

# REPORT OF THE DIRECTORS

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The Directors have pleasure in submitting their Report and the Audited Financial Statements for the financial year ended 31 December 2016.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on pages 135 to 139.

## BUSINESS REVIEW

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

- Chairman's Statement (pages 3 to 5)
- Business Review (pages 8 to 15)
- Financial Highlights (pages 6 to 7) and Financial Review (pages 16 to 23)
- Principal Risks and Uncertainties (pages 54 to 55)

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

In addition, the Group's policies and performance in the area of environmental, social and governance are discussed in section (K) "Environment, Social and Governance" on pages 55 to 56.

## RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the financial year ended 31 December 2016 are set out in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income on pages 65 to 66.

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

## DIVIDENDS

A first interim dividend of 45.0 cents per share was paid in September 2016. In lieu of a final dividend, a 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.

# REPORT OF THE DIRECTORS (CONTINUED)

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## SHARE CAPITAL

During the financial year, as a result of exercises of share options previously granted under the Company's share option scheme, a total of 2,850,000 ordinary shares of the Company, credited as fully paid, were allotted and issued for a total consideration of HK\$108,873,000.

Details of movements in share capital of the Company during the financial year are set out in Note 24 to the Financial Statements on pages 108 to 109.

## DONATIONS

The Group made donations during the financial year totalling HK\$43 million.

## DIRECTORS

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

Mr Douglas C K Woo, Mr Ricky K Y Wong, Mr Tak Hay Chau, Mr Kenneth W S Ting and Mr Glenn S Yee are due to retire by rotation from the Board at the forthcoming Annual General Meeting in accordance with Article 106A of the Company's Articles of Association. Being eligible, they offer themselves for re-election. None of the retiring Directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

A list of names of all persons who serve/served as directors of the Company's subsidiaries during the financial year and/or during the period from the end of the financial year to the date of this report is set out in section (L) "Directors of Subsidiaries" on page 57.

## INDEMNITY TO DIRECTORS

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

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

## INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

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

## MANAGEMENT CONTRACTS

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

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## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

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

During the financial year, a total of 2,850,000 ordinary shares of the Company were allotted and issued to three Directors of the Company, namely, Mr Stewart C K Leung, Mr Paul Y C Tsui and Mr Ricky K Y Wong, and a total of 300,000 ordinary shares of Wharf were allotted and issued to Mr Paul Y C Tsui, on their exercises of options respectively under the Company’s and/or Wharf’s share option schemes. Further information of the share option schemes of the Company and Wharf is set out on pages 48 to 51.

## PURCHASE, SALE OR REDEMPTION OF SHARES

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

## AUDITORS

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

By Order of the Board  
**Wilson W S Chan**  
*Secretary*

Hong Kong, 10 March 2017

# REPORT OF THE DIRECTORS (CONTINUED)

## SUPPLEMENTARY CORPORATE INFORMATION

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

#### (i) Directors

**Douglas C K WOO**, *JP, Chairman & Managing Director (Age: 38)*

Mr Woo has been Chairman of the Company since 2014 and a Director and Managing Director since 2013. He is chairman and member of the Nomination Committee and a member of the Remuneration Committee. He is also vice chairman and managing director of Wheelock Properties Limited (“WPL”) and a director of certain other subsidiaries of the Company.

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

Mr Woo holds a Bachelor degree in Architecture from Princeton University in USA and a Master of Business Administration degree (EMBA Program) from The HKUST Business School and The Kellogg School of Management of Northwestern University. He was awarded an Honorary Doctor of Humane Letters degree by Savannah College of Art and Design (Hong Kong). Under the existing service contract between the Group and Mr Woo, his basic salary and various allowances for the year 2017, calculated on an annualised basis, would be approximately HK\$6.22 million (2016: HK\$6.04 million) per annum.

