Hong Kong Development Properties Highlights**

- HK\$15.5 billion contracted sales recognised from One Bay East and The Parkside.
- HK\$12.9 billion contracted sales achieved. Steady contribution from commercial sales since 2012.
- **Residential projects** – received positive feedback, further underscoring the recognition of the customer-centric and quality-focused approach:
  - CAPRI presold 93% of 419 units launched in four weeks for HK\$3.4 billion.
  - Peninsula East presold all 256 units in two days for HK\$2.0 billion.
  - The Parkside presold remaining 34 units and some car parking spaces for HK\$0.6 billion.
  - Island Residence and Kensington Hill presold 59 units for HK\$0.5 billion.
- **Commercial projects** – sustained demand from global financial institutions:
  - One HarbourGate presold West Office Tower and West Retail Villa to China Life for HK\$5.9 billion, representing the third en-bloc office transaction in three years.
  - The Parkside's retail podium was presold for HK\$0.5 billion.
- **Land bank under management** stands at 8.7 million square feet, inclusive of two residential sites located in Lohas Park with 1.9 million square feet gross floor area acquired in 2015.
- **Net order book** was HK\$12.5 billion, of which over 90% will be recognised in the next 18 months.

## **Wheelock Group Consolidated Highlights**

- Group core profit increased by 31% to reach HK\$10.6 billion.
- Wheelock's own results before consolidation:
  - Core profit increased by 83% to HK\$4.0 billion, driven by sales recognition from One Bay East and The Parkside.
  - Wheelock's contribution to Group core profit increased to 38%.
  - Solid balance sheet with net gearing falling to 16.0%. Less than 3% of gross debt maturing in 2016.
  - Steady cashflow from contracted sales with HK\$10.0 billion sales receivable to be recouped in the coming 18 months.
- Wharf:
  - Attributable core profit increased by 12% to HK\$6.3 billion.
  - Core business Hong Kong Investment Properties's revenue and operating profit increased by 7% to HK\$12.2 billion and 6% to HK\$10.5 billion respectively.
  - Wheelock's shareholding increased from 55.6% (as at 31 December 2014) to 59.2% (as at 31 December 2015).
- Wheelock Properties Singapore:
  - Attributable core profit was HK\$0.3 billion.
  - Sold 428 residential units for S\$401 million from The Panorama, Scotts Square, Ardmore Three and Fuyang Shijiayuan (Hangzhou).

## **GROUP RESULTS**

Excluding investment property revaluation gain and exceptional items, core profit was HK\$10,598 million (2014: HK\$8,103 million).

Group profit attributable to equity shareholders was HK\$14,232 million (2014: HK\$22,009 million). Earnings per share were HK\$7.00 (2014: HK\$10.83).

## **DIVIDENDS**

A first interim dividend of 42.5 cents per share was paid on 23 September 2015. In lieu of a final dividend, a second interim dividend ("Second Interim Dividend") of 72.5 cents per share will be paid on 29 April 2016 to Shareholders on record as at 12 April 2016. Total distribution for the year 2015 will amount to HK\$1.15 (2014: HK\$1.0675) per share.

## BUSINESS REVIEW

### Core Business – Hong Kong Development Properties (“DP”)

Total **contracted sales** amounted to HK\$12.9 billion, of which 50% came from residential and 50% came from commercial.

On **residential**, three new residential projects were launched for presale during the year and generated **HK\$6.5 billion** in sales. CAPRI was launched in November and presold 93% of 419 units launched within four weeks, achieving HK\$3.4 billion in sales. Peninsula East presold all 256 units within two days, and total sales proceeds amounted to HK\$2.0 billion. Island Residence presold 40 units for HK\$0.2 billion after its launch in September. Further, The Parkside presold the remaining 34 units and some car parking spaces for HK\$0.6 billion, while Kensington Hill presold an additional 19 units for HK\$0.3 billion.

On **commercial**, major financial institutions continued to set long-term roots in Hong Kong. One HarbourGate’s West Office Tower and West Retail Villa were presold en-bloc in November to China Life for **HK\$5.9 billion**. This en-bloc transaction marked the third en-bloc deal in three years, totalling HK\$16 billion in sales. One HarbourGate is located in Hung Hom’s premier commercial hub, fronting the Victoria Harbour. It is comprised of two Grade-A office towers and two retail villas, providing a total gross floor area of 673,000 square feet. In addition, The Parkside’s retail podium, with a total of 51,000 square feet gross floor area, was sold en-bloc for HK\$0.5 billion.

On **sales recognition**, **HK\$15.5 billion** was recognised in 2015, mainly driven by One Bay East and The Parkside. This represents significant growth when compared to previous years. One Bay East, a Grade-A office development in Kowloon East’s CBD2, was completed and handed over on schedule to Manulife and Citigroup, marking the closure of this HK\$10 billion landmark transaction. The Parkside obtained its occupancy permit in December and recognised HK\$5.2 billion of sales. Handover is scheduled for 2016. **Net order book** was **HK\$12.5 billion** as at 31 December 2015, of which over 90% will be recognised in the next 18 months.

On **land bank**, the total land bank under management amounted to **8.7 million square feet** as at 31 December 2015. Two residential sites located in Lohas Park, with a total gross floor area of 1.9 million square feet were acquired during the year through MTRC tenders. The portfolio is adequate for development in the coming years and is competitive in terms of location. 96% of the land bank is located in urban areas and 79% is located along the Victoria Harbour.

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

The Group is committed to **corporate governance**. Wheelock has published its first independent Environment, Social and Governance Report in October. Wheelock Properties Limited (“WPL”) has also published its Corporate Social Responsibility Report for the fourth consecutive year. This was also the second year in which the Report was prepared in accordance with **Global Reporting Initiative (GRI G4)** requirements, and the first year in which the Report was audited independently. During the year, WPL’s staff volunteers organised and participated in **69 CSR events**, devoting **900 volunteer hours**. To recognise the commitment to community service, WPL was granted the Social Responsibility Award of the Year by the Royal Institution of Chartered Surveyors for the second consecutive year.