**Stephen T H NG**, *Deputy Chairman (Age: 64)*

Mr Ng has been a Director of the Company since 1988 and became Deputy Chairman in 1995. He is chairman and managing director of The Wharf (Holdings) Limited (“Wharf”), the major publicly listed subsidiary of the Company. Among various other subsidiaries of the Company of which he serves as a director, Mr Ng is chairman of three publicly listed subsidiaries of the Company, namely, Harbour Centre Development Limited (“HCDL”), i-CABLE Communications Limited (“i-CABLE”) and Wheelock Properties (Singapore) Limited (“WPSL”). Furthermore, he is non-executive chairman of publicly listed Joyce Boutique Holdings Limited (“JBHL”), and a non-executive director of Hotel Properties Limited (a publicly listed associate of the Company). He formerly served as a non-executive director of Greentown China Holdings Limited (“Greentown”) (a company publicly listed in Hong Kong) until his resignation effective 27 March 2015.

Mr Ng was born in Hong Kong in 1952 and grew up in Hong Kong. He attended Ripon College in Ripon, Wisconsin, USA and the University of Bonn, Germany, from 1971 to 1975, and graduated with a major in mathematics. He is chairman of the HK General Chamber of Commerce (“HKGCC”), council members of the Employers’ Federation of Hong Kong (“EFHK”) and the Hong Kong Trade Development Council. Under the existing service contract between the Group and Mr Ng, his basic salary and various allowances for the year 2017, calculated on an annualised basis, would be approximately HK\$8.06 million (2016: HK\$7.83 million) per annum.

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**Stewart C K LEUNG**, *Vice Chairman (Age: 78)*

Mr Leung has been Vice Chairman of the Company since 2012. He is currently the chairman of WPL and Wheelock Properties (Hong Kong) Limited (“WPHK”), both being wholly-owned subsidiaries of the Company. Mr Leung has extensive experience in property development, construction, management and related businesses in Hong Kong. He was formerly a director of two publicly listed companies, namely, New World Development Company Limited and New World China Land Limited. He is currently the chairman of the Executive Committee of REDA. Under the existing service contract between the Group and Mr Leung, his basic salary and various allowances for the year 2017, calculated on an annualised basis, would be approximately HK\$5.47 million (2016: HK\$5.46 million) per annum.

**Paul Y C TSUI**, *Executive Director & Group Chief Financial Officer (Age: 70)*

Mr Tsui, *FCCA, FCPA, FCMA, CGMA, CPA, CGA*, has been a Director of the Company since 1998. He became Executive Director of the Company in 2003 and is currently also the Group Chief Financial Officer. He is a vice chairman and the group chief financial officer of Wharf; a director of i-CABLE; as well as a vice chairman of WPL and a director of certain other subsidiaries of the Company. Mr Tsui is also a director of JBHL. He formerly served as a director of HCDL and WPSL until his resignations in August 2015; and also a non-executive director of Greentown until his resignation in July 2015. Mr Tsui is currently a general committee member of EFHK and chairman of the Federation’s Property and Construction functional group. Under the existing service contract between the Group and Mr Tsui, his basic salary and various allowances for the year 2017, calculated on an annualised basis, would be approximately HK\$5.25 million (2016: HK\$5.09 million) per annum.

**Ricky K Y WONG**, *Director (Age: 52)*

Mr Wong has been a Director of the Company since 2010. He joined the Group in 1989 and is currently the managing director of WPL and WPHK, as well as a director of certain other subsidiaries of the Company. He is presently responsible for overseeing the property development and related business of the Group in Hong Kong. Mr Wong also serves as a vice-chairman of general committee of EFHK and a member of the Legal Sub-committee of REDA. He is also a director of Hong Kong Green Building Council, a fellow member of Royal Institution of Chartered Surveyors, and a board member of Estate Agents Authority.

In February 2016, he was re-appointed as an associate member of Hong Kong Special Administrative Region (“HKSAR”) – Central Policy Unit, after having served as an associate member for three years from 2013 to 2016 and as a part-time member for the years 2009 and 2010. Mr Wong has also served as a co-opted member of the Hong Kong Diploma of Secondary Education Examination (HKDSE) – Applied Learning Subject Committee of the Hong Kong Examinations and Assessment Authority from September 2015 to August 2018. Mr Wong graduated from University of Wisconsin in the US with a Master Degree in Business Administration. Under the existing service contract between the Group and Mr Wong, his basic salary and various allowances for the year 2017, calculated on an annualised basis, would be approximately HK\$4.55 million (2016: HK\$4.41 million) per annum.

**Tak Hay CHAU**, *GBS, Director (Age: 74)*

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

## REPORT OF THE DIRECTORS (CONTINUED)

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**Mignonne CHENG**, *Director (Age: 70)*

Mrs Cheng has been a Non-executive Director of the Company since 2012. Mrs Cheng, a seasoned banker, has amassed over 35 years of experience in the financial sector with over 25 years in senior management positions in corporate and commercial banking as well as investment banking. She joined BNP Paribas in 1990 and has held various senior positions in BNP Paribas group in the past 26 years. Mrs Cheng is currently the chairman and chief executive officer of BNP Paribas Wealth Management for Asia Pacific and a member of the executive committee of BNP Paribas Wealth Management, since the appointment in 2010.

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

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

**Winston K W LEONG**, *Director (Age: 57)*

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

**Alan H SMITH**, *JP, Director (Age: 73)*

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

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

Mr Smith was a director of Crown International Corporation Limited (formerly known as VXL Capital Limited) and Noble Group Limited, which are listed on Hong Kong Stock Exchange and Singapore Exchange Securities Trading Limited respectively, until he resigned from the office respectively on 27 May 2014 and 14 April 2016. He was also a director of American Indochina Resorts Limited, a private company incorporated in the British Virgin Islands which owned Nam Hai Resort in Danang, Vietnam, until his resignation on 16 May 2016.

**Richard Y S TANG**, SBS, JP, Director (Age: 64)

Mr Tang, BSc, MBA, has been an INED of the Company since 2012. He is an MBA graduate from the University of Santa Clara, California, USA and a holder of Bachelor of Science degree in Business Administration from Menlo College, California, USA. Mr Tang is currently the chairman and managing director of Richcom Company Limited, the vice chairman of publicly listed King Fook Holdings Limited, an executive director of publicly listed Miramar Hotel and Investment Company, Limited, an INED of publicly listed Hang Seng Bank Limited, and a director of various private business enterprises. Furthermore, Mr Tang is an advisor of Tang Shiu Kin and Ho Tim Charitable Fund.

**Kenneth W S TING**, SBS, JP, Director (Age: 74)

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

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

**Nancy S L TSE**, JP, Director (Age: 64)

Ms Tse, FCPA (HKICPA), CPA, CA (Canada), has been an INED of the Company since 2013. She also serves as a member of the Company's Audit Committee. Ms Tse is currently an INED of Link Asset Management Limited (as manager of Link Real Estate Investment Trust and publicly listed in Hong Kong) and DBS Bank (Hong Kong) Limited, and was appointed as an INED of HSBC Provident Fund Trustee (Hong Kong) Limited on 29 July 2016. Ms Tse obtained her Bachelor of Arts (Honours) degree in Mathematics and Master of Business Administration degree in Finance/Accounting from the University of California, Los Angeles, United States; and qualified as Chartered Accountant in Toronto, Canada. She was the Chief Financial Officer and Director (Finance and Information Technology Services) of the Hong Kong Hospital Authority ("HA") until her retirement at the end of August 2013. She joined the HA in 1991 when it was established. She is an Adjunct Professor of The Jockey Club School of Public Health and Primary Care of The Chinese University of Hong Kong. She also serves as a member of Audit Committee of The University of Hong Kong and sits on the boards and committees of a number of other charitable organisations and non-government organisations.

**Glenn S YEE**, Director (Age: 66)

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

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

# REPORT OF THE DIRECTORS (CONTINUED)

## (II) Senior Management

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

## (B) DIRECTORS' INTERESTS IN SECURITIES

### (I) Interests in Shares & Debt Securities

At 31 December 2016, Directors of the Company had the following interests, all being personal, beneficial and long position interests, in the shares and/or debt securities of the Company, of three subsidiaries of the Company, namely, Wharf, i-CABLE and Wheelock Finance Limited, and also of Greentown, which is regarded as an associated corporation of the Company, and the percentages which the relevant shares represented as compared to the total numbers of shares in issue of the relevant companies respectively are also set out below:

	<b>Quantity</b> (percentage, where applicable) <b>held</b>
<b>The Company</b>	
Stephen T H Ng – Ordinary Shares	300,000 (0.0147%)
Ricky K Y Wong – Ordinary Shares	350,000 (0.0172%)
<b>Wharf</b>	
Stephen T H Ng – Ordinary Shares	4,445 (0.0001%)
Kenneth W S Ting – Ordinary Shares	659,024 (0.0217%)
<b>i-CABLE</b>	
Stephen T H Ng – Ordinary Shares	1,265,005 (0.0629%)
<b>Wheelock Finance Limited</b>	
Ricky K Y Wong – HKD Guaranteed Notes due 2017	HK\$5,000,000
Ricky K Y Wong – USD Guaranteed Notes due 2018	US\$1,300,000
Ricky K Y Wong – HKD Guaranteed Notes due 2022	HK\$5,000,000
<b>Greentown China Holdings Limited</b>	
Stewart C K Leung – USD Bond due 2018	US\$500,000
Ricky K Y Wong – USD Fixed Rate Notes due 2020	US\$600,000

Note: The interests in shares disclosed above do not include interests in share options of the Company and/or its subsidiary(ies) held by Directors of the Company as at 31 December 2016. Details of such interests in share options are separately set out below under subsection (B)(II) "Interests in Share Options of the Company" and subsection (B)(III) "Interests in Share Options of Wharf".

## (II) Interests in Share Options of the Company

Set out below are particulars of all interests (all being personal interests) in options held during the financial year ended 31 December 2016 by Directors (and/or their respective associate(s)) of the Company to subscribe for ordinary shares of the Company (“the Company’s share(s)” or “Wheelock’s share(s)”) granted/exercisable under the share option scheme of the Company:

Name of Director	Total No. of Wheelock’s shares under option held as at 31 December 2016 (percentage based on all issued shares)	Date of grant (Day/Month/Year)	No. of Wheelock’s shares under option				Subscription price per share (HK\$)
			As at 1 January 2016	Granted during the year	Exercised during the year	As at 31 December 2016	
Douglas C K Woo (Note c)	8,000,000 (0.39%)	14/06/2013	3,000,000	N/A	—	3,000,000	39.98
		07/07/2016	N/A	5,000,000	—	5,000,000	36.60
Stewart C K Leung	4,800,000 (0.24%)	14/06/2013	3,000,000	N/A	(600,000) (Note d)	2,400,000	39.98
		07/07/2016	N/A	3,000,000	(600,000) (Note d)	2,400,000	36.60
Paul Y C Tsui	2,700,000 (0.13%)	14/06/2013	1,500,000	N/A	—	1,500,000	39.98
		07/07/2016	N/A	1,500,000	(300,000) (Note e)	1,200,000	36.60
Ricky K Y Wong	4,650,000 (0.23%)	14/06/2013	3,000,000	N/A	(750,000) (Note f)	2,250,000	39.98
		07/07/2016	N/A	3,000,000	(600,000) (Note f)	2,400,000	36.60

Notes:

- (a) The share options granted by the Company on 14 June 2013 (exercisable from 15 June 2013 to 14 June 2018) outstanding as at both 1 January 2016 and 31 December 2016 as stated above were/are vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant options, i.e. exercisable to the extent of one-fifth of the relevant total number of Wheelock’s shares, and with the 1st, 2nd, 3rd, 4th and 5th tranches becoming exercisable from 15th June in 2013, 2014, 2015, 2016 and 2017 respectively, subject to the following exceptions:
- (i) The relevant outstanding share options held by Mr Stewart C K Leung as at 31 December 2016 were/are vested in four tranches, exercisable within a period of 4 years, with each tranche covering one-fourth of the relevant Wheelock’s share options, i.e. exercisable to the extent of the one-fourth of the relevant total number of Wheelock’s shares, and with the 1st, 2nd, 3rd and 4th tranches becoming exercisable from 15th June in 2014, 2015, 2016 and 2017 respectively.
- (ii) The relevant outstanding share options held by Mr Ricky K Y Wong as at 31 December 2016 were/are vested in four tranches, exercisable within a period of 4 years, with the 1st tranche (covering options for 450,000 Wheelock’s shares) becoming exercisable from 15 June 2014, and the remaining three tranches each covering options for 600,000 Wheelock’s shares and with the 2nd, 3rd and 4th tranches becoming exercisable from 15th June in 2015, 2016 and 2017 respectively.