**Sustainable development** continues to be an important issue for the Group. 90% of projects sold have been **BEAM PLUS** or **LEED** certified since 2013, demonstrating our commitment to green building standard. In addition, the effort to reduce office carbon emission is well recognised through the **Gold Label Award** given by WWF Hong Kong’s Low-carbon Office Operation Programme for the fourth consecutive year.

**Project WeCan** is a youth development programme launched in 2011 aiming to support underprivileged students in secondary schools that are lacking in resources. Currently, 35 organisations participate in this programme with each supporting one or more schools. In 2015, six more secondary schools joined, growing the total number of participating schools to 50. Altogether, **42,000 secondary school students** or 30% of students in Hong Kong's lower banding secondary schools, are benefitting. *WeCan* Scholarships were launched in 2015, extending the *WeCan* concept by helping outstanding but underprivileged students to continue their education in local universities. Each qualified student receives up to HK\$100,000 in scholarship funds during his/her four-year university study. In 2015, 58 students were granted the *WeCan* Scholarships.

The Community Chest Wheelock **Swim for Millions** 2015 was again a great success. It attracted over 500 participants and raised over **HK\$4 million**. This event promotes a healthy lifestyle while raising funds to support local youth services.

The Group strives for quality and services excellence. Wheelock Properties (Hong Kong) Limited's corporate website was named the Silver Winner at W<sup>3</sup> Awards in February 2016, demonstrating our achievement in web marketing.

**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 ending 31 December 2015.**

#### **The Wharf (Holdings) Limited ("Wharf") 59.2% Equity Investment**

**Hong Kong Investment Properties ("IP")** revenue growth slowed in a tough market but still produced solid results. **Revenue increased by 7% to HK\$12,165 million and operating profit increased by 6% to HK\$10,516 million.** The Group's prime, quality retail malls continued to provide the best operating environment for retailers and a one-stop lifestyle experience for customers.

**China IP** began to bear fruit. **Revenue increased by 16% to HK\$2,305 million and operating profit increased by 25% to HK\$1,243 million.** Riding on its unrivalled location, critical mass as well as high calibre management, Chengdu IFS's retail revenue increased by 25% to RMB605 million, while retail sales increased by 55% to RMB3.3 billion. Leasing of its office towers is at full steam, 90,200 square metres have been leased, including nearly 50,000 square metres in 2015, with achieved rental rates among the highest in the city. Niccolo Chengdu, the first 'Sophisticated Urban Chic' hotel under Marco Polo Hotels' new luxury brand, was soft opened in April and has fast become the city's epicentre for events. The Hotel was named the "Best New Hotel Brand – Luxury" at the 5th China Hotel Awards, as well as being named one of the "Best New Hotels" in the 2015 China Travel Awards.

The IFS pipeline is progressing in full speed. The IFSs are expected to be a significant earnings and valuation growth driver. Scheduled for opening in 2017, Changsha and Chongqing IFS's retail malls will tap strong experience-oriented consumption in the Western/Central China metropolis. Currently, over 75% of Changsha IFS's 230,000-square-metre mega mall and 85% of Chongqing IFS's 102,000-square-metre mall are under offer or in discussion with tenants.

**China DP's attributable contracted sales** increased by 21% to **RMB26.0 billion**, which was 20% above target. Inclusive of joint ventures and associates, the revenue and operating profit increased by 18% to HK\$27,404 million and 51% to HK\$4,200 million respectively. A total of 54 development projects spanning 14 cities were offered for sale or presale. The net order book (net of business tax) increased to RMB25 billion at the year-end.

## **Wheelock Properties (Singapore) Limited (“WPSL”) 75.8% Equity Investment**

In Singapore, three **residential** developments sold 257 units for **S\$360 million**. The Panorama presold an additional 244 units for S\$317 million during the year; to date, 94% of 600 units launched have been sold. Scotts Square and Ardmore Three sold an additional 13 units, generating S\$43 million in sales. In China, the presale of a residential development in Fuyang Shijiayuan (Hangzhou) was launched in July and successfully presold 171 units for S\$41 million.

**IP** including Wheelock Place and Scotts Square Retail continued to deliver stable performance. An overall **occupancy of 100%** was achieved at Wheelock Place. Scotts Square Retail is undergoing a tenant mix revamp; the opening of Pedder on Scotts, a 20,000 square feet flagship multi-brand shop, will re-energise the tenant mix in order to maximise retail value.

## **FINANCIAL REVIEW**

### **(I) Review of 2015 Results**

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

Wheelock’s own core profit increased by 83% to HK\$4,012 million (2014: HK\$2,197 million). This was mainly attributable to the profit contribution from One Bay East and The Parkside on completion.

#### **Wheelock Group**

Group’s core profit increased by 31% to HK\$10,598 million (2014: HK\$8,103 million). This was mainly attributable to higher DP profit and resilient rental revenue.

Group profit attributable to equity shareholders decreased by 35% to HK\$14,232 million (2014: HK\$22,009 million), due to a lower IP revaluation gain.

#### **Revenue and Operating Profit**

Group revenue increased by 40% to HK\$57,431 million (2014: HK\$40,953 million), mainly attributable to higher property sales recognised and increase in rental revenue. Operating profit increased by 27% to HK\$20,053 million (2014: HK\$15,729 million), mainly attributable to higher operating profit from Hong Kong and China DP.

#### **Investment Property**

Revenue and operating profit both grew at slower pace than previous years but managed to increase by 6% to HK\$15,054 million (2014: HK\$14,198 million) and HK\$12,163 million (2014: HK\$11,503 million) respectively, attributable to the firm retail base rent achieved from lease commitments and stable positive rental reversions for offices. Revenue from the Mainland increased by 16% to HK\$2,305 million (2014: HK\$1,984 million), benefitting from the escalating revenue generated by Chengdu IFS.

#### **Development Property**

Revenue and operating profit increased by 96% and 188% to HK\$33,718 million (2014: HK\$17,198 million) and HK\$6,810 million (2014: HK\$2,367 million) respectively.

In Hong Kong, recognised property sales and operating profit increased by 826% and 523% to HK\$15,459 million (2014: HK\$1,669 million) and HK\$4,470 million (2014: HK\$718 million) respectively, mainly due to higher profit recognition on completion from One Bay East and The Parkside as compared to Lexington Hill in 2014. One Bay East and The Parkside were completed with all units sold, enabling the recognition of revenue of HK\$9,925 million and HK\$5,216 million respectively.

In the Mainland, recognised property sales and operating profit increased by 17% and 36% to HK\$18,018 million (2014: HK\$15,426 million) and HK\$2,266 million (2014: HK\$1,669 million) respectively with more phased completion and revenue recognition for overall higher margin projects.

### ***Hotels***

Revenue and operating profit decreased by 3% and 28% to HK\$1,549 million (2014: HK\$1,600 million) and HK\$278 million (2014: HK\$387 million) respectively, partly affected by the decline in Hong Kong revenue and partly by pre-maturity operating losses from Marco Polo Changzhou and Niccolo Chengdu.

### ***Logistics***

Revenue and operating profit decreased by 14% and 34% to HK\$2,848 million (2014: HK\$3,319 million) and HK\$689 million (2014: HK\$1,051 million) respectively, mainly due to the lower throughput handled by Modern Terminals as a result of the sluggish global trade flows.

### ***Communications, Media and Entertainment (“CME”)***

Revenue and operating profit decreased by 3% and 47% to HK\$3,501 million (2014: HK\$3,616 million) and HK\$112 million (2014: HK\$211 million) respectively. Wharf T&T’s operating profit increased by 3% to HK\$362 million (2014: HK\$352 million), while i-CABLE’s operating loss widened to HK\$246 million (2014: HK\$140 million).

### ***Investment and Others***

Operating profit amounted to HK\$752 million (2014: HK\$1,039 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 2015 slightly increased to HK\$325.0 billion (2014: HK\$316.9 billion), with HK\$305.3 billion thereof stated at fair value based on independent valuations as at that date. That resulted in a revaluation gain of HK\$7,360 million (2014: HK\$28,087 million), which was credited to the consolidated income statement.

IP under development of HK\$19.7 billion is carried at cost and will not be carried at fair value until the earlier of when the fair values first become reliably measurable or the dates of their respective completion.

### **Other Net Charge**

Other net charge amounted to HK\$240 million (2014: HK\$1,758 million), comprising mainly a non-recurrent accounting loss of HK\$1,620 million (attributable to Wheelock Group is HK\$916 million) as explained below and other miscellaneous charge of HK\$30 million partly offset by a gain of HK\$908 million (attributable to Wheelock Group is HK\$361 million) arising from the disposal of the equity interest in the Taicang container port businesses by Modern Terminals and net profit on disposal of available-for-sale investments of HK\$502 million.

The accounting loss of HK\$1,620 million was arising from the deemed disposal of Wharf’s entire 24.3% interest in Greentown China Holdings Limited (“Greentown”) at the prevailing market value upon reclassification of such interest as an available-for-sale investment instead of as an associate in June 2015. The Greentown interest was acquired in June 2012 at a cost of HK\$2,729 million with an accounting gain representing the negative goodwill of HK\$2,233 million when the equity-interest was accounted for as an associate.

Included in the 2014 results were impairment provisions of HK\$2,270 million made for certain DP projects in the Mainland partly offset by profit on disposal of a DP project in the Mainland of HK\$319 million, profit on disposal of available-for-sale investments of HK\$43 million and other miscellaneous income of HK\$150 million.

### **Finance Costs**

Finance costs charged to the consolidated income statement were HK\$2,092 million (2014: HK\$2,195 million). Excluding the unrealised mark-to-market loss of HK\$447 million (2014: HK\$264 million) on swaps, finance costs decreased by 11% to HK\$3,376 million (2014: HK\$3,776 million) before capitalisation of HK\$1,731 million (2014: HK\$1,845 million), and HK\$1,645 million (2014: HK\$1,931 million) after capitalisation. The Group's effective borrowing rate for the year was reduced to 2.8% (2014: 3.1%) per annum.

### **Share of Results of Associates and Joint Ventures**

Share of profits of associates decreased by 44% to HK\$1,241 million (2014: HK\$2,203 million), mainly due to the share of negative goodwill arising on the acquisition of Hotel Properties Limited ("HPL") of HK\$707 million in 2014 and the decrease in share of associate's profit in DP segment in the Mainland to HK\$895 million (2014: HK\$1,098 million) mainly due to non-equity-accounting of Greentown upon classification of the equity interest as an available-for-sale investment instead of an associate since June 2015.

Share of profits of joint ventures decreased by 76% to HK\$222 million (2014: HK\$918 million), mainly due to the Hong Kong DP profit decreasing from HK\$906 million in 2014, which mainly arose from profit recognition from the Austin joint venture to a loss of HK\$71 million in 2015 but partially compensated by higher profit contribution from DP in the Mainland from a loss of HK\$41 million in 2014 to a profit of HK\$258 million in 2015.

### **Income Tax**

The taxation charge was HK\$4,710 million (2014: HK\$4,015 million), which included deferred taxation of HK\$488 million (2014: HK\$543 million) provided for the fair value gain of IP located in the Mainland.

Excluding the above deferred taxation, the taxation charge increased by 22% to HK\$4,222 million (2014: HK\$3,472 million), mainly due to higher profit recognised by the IP and DP segments.

### **Non-controlling Interests**

Profit attributable to non-controlling interests decreased by 55% to HK\$7,602 million (2014: HK\$16,960 million), mainly due to Wharf's lower net profit.

### **Profit attributable to Equity Shareholders**

Group profit attributable to equity shareholders decreased by 35% to HK\$14,232 million (2014: HK\$22,009 million). Earnings per share were HK\$7.00 (2014: HK\$10.83).

Excluding the attributable IP revaluation gain (after deducting related deferred tax and non-controlling interests) of HK\$4,258 million (2014: HK\$14,974 million), Group profit attributable to equity shareholders increased by 42% to HK\$9,974 million (2014: HK\$7,035 million).