## REPORT OF THE DIRECTORS (CONTINUED)

- (b) The share options granted by the Company on 7 July 2016 (exercisable from 8 July 2016 to 7 July 2021) outstanding as at both the date of grant and 31 December 2016 as stated above were/will be vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant options, i.e. exercisable to the extent of one-fifth of the relevant total number of Wheelock's shares, and with the 1st, 2nd, 3rd, 4th and 5th tranches becoming exercisable from 8th July in 2016, 2017, 2018, 2019 and 2020 respectively, with the exception that the relevant outstanding share options held by each of Mr Stewart C K Leung, Mr Paul Y C Tsui and Mr Ricky K Y Wong as at 31 December 2016 were/are vested in four tranches, exercisable within a period of 4 years, with each tranche covering one-fourth of the relevant Wheelock's share options, i.e. exercisable to the extent of the one-fourth of the relevant total number of Wheelock's shares, and with the 1st, 2nd, 3rd and 4th tranches becoming exercisable from 8th July in 2017, 2018, 2019 and 2020 respectively.
- (c) As at both 1 January 2016 and 31 December 2016, an associate of Mr Douglas C K Woo, namely, Mr Peter K C Woo, who is the father of Mr Douglas C K Woo, held certain options for Wheelock's shares, particulars of which are set out below under section (C) "Substantial Shareholders' Interests". The share options so held by Mr Peter K C Woo are not included in the options held by Mr Douglas C K Woo as stated above.
- (d) The weighted average closing price of Wheelock's shares immediately before the date(s) of exercise(s) of options by Mr Stewart C K Leung during the year was HK\$45.70 per share.
- (e) The closing price of Wheelock's shares immediately before the date(s) of exercise(s) of options (all exercised on the same day) by Mr Paul Y C Tsui during the year was HK\$44.80 per share.
- (f) The weighted average closing price of Wheelock's shares immediately before the date(s) of exercise(s) of options by Mr Ricky K Y Wong during the year was HK\$45.83 per share.

### (III) Interests in Share Options of Wharf

There was in existence during the financial year a share option scheme of Wharf (the "Wharf's Scheme"). Set out below are particulars of all interests (all being personal interests) in options held during the financial year ended 31 December 2016 by Directors (and/or their respective associate(s)) of the Company to subscribe for ordinary shares of Wharf granted/exercisable under the Wharf's Scheme:

Name of Director	Total No. of Wharf's shares under option held as at 31 December 2016 (percentage based on all issued shares)	Date of grant (Day/Month/Year)	No. of Wharf's shares under option				Subscription price per share (HK\$)	
			As at 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year		As at 31 December 2016
Douglas C K Woo (Note 4)	Nil	04/07/2011	800,000	N/A	—	(800,000)	Nil	55.15
Stephen T H Ng	7,000,000 (0.23%)	04/07/2011	1,500,000	N/A	—	(1,500,000)	Nil	55.15
		05/06/2013	2,000,000	N/A	—	—	2,000,000	70.20
		07/07/2016	—	5,000,000	—	—	5,000,000	46.90
Paul Y C Tsui	2,200,000 (0.07%)	04/07/2011	1,200,000	N/A	—	(1,200,000)	Nil	55.15
		05/06/2013	1,000,000	N/A	—	—	1,000,000	70.20
		07/07/2016	—	1,500,000	(300,000) (Note 5)	—	1,200,000	46.90
Ricky K Y Wong	Nil	04/07/2011	800,000	N/A	—	(800,000)	Nil	55.15

Notes:

- (1) The Wharf's share options granted on 4 July 2011 (exercisable from 5 July 2011 to 4 July 2016) outstanding as at both 1 January 2016 and 4 July 2016 (the date on which the relevant options lapsed) as stated above were vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant Wharf's share options, i.e. exercisable to the extent of one-fifth of the relevant total number of Wharf's shares, and with the 1st, 2nd, 3rd, 4th and 5th tranches becoming exercisable from 5th July in 2011, 2012, 2013, 2014 and 2015 respectively, subject to one exception. Such an exception is that regarding the relevant options lapsed on 4 July 2016 held by Mr Paul Y C Tsui, the options were vested in four tranches within a period of 4 years, with each tranche covering one-fourth of the relevant Wharf's share options, i.e. exercisable to the extent of one-fourth of the relevant total number of Wharf's shares, and with the 1st, 2nd, 3rd and 4th tranches becoming exercisable from 5th July in 2012, 2013, 2014 and 2015 respectively.
- (2) The Wharf's share options granted on 5 June 2013 (exercisable from 6 June 2013 to 5 June 2018) outstanding as at both 1 January 2016 and 31 December 2016 as stated above were/will be vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant Wharf's share options, i.e. exercisable to the extent of one-fifth of the relevant total number of Wharf's shares, and with the 1st, 2nd, 3rd, 4th and 5th tranches becoming exercisable from 6th June in 2013, 2014, 2015, 2016 and 2017 respectively.
- (3) The Wharf's share options granted on 7 July 2016 (exercisable from 8 July 2016 to 7 July 2021) outstanding as at both the date of grant and 31 December 2016 as stated above were/will be vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant Wharf's share options, i.e. exercisable to the extent of one-fifth of the relevant total number of Wharf's shares, and with the 1st, 2nd, 3rd, 4th and 5th tranches becoming exercisable from 8th July in 2016, 2017, 2018, 2019 and 2020 respectively, subject to one exception. Such an exception is that regarding the relevant options outstanding as at 31 December 2016 held by Mr Paul Y C Tsui, the options will be vested in four tranches within a period of 4 years, with each tranche covering one-fourth of the relevant Wharf's share options, i.e. exercisable to the extent of the one-fourth of the relevant total number of Wharf's shares, and with the 1st, 2nd, 3rd and 4th tranches becoming exercisable from 8th July in 2017, 2018, 2019 and 2020 respectively.
- (4) As at both 1 January 2016 and 31 December 2016, an associate of Mr Douglas C K Woo, namely, Mr Peter K C Woo, who is the father of Mr Douglas C K Woo, held certain options for Wharf's shares, particulars of which are set out below under section (C) "Substantial Shareholders' Interests". The share options so held by Mr Peter K C Woo are not included in the options held by Mr Douglas C K Woo as stated above.
- (5) The closing price of Wharf's shares immediately before the date(s) of exercise(s) of the options (all exercised on the same day) by Mr Paul Y C Tsui during the year was HK\$55.65 per share.

Except as disclosed above:

- (1) no share option of the Company and/or Wharf held by Directors of the Company and/or their associate(s) (including Mr Peter K C Woo who, being an associate of Mr Douglas C K Woo, is also a substantial shareholder of the Company) lapsed or was exercised or cancelled during the financial year and no share option of the Company and/or Wharf was granted to any Director of the Company and/or any of their associate(s) during the financial year; and
- (2) as recorded in the register kept by the Company under section 352 of the Securities and Futures Ordinance ("SFO") in respect of information required to be notified to the Company and the Stock Exchange by the Directors and/or Chief Executive of the Company pursuant to the SFO or to the Listing Rules, there were no interests, both long and short positions, held as at 31 December 2016 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), nor had there been any rights to subscribe for any shares, underlying shares or debentures of the Company and its associated corporations held by any of them as at 31 December 2016.

# REPORT OF THE DIRECTORS (CONTINUED)

## (C) SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties who/which were, directly or indirectly, interested in 5% or more of any class of voting shares of the Company as at 31 December 2016 and the respective relevant numbers of shares (percentages based on all issued shares) in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the "Register"):

Names	Number (percentage) of Ordinary Shares
(i) Mr Peter K C Woo (Notes 1 & 4)	241,979,652 (11.89%)
(ii) Mrs Bessie P Y Woo (Notes 1 & 4)	241,979,652 (11.89%)
(iii) HSBC Trustee (C.I.) Limited	995,221,678 (48.91%)

Notes:

- (1) The interests of party (i) (who is regarded as an associate of party (ii) and vice versa) and party (ii) stated above do not include the personal interests held by party (i) in certain share options of the Company, particulars of which are given in Note (3) below.
- (2) Duplication occurred in respect of the shareholdings stated against parties (i) and (ii) above to the extent that they represented the same block of shares.
- (3) As at both 1 January 2016 and 31 December 2016, party (i) stated above held options granted by the Company on 14 June 2013 covering 2,000,000 shares (0.098% based on all issued shares) of the Company, and options granted by Wharf on 4 July 2011 (relevant options lapsed on 4 July 2016) and 5 June 2013 covering 1,500,000 and 2,000,000 Wharf's shares respectively, with the subscription prices and vesting/exercise periods thereof being the same as those which are applicable to share options of the Company and of Wharf granted on the respective dates to Mr Stephen T H Ng as stated above in subsections (II) and (III) of section (B) "Directors' Interests in Securities".
- (4) For the purpose of disclosure of interests in share options of the Company and of Wharf under the Listing Rules, Mr Douglas C K Woo is regarded as an associate of each of party (i) and party (ii). Particulars of Mr Douglas C K Woo's relevant share option interests (not included in the interests held by party (i) and party (ii) mentioned above) are set out above under subsections (II) and (III) in section (B) "Directors' Interests in Securities".

All the interests stated above represented long positions and as at 31 December 2016, there were no short position interests recorded in the Register.

## (D) SHARE OPTION SCHEMES

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

- (a) Purpose of the Company's Scheme:  
To provide directors and/or employees with the opportunity of acquiring an equity interest in the Company, to continue to provide them with the motivation and incentive to give their best contribution towards the Group's continued growth and success.
- (b) Eligibility:  
Eligible participants include any person(s) who is/are full-time and/or part-time employee(s) and/or Director(s) of the Company, any of its subsidiary(ies), and/or any of its associate(s). "Associates" include joint venture(s) and subsidiary(ies) of associates and of joint ventures.

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- (c) (i) Total number of Wheelock's shares available for issue under the Company's Scheme as at the date of this annual report:  
200,034,928
- (ii) Percentage which the 200,034,928 ordinary shares represent to the total number of Wheelock's shares in issue as at the date of this annual report:  
9.83%
- (d) Maximum entitlement of each eligible participant under the Company's Scheme:  
Not to exceed 1% of all Wheelock's shares in issue in any 12-month period unless approved by Shareholders of the Company
- (e) Period within which Wheelock's shares must be taken up under an option:  
Within 10 years from the date on which the option is offered or such shorter period as the Directors may determine
- (f) Minimum period for which an option must be held before it can be exercised:  
No minimum period unless otherwise determined by the Board
- (g) (i) Price payable on application or acceptance of the option:  
HK\$10.00
- (ii) The period within which payments or calls must or may be made:  
28 days after the offer date of an option or such shorter period as the Directors may determine
- (iii) The period within which loans for the purposes of the payments or calls must be repaid:  
Not applicable
- (h) Basis of determining the subscription price:  
The subscription price shall be determined by the Directors at the time of offer but shall not be less than whichever is the highest of: –
- (i) the indicative price per share for subscription of Wheelock's shares under the option as specified in the written offer containing the offer of the grant of the option to an eligible participant;
- (ii) the closing price of Wheelock's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of an option, which must be a Stock Exchange trading day; and
- (iii) the average closing price of Wheelock's shares as stated in the Stock Exchange's daily quotation sheets for the five Stock Exchange trading days immediately preceding the date of grant of an option.
- (i) The remaining life of the Company's Scheme:  
Approximately 4 years (expiring on 8 June 2021)

## REPORT OF THE DIRECTORS (CONTINUED)

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

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

Date of grant (Date/Month/Year)	No. of Wheelock's shares under option				Vesting/Exercise Period (Day/Month/Year)	Price per share to be paid on exercise of options (HK\$)
	As at 1 January 2016	Granted during the year	Exercised during the year	As at 31 December 2016		
(i) 14/06/2013:	2,500,000	N/A	(1,200,000)	1,300,000	15/06/2013 – 14/06/2018	39.98
	2,500,000	N/A	(150,000)	2,350,000	15/06/2014 – 14/06/2018	39.98
	2,500,000	N/A	—	2,500,000	15/06/2015 – 14/06/2018	39.98
	2,500,000	N/A	—	2,500,000	15/06/2016 – 14/06/2018	39.98
	2,500,000	N/A	—	2,500,000	15/06/2017 – 14/06/2018	39.98
	12,500,000	N/A	(1,350,000)	11,150,000		
(ii) 07/07/2016:	N/A	2,500,000	(1,500,000)	1,000,000	08/07/2016 – 07/07/2021	36.60
	N/A	2,500,000	—	2,500,000	08/07/2017 – 07/07/2021	36.60
	N/A	2,500,000	—	2,500,000	08/07/2018 – 07/07/2021	36.60
	N/A	2,500,000	—	2,500,000	08/07/2019 – 07/07/2021	36.60
	N/A	2,500,000	—	2,500,000	08/07/2020 – 07/07/2021	36.60
		12,500,000	(1,500,000)	11,000,000		
<b>Total:</b>	<b>12,500,000</b>	<b>12,500,000</b>	<b>(2,850,000)</b>	<b>22,150,000</b>		