Further stripping out the exceptional items, core profit increased by 31% to HK\$10,598 million (2014: HK\$8,103 million). Core earnings per share were HK\$5.22 (2014: HK\$3.99).

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

	<b>2015</b>	2014
	<b>HK\$ Million</b>	HK\$ Million
Profit attributable to		
Wheelock	<b>4,012</b>	2,197
WPSL group	<b>263</b>	250
Wharf group	<b>6,323</b>	5,656
Core profit	<b>10,598</b>	8,103
Attributable gain arising from the disposal of the Taicang container port businesses	<b>361</b>	—
Attributable loss arising from the deemed disposal of Greentown	<b>(916)</b>	—
Attributable net mark-to-market loss and exchange on certain financial instruments	<b>(69)</b>	(156)
Attributable negative goodwill on HPL acquisition	—	536
Attributable provision for impairment of properties	—	(1,448)
Profit before IP revaluation gain	<b>9,974</b>	7,035
IP revaluation gain (after deferred tax)	<b>4,258</b>	14,974
Profit attributable to equity shareholders	<b>14,232</b>	22,009

WPSL's profit for the year ended 31 December 2015 was S\$40.3 million (2014: S\$43.1 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\$217 million (2014: HK\$272 million).

Wharf's profit for the year ended 31 December 2015 decreased by 55% to HK\$16,024 million (2014: HK\$35,930 million). Excluding the net IP revaluation gain and exceptional items, Wharf's core profit increased by 5% to HK\$10,969 million (2014: HK\$10,474 million).

## **(II) Liquidity, Financial Resources and Capital Commitments**

### **Shareholders' and Total Equity**

Shareholders' equity increased by 5% to HK\$201.7 billion (2014: HK\$191.2 billion), or HK\$99.26 per share (2014: HK\$94.11 per share) as at 31 December 2015.

Including the non-controlling interests, the Group's total equity increased to HK\$340.9 billion (2014: HK\$339.9 billion).

### **Assets**

The Group's total assets amounted to HK\$512.8 billion (2014: HK\$517.6 billion). Total business assets, i.e. excluding bank deposits and cash, certain available-for-sale investments, deferred tax assets and other derivative financial assets, amounted to HK\$475.0 billion (2014: HK\$484.7 billion).

The Group's IP portfolio was HK\$325.0 billion, representing 68% of total business assets. Harbour City (excluding the three hotels) and Times Square in Hong Kong were valued at HK\$217.4 billion, representing 67% of the value of the portfolio. Wharf's IP in the Mainland amounted to HK\$58.1 billion, including IP under development at cost of HK\$17.1 billion.

Other major business assets included properties under development and held for sale of HK\$76.2 billion, interests in associates and joint ventures (mainly for China DP and port projects) of HK\$39.3 billion and property, plant and equipment of HK\$22.8 billion.

Geographically, the Group's business assets in the Mainland, mainly properties and terminals, amounted to HK\$141.7 billion (2014: HK\$156.9 billion), representing 30% (2014: 32%) of the Group's total business assets.

### Debt and Gearing

The Group's net debt decreased by HK\$17.7 billion or 18% to HK\$78.9 billion (2014: HK\$96.6 billion) as at 31 December 2015, comprising debt of HK\$106.2 billion less bank deposits and cash of HK\$27.3 billion. Excluding WPSL's net cash of HK\$0.5 billion and Wharf's net debt of HK\$47.2 billion, which are non-recourse to the Company and its wholly-owned subsidiaries, Wheelock's own net debt decreased by HK\$3.7 billion to HK\$32.2 billion (2014: HK\$35.9 billion). An analysis of the net debt by group is shown below:

	<b>2015</b>	2014
Net debt/(cash)	<b>HK\$ Million</b>	HK\$ Million
Wheelock	<b>32,258</b>	35,870
WPSL group	<b>(528)</b>	1,470
Wharf group	<b>47,197</b>	59,259
Group	<b><u>78,927</u></b>	<u>96,599</u>

As at 31 December 2015, the ratio of net debt to total equity (on a consolidated basis) declined to 23.2% (2014: 28.4%). 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 16.0% (2014: 18.8%).

### Finance and Availability of Facilities

As at 31 December 2015, the Group's available loan facilities and issued debt securities amounted to HK\$153.5 billion (2014: HK\$160.2 billion), of which HK\$106.2 billion were utilised. An analysis is shown below:

	<b>Available Facilities HK\$ Billion</b>	<b>Total Debt HK\$ Billion</b>	<b>Undrawn Facilities HK\$ Billion</b>
Wheelock	56.3	32.7	23.6
WPSL group	3.9	2.8	1.1
Wharf group	93.3	70.7	22.6
Group	<b><u>153.5</u></b>	<b><u>106.2</u></b>	<b><u>47.3</u></b>

Of the above debt, HK\$15.1 billion (2014: HK\$19.2 billion) was secured by mortgages over certain DP, IP and property, plant and equipment with a total carrying value of HK\$51.8 billion (2014: HK\$65.3 billion).

The Group's debt was primarily denominated in United States dollars ("USD"), Hong Kong dollars ("HKD"), Renminbi ("RMB") and Singapore dollars ("SGD"). 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 foreign currency exposures.

The Group continued to maintain a strong financial position with ample surplus cash denominated principally in RMB, HKD, USD and SGD, and undrawn committed facilities to facilitate the Group's business and investment activities. The Group also maintained a portfolio of available-for-sale investments, primarily in blue-chip securities, with an aggregate market value of HK\$12.5 billion (2014: HK\$11.4 billion) as at 31 December 2015, 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 inflow before changes in working capital was HK\$20.9 billion (2014: HK\$16.3 billion). The changes in working capital and others of HK\$11.8 billion (2014: HK\$2.4 billion) increased/decreased the net cash inflow from operating activities to HK\$32.7 billion (2014: HK\$13.9 billion). For investing activities, the Group recorded a net cash outflow of HK\$11.3 billion (2014: HK\$11.1 billion), mainly for construction costs for IP projects in the Mainland, increase in interest in Wharf and investment in associates, which was compensated by net disposal proceeds of available-for-sale investments and disposal proceeds of the Taicang container port businesses by Modern Terminals.

## Major Capital and Development Expenditure and Commitments

The Group's major capital and development expenditure incurred in 2015 is analysed as follows:

### A. Major capital and development expenditure

	<b>Hong Kong / Singapore HK\$ Million</b>	<b>Mainland China HK\$ Million</b>	<b>Total HK\$ Million</b>
<b>Wheelock</b>			
IP	674	—	674
DP	7,099	—	7,099
	<u>7,773</u>	<u>—</u>	<u>7,773</u>
<b>WPSL group</b>			
IP	18	—	18
DP	87	151	238
	<u>105</u>	<u>151</u>	<u>256</u>
<b>Wharf group</b>			
IP	1,218	4,137	5,355
DP	889	15,912	16,801
Non property and others	1,151	53	1,204
	<u>3,258</u>	<u>20,102</u>	<u>23,360</u>
Analysis by segment:			
IP	1,910	4,137	6,047
DP	8,075	16,063	24,138
Non property and others	1,151	53	1,204
<b>Group total</b>	<u>11,136</u>	<u>20,253</u>	<u>31,389</u>

- i. Wheelock's own expenditure for IP and DP amounted to HK\$7.8 billion, mainly attributable to the land cost payment for the LOHAS Park Phase 7 project, and construction cost payments for its Hong Kong DP projects.
- ii. WPSL's expenditure of HK\$0.2 billion was mainly for construction cost payments for its China and Singapore DP projects.
- iii. Wharf's expenditure totalled HK\$23.4 billion, comprising expenditure of HK\$5.4 billion for IP (mainly renovation of Harbour City and construction of the IFS projects in the Mainland), HK\$16.8 billion for DP (mainly related to China projects) and HK\$1.2 billion for Hotels, Modern Terminals, Wharf T&T and i-CABLE.

B. Commitments to capital and development expenditure

As at 31 December 2015, the Group's major commitments to capital and development expenditure to be incurred in the forthcoming years were estimated at HK\$76.0 billion, of which HK\$38.9 billion was committed. By segment, the commitments are analysed below:

	<b>As at 31 December 2015</b>		
	<b>Committed</b>	<b>Uncommitted</b>	<b>Total</b>
	<b>HK\$ Million</b>	<b>HK\$ Million</b>	<b>HK\$ Million</b>
<b>Wheelock</b>			
IP	—	—	—
DP	12,765	12,833	25,598
	<u>12,765</u>	<u>12,833</u>	<u>25,598</u>
<b>WPSL group</b>			
IP	1	—	1
DP	841	1,810	2,651
	<u>842</u>	<u>1,810</u>	<u>2,652</u>
<b>Wharf group</b>			
IP	10,741	5,621	16,362
DP	12,259	16,289	28,548
Non property and others	2,293	554	2,847
	<u>25,293</u>	<u>22,464</u>	<u>47,757</u>
Analysis by segment:			
IP	10,742	5,621	16,363
DP	25,865	30,932	56,797
Non property and others	2,293	554	2,847
<b>Group total</b>	<u>38,900</u>	<u>37,107</u>	<u>76,007</u>
Analysis by geographical location:			
Hong Kong IP	2,027	477	2,504
Hong Kong DP	13,224	12,833	26,057
China IP	8,714	5,144	13,858
China DP	11,939	17,891	29,830
Singapore	703	208	911
Properties total	<u>36,607</u>	<u>36,553</u>	<u>73,160</u>
Non property and others	2,293	554	2,847
<b>Group total</b>	<u>38,900</u>	<u>37,107</u>	<u>76,007</u>

- i. Wheelock's own commitments of HK\$25.6 billion mainly relate to land and construction costs for DP in Hong Kong.
- ii. WPSL's commitments of HK\$2.6 billion mainly relate to construction costs of HK\$0.9 billion for DP in Singapore and HK\$1.7 billion for DP in the Mainland.
- iii. Wharf's commitments of HK\$47.8 billion mainly comprise expenditure of HK\$16.4 billion for IP, HK\$28.5 billion land and construction costs for DP and HK\$2.9 billion for Hotels, Modern Terminals, Wharf T&T and i-CABLE.

- iv. The above commitments and planned expenditure will be funded by the respective group's own internal financial resources including surplus cash, cash flow from operations as well as bank and other financing with construction costs self-financed mainly by pre-sale proceeds and project loans. Other available resources include available-for-sale investments.

### **(III) Human Resources**

The Group had approximately 15,500 employees as at 31 December 2015, including about 2,400 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 2015

	Note	2015 HK\$ Million	2014 HK\$ Million
<b>Revenue</b>	2	<b>57,431</b>	40,953
Direct costs and operating expenses		<b>(31,879)</b>	(20,555)
Selling and marketing expenses		<b>(2,217)</b>	(1,541)
Administrative and corporate expenses		<b>(1,727)</b>	(1,600)
Operating profit before depreciation, amortisation, interest and tax		<b>21,608</b>	17,257
Depreciation and amortisation	3	<b>(1,555)</b>	(1,528)
<b>Operating profit</b>	2 & 3	<b>20,053</b>	15,729
Increase in fair value of investment properties		<b>7,360</b>	28,087
Other net charge	4	<b>(240)</b>	(1,758)
		<b>27,173</b>	42,058
Finance costs	5	<b>(2,092)</b>	(2,195)
Share of results after tax of:			
Associates		<b>1,241</b>	2,203
Joint ventures		<b>222</b>	918
Profit before taxation		<b>26,544</b>	42,984
Income tax	6	<b>(4,710)</b>	(4,015)
<b>Profit for the year</b>		<b>21,834</b>	38,969
<b>Profit attributable to:</b>			
Equity shareholders		<b>14,232</b>	22,009
Non-controlling interests		<b>7,602</b>	16,960
		<b>21,834</b>	38,969
<b>Earnings per share</b>	7		
Basic		<b>HK\$7.00</b>	HK\$10.83
Diluted		<b>HK\$7.00</b>	HK\$10.83

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**for the year ended 31 December 2015**

	2015 HK\$ Million	2014 HK\$ Million
<b>Profit for the year</b>	<u>21,834</u>	<u>38,969</u>
<b>Other comprehensive income</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange losses on:		
Translation of foreign operations	(6,654)	(1,126)
Transferred to profit or loss on disposal of a subsidiary	(6,537)	(1,126)
	(117)	—
Net (losses)/gains on revaluation of available-for-sale investments:	(3,215)	1,558
(Deficit)/surplus on revaluation	(2,573)	1,460
Transferred to profit or loss on disposal	(642)	98
Share of other comprehensive income of associates/joint ventures	(1,355)	(288)
Others	10	9
<b>Other comprehensive income for the year</b>	<u>(11,214)</u>	<u>153</u>
<b>Total comprehensive income for the year</b>	<u>10,620</u>	<u>39,122</u>
<b>Total comprehensive income attributable to:</b>		
Equity shareholders	7,279	22,484
Non-controlling interests	3,341	16,638
	<u>10,620</u>	<u>39,122</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**at 31 December 2015**

	Note	2015 HK\$ Million	2014 HK\$ Million
<b>Non-current assets</b>			
Investment properties		325,044	316,860
Property, plant and equipment		22,804	25,052
Interest in associates		20,857	25,648
Interest in joint ventures		18,481	19,911
Available-for-sale investments		12,475	11,390
Goodwill and other intangible assets		305	305
Deferred tax assets		732	673
Derivative financial assets		769	1,041
Other non-current assets		289	212
		<u>401,756</u>	<u>401,092</u>
<b>Current assets</b>			
Properties for sale		76,184	88,148
Inventories		46	48
Trade and other receivables	9	7,154	6,713
Derivative financial assets		352	287
Bank deposits and cash		27,266	21,279
		<u>111,002</u>	<u>116,475</u>
<b>Total assets</b>		<u>512,758</u>	<u>517,567</u>
<b>Non-current liabilities</b>			
Derivative financial liabilities		(2,102)	(1,408)
Deferred tax liabilities		(10,836)	(10,529)
Other deferred liabilities		(334)	(315)
Bank loans and other borrowings		(95,681)	(107,134)
		<u>(108,953)</u>	<u>(119,386)</u>
<b>Current liabilities</b>			
Trade and other payables	10	(26,493)	(26,231)
Deposits from sale of properties		(23,092)	(18,508)
Derivative financial liabilities		(620)	(1,124)
Taxation payable		(2,229)	(1,658)
Bank loans and other borrowings		(10,512)	(10,744)
		<u>(62,946)</u>	<u>(58,265)</u>
<b>Total liabilities</b>		<u>(171,899)</u>	<u>(177,651)</u>
<b>NET ASSETS</b>		<u>340,859</u>	<u>339,916</u>
<b>Capital and reserves</b>			
Share capital		2,949	2,949
Reserves		198,718	188,257
<b>Shareholders' equity</b>		<u>201,667</u>	<u>191,206</u>
<b>Non-controlling interests</b>		<u>139,192</u>	<u>148,710</u>
<b>TOTAL EQUITY</b>		<u>340,859</u>	<u>339,916</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 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. 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 2014 except for the changes mentioned below.

The HKICPA has issued certain amendments to HKFRSs which are first effective for the current accounting period of the Group.

Annual Improvements to HKFRSs 2010-2012 Cycle  
Annual Improvements to HKFRSs 2011-2013 Cycle

These amendments do not have a significant impact on the Group’s results and financial position for the current or prior periods.

The Group has not applied 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 2015 and 2014 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 (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2014 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2015 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 section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (or under their equivalent requirements found in section 141 of the predecessor Hong Kong Companies Ordinance (Cap. 32)).

## 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 following 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, sale 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 Marco Polo 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.

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 available-for-sale investments, deferred tax assets and derivative financial assets.

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

(a) Analysis of segment revenue and results

	Revenue HK\$ Million	Operating profit HK\$ Million	Investment properties fair value HK\$ Million	Other net charge HK\$ Million	Finance costs HK\$ Million	Associates HK\$ Million	Joint ventures HK\$ Million	Profit before taxation HK\$ Million
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
For the year ended								
31 December 2014								
Investment property	14,198	11,503	28,087	69	(1,381)	-	-	38,278
Hong Kong	11,780	10,208	27,973	18	(1,347)	-	-	36,852
Mainland China	1,984	991	429	51	(34)	-	-	1,437
Singapore	434	304	(315)	-	-	-	-	(11)
Development property	17,198	2,367	-	(1,917)	(101)	1,100	865	2,314
Hong Kong	1,669	718	-	-	-	2	906	1,626
Mainland China	15,426	1,669	-	(1,917)	(100)	1,098	(41)	709
Singapore	103	(20)	-	-	(1)	-	-	(21)
Hotels	1,600	387	-	-	(6)	-	-	381
Logistics	3,319	1,051	-	(61)	(246)	332	53	1,129
Terminals	3,206	1,034	-	(20)	(246)	234	53	1,055
Others	113	17	-	(41)	-	98	-	74
CME	3,616	211	-	1	(37)	-	-	175
i-CABLE	1,666	(140)	-	1	-	-	-	(139)
Telecommunications	1,950	352	-	-	(37)	-	-	315
Others	-	(1)	-	-	-	-	-	(1)
Inter-segment revenue	(469)	-	-	-	-	-	-	-
Segment total	39,462	15,519	28,087	(1,908)	(1,771)	1,432	918	42,277
Investment and others	1,491	1,039	-	150	(424)	771	-	1,536
Corporate expenses	-	(829)	-	-	-	-	-	(829)
Group total	40,953	15,729	28,087	(1,758)	(2,195)	2,203	918	42,984

**(b) Analysis of inter-segment revenue**

	2015			2014		
	Total revenue	Inter-segment revenue	Group revenue	Total revenue	Inter-segment revenue	Group revenue
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	Million	Million	Million	Million	Million	Million
Investment property	15,054	(206)	14,848	14,198	(185)	14,013
Development property	33,718	-	33,718	17,198	-	17,198
Hotels	1,549	-	1,549	1,600	-	1,600
Logistics	2,848	-	2,848	3,319	-	3,319
CME	3,501	(78)	3,423	3,616	(94)	3,522
Investment and others	1,198	(153)	1,045	1,491	(190)	1,301
	<b>57,868</b>	<b>(437)</b>	<b>57,431</b>	<b>41,422</b>	<b>(469)</b>	<b>40,953</b>

**(c) Analysis of segment business assets**

	2015	2014
	HK\$ Million	HK\$ Million
Investment property	326,522	318,516
Hong Kong	261,495	254,098
Mainland China	58,737	57,493
Singapore	6,290	6,925
Development property	118,548	134,668
Hong Kong	40,431	41,425
Mainland China	69,490	84,572
Singapore	8,627	8,671
Hotels	7,728	7,208
Logistics	18,244	20,197
Terminals	17,245	19,148
Others	999	1,049
CME	3,918	4,088
i-CABLE	1,189	1,284
Telecommunications	2,729	2,804
Total segment business assets	<b>474,960</b>	<b>484,677</b>
Unallocated corporate assets	<b>37,798</b>	<b>32,890</b>
Total assets	<b>512,758</b>	<b>517,567</b>

Unallocated corporate assets mainly comprise certain available-for-sale 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:

	2015	2014
	HK\$ Million	HK\$ Million
Development property	33,273	40,267
Logistics	6,065	5,292
Group total	<b>39,338</b>	<b>45,559</b>

**(d) Other segment information**

	Capital expenditure		Increase in interests in associates and joint ventures		Depreciation and amortisation	
	2015	2014	2015	2014	2015	2014
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Investment property	<b>6,047</b>	8,012	-	-	<b>125</b>	104
Hong Kong	<b>1,892</b>	1,438	-	-	<b>37</b>	27
Mainland China	<b>4,137</b>	6,559	-	-	<b>86</b>	75
Singapore	<b>18</b>	15	-	-	<b>2</b>	2
Development property	-	-	<b>3,487</b>	4,644	-	-
Hong Kong	-	-	<b>155</b>	201	-	-
Mainland China	-	-	<b>3,332</b>	4,443	-	-
Hotels	<b>372</b>	759	-	-	<b>208</b>	204
Logistics	<b>294</b>	403	<b>8</b>	2	<b>457</b>	469
Terminals	<b>294</b>	402	<b>8</b>	2	<b>454</b>	466
Others	-	1	-	-	<b>3</b>	3
CME	<b>538</b>	504	-	-	<b>765</b>	751
i-CABLE	<b>207</b>	188	-	-	<b>351</b>	348
Telecommunications	<b>331</b>	316	-	-	<b>414</b>	403
<b>Group total</b>	<b>7,251</b>	9,678	<b>3,495</b>	4,646	<b>1,555</b>	1,528

In addition, the CME segment incurred HK\$116 million (2014: HK\$152 million) for its programming library. The Group had no significant non-cash expenses other than (i) a 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") in 2015, (ii) provision for impairment of HK\$2,270 million for development property projects undertaken by the Group's subsidiaries in Mainland China in 2014, and (iii) depreciation and amortisation.

**(e) Geographical information**

	Revenue		Operating profit	
	2015	2014	2015	2014
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	<b>35,080</b>	21,386	<b>16,309</b>	12,728
Mainland China	<b>21,685</b>	18,977	<b>3,406</b>	2,701
Singapore	<b>666</b>	590	<b>338</b>	300
<b>Group total</b>	<b>57,431</b>	40,953	<b>20,053</b>	15,729

	Specified non-current assets		Total business assets	
	2015	2014	2015	2014
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	<b>281,207</b>	273,492	<b>318,352</b>	312,144
Mainland China	<b>101,326</b>	106,406	<b>141,691</b>	156,938
Singapore	<b>9,363</b>	10,143	<b>14,917</b>	15,595
<b>Group total</b>	<b>391,896</b>	390,041	<b>474,960</b>	484,677

Specified non-current assets exclude deferred tax assets, certain available-for-sale 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

	2015 HK\$ Million	2014 HK\$ Million
Operating profit is arrived at after charging/(crediting):		
Depreciation and amortisation on		
- assets held for use under operating leases	162	169
- property, plant and equipment	1,197	1,164
- leasehold land	69	74
- programming library	127	121
Total depreciation and amortisation	<u>1,555</u>	<u>1,528</u>
Staff costs (Note a)	4,057	4,141
Auditors' remuneration		
- audit services	30	30
- other services	4	4
Cost of trading properties for recognised sales	25,450	14,174
Rental charges under operating leases in respect of		
telecommunications equipment and services	74	63
Impairment of property, plant and equipment	45	—
Impairment of trade receivables	10	18
Gross rental revenue from investment properties (Note b)	(15,054)	(14,198)
Direct operating expenses of investment properties	2,712	2,546
Rental income under operating leases in respect		
of owned plant and equipment	(16)	(9)
Interest income (Note c)	(454)	(733)
Dividend income from investments	(333)	(352)
Loss on disposal of property, plant and equipment	<u>2</u>	<u>4</u>

Notes:

- (a) Staff costs included contributions to defined contribution pension schemes of HK\$308 million (2014: HK\$290 million), which included MPF schemes (after a forfeiture of HK\$3 million (2014: HK\$2 million)) and equity settled share-based payment expenses of HK\$62 million (2014: HK\$122 million).
- (b) Rental income included contingent rentals of HK\$1,478 million (2014: HK\$2,039 million).
- (c) Interest income of HK\$384 million (2014: HK\$622 million) was in respect of financial assets, which mainly comprise bank deposits, stated at amortised cost.

#### 4. OTHER NET CHARGE

Other net charge for the year amounted to HK\$240 million (2014: HK\$1,758 million) and mainly comprised:

- (a) A 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 an available-for-sale investment at the prevailing market value when Wharf ceased to have significant influence over Greentown in June 2015.

The Greentown equity interest was acquired by Wharf in June 2012 at a cost of HK\$2,729 million, which included an accounting gain representing negative goodwill of HK\$2,233 million when the equity interest was equity-accounted for as an associate.

- (b) A gain of HK\$908 million arising from the disposal of its 50% equity interest in the Taicang container port businesses by Modern Terminals.
- (c) Net profit on disposal of available-for-sale investments of HK\$502 million (2014: HK\$43 million) which included a revaluation surplus, before deduction of non-controlling interests, of HK\$642 million (2014: deficit of HK\$98 million) transferred from the investments revaluation reserve.
- (d) Net foreign exchange gain of HK\$40 million (2014: HK\$160 million) which included a fair value loss on forward foreign exchange contracts of HK\$150 million (2014: HK\$198 million).

In 2014, provisions for impairment of HK\$1,812 million was made by Wharf and HK\$458 million by Wheelock Properties (Singapore) Limited for development property projects in Mainland China and profit on disposal of HK\$319 million was recognised for a development property project in Mainland China .

#### 5. FINANCE COSTS

	2015 HK\$ Million	2014 HK\$ Million
Interest charged on:		
Bank loans and overdrafts	1,332	1,351
Other borrowings	1,616	1,869
Total interest charge	<u>2,948</u>	3,220
Other finance costs	428	556
Less: Amount capitalised	<u>(1,731)</u>	<u>(1,845)</u>
	<u>1,645</u>	<u>1,931</u>
Fair value loss:		
Cross currency interest rate swaps	420	131
Interest rate swaps	<u>27</u>	<u>133</u>
	<u>447</u>	<u>264</u>
Total	<u>2,092</u>	<u>2,195</u>

## 6. INCOME TAX

Taxation charged to the consolidated income statement includes:

	2015 HK\$ Million	2014 HK\$ Million
<b>Current income tax</b>		
Hong Kong		
– provision for the year	2,378	1,712
– overprovision in respect of prior years	(21)	(56)
Outside Hong Kong		
– provision for the year	1,214	946
– (over)/underprovision in respect of prior years	(9)	14
	<u>3,562</u>	<u>2,616</u>
<b>Land appreciation tax (“LAT”) in Mainland China (Note c)</b>	<u>411</u>	<u>515</u>
<b>Deferred tax</b>		
Change in fair value of investment properties	488	543
Origination and reversal of temporary differences	282	397
Benefit of previously unrecognised tax losses now recognised	(33)	(56)
	<u>737</u>	<u>884</u>
Total	<u>4,710</u>	<u>4,015</u>

- (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% (2014: 16.5%).
- (b) Income tax on profits assessable outside Hong Kong is mainly China corporate income tax calculated at a rate of 25% (2014: 25%), China withholding income tax at a rate of up to 10% (2014: 10%) and Singapore income tax at a rate of 17% (2014: 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 2015 of HK\$1,111 million (2014: HK\$1,655 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

	2015 HK\$ Million	2014 HK\$ Million
Profit attributable to equity shareholders	<u>14,232</u>	<u>22,009</u>

**(b) Weighted average number of ordinary shares**

	2015	2014
	No. of shares	No. of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>2,031,849,287</b>	2,031,849,287
Effect of dilutive potential shares - Share options	—	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>2,031,849,287</b>	2,031,849,287

**8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS**

	2015	2015	2014	2014
	HK\$ per share	HK\$ Million	HK\$ per share	HK\$ Million
First interim dividend declared and paid	<b>0.425</b>	<b>864</b>	0.3850	782
Second interim dividend declared after the end of the reporting period	<b>0.725</b>	<b>1,473</b>	0.6825	1,387
	<b>1.150</b>	<b>2,337</b>	1.0675	2,169

(a) The second interim dividend 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\$1,387 million for 2014 was approved and paid in 2015.

**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 2015, shown as follows:

	2015	2014
	HK\$ Million	HK\$ Million
Trade receivables		
0 - 30 days	<b>750</b>	783
31 - 60 days	<b>171</b>	169
61 - 90 days	<b>77</b>	74
Over 90 days	<b>105</b>	81
	<b>1,103</b>	1,107
Accrued sales receivables	<b>647</b>	16
Other receivables and prepayments	<b>5,404</b>	5,590
	<b>7,154</b>	6,713

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 as at 31 December 2015, shown as follows:

	2015 HK\$ Million	2014 HK\$ Million
Trade payables		
0 - 30 days	414	425
31 - 60 days	274	244
61 - 90 days	34	48
Over 90 days	130	127
	<hr/> 852	<hr/> 844
Rental and customer deposits	4,140	3,721
Construction costs payable	9,979	11,085
Amounts due to associates	3,052	2,781
Amounts due to joint ventures	3,422	2,299
Other payables	5,048	5,501
	<hr/> <b>26,493</b>	<hr/> <b>26,231</b>

## 11. REVIEW OF FINANCIAL STATEMENTS

The financial results for the year ended 31 December 2015 have been reviewed with no disagreement by the Audit Committee of the Company. The figures in respect of the announcement of the Group's results for the year ended 31 December 2015 have been agreed by the Company's Auditors to the amounts set out in the Group's consolidated financial statements for the year.

## CORPORATE GOVERNANCE CODE

During the financial year ended 31 December 2015, 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 to have 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 Monday, 11 April 2016 to Tuesday, 12 April 2016, 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 Friday, 8 April 2016.

Furthermore, for the purpose of ascertaining Shareholders' right to attend and vote at the forthcoming Annual General Meeting to be held on 16 May 2016 ("AGM"), the Register of Members of the Company will be closed from Friday, 13 May 2016 to Monday, 16 May 2016, 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 Thursday, 12 May 2016.

By Order of the Board

**Wilson W. S. Chan**

*Company Secretary*

Hong Kong, 10 March 2016

*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.*