Notes:

- (1) The closing price of Wheelock's shares on the last trading day immediately before the grant of share options on 7 July 2016 was HK\$36.20 per share.
- (2) The weighted average closing price of Wheelock's shares immediately before the date(s) of exercise(s) of the options during the financial year as abovementioned was HK\$45.67 per share.
- (3) Except as disclosed above, no share option of the Company lapsed or was granted, exercised or cancelled during the financial year.

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

The terms, conditions, and relevant information of the Wharf's Scheme are, *mutatis mutandis*, identical to those of the Company's Scheme (as set out under “Section (D)(I)” above) in all material respects, except that for (i) and (ii) under “Section (D)(I)(c)” above, the relevant number/percentage for the Wharf's Scheme are 276,144,732 and 9.11% respectively.

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

Date of grant (Day/Month/Year)	No. of Wharf's shares under option					Vesting/Exercise Period (Day/Month/Year)	Price per share to be paid on exercise of options (HK\$)
	As at 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 December 2016		
(i) 04/07/2011:	1,540,000	N/A	—	(1,540,000)	Nil	05/07/2011 – 04/07/2016	55.15
	2,020,000	N/A	—	(2,020,000)	Nil	05/07/2012 – 04/07/2016	55.15
	2,020,000	N/A	—	(2,020,000)	Nil	05/07/2013 – 04/07/2016	55.15
	2,020,000	N/A	—	(2,020,000)	Nil	05/07/2014 – 04/07/2016	55.15
	2,020,000	N/A	—	(2,020,000)	Nil	05/07/2015 – 04/07/2016	55.15
	9,620,000	N/A	—	(9,620,000)	Nil		
(ii) 05/06/2013:	2,100,000	N/A	—	—	2,100,000	06/06/2013 – 05/06/2018	70.20
	2,100,000	N/A	—	—	2,100,000	06/06/2014 – 05/06/2018	70.20
	2,100,000	N/A	—	—	2,100,000	06/06/2015 – 05/06/2018	70.20
	2,100,000	N/A	—	—	2,100,000	06/06/2016 – 05/06/2018	70.20
	2,100,000	N/A	—	—	2,100,000	06/06/2017 – 05/06/2018	70.20
	10,500,000	N/A	—	—	10,500,000		
(iii) 07/07/2016:	N/A	2,900,000	(1,100,000)	—	1,800,000	08/07/2016 – 07/07/2021	46.90
	N/A	2,900,000	—	—	2,900,000	08/07/2017 – 07/07/2021	46.90
	N/A	2,900,000	—	—	2,900,000	08/07/2018 – 07/07/2021	46.90
	N/A	2,900,000	—	—	2,900,000	08/07/2019 – 07/07/2021	46.90
	N/A	2,900,000	—	—	2,900,000	08/07/2020 – 07/07/2021	46.90
	N/A	14,500,000	—	—	13,400,000		
<b>Total:</b>	<b>20,120,000</b>	<b>14,500,000</b>	<b>(1,100,000)</b>	<b>(9,620,000)</b>	<b>23,900,000</b>		

Notes:

- (1) The closing price of Wharf's shares on the last trading day immediately before the grant of share options on 7 July 2016 was HK\$46.60 per share.
- (2) The weighted average closing price of Wharf's shares immediately before the date(s) of exercise(s) of the options during the financial year as abovementioned was HK\$56.14 per share.
- (3) The lapse of share options during the financial year covering a total of 9,620,000 Wharf's shares as stated above was in accordance with the terms of Wharf's Scheme.
- (4) Except as disclosed above, no share option of Wharf lapsed or was granted, exercised or cancelled during the financial year.

## (E) RETIREMENT BENEFITS SCHEMES

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

## REPORT OF THE DIRECTORS (CONTINUED)

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

### **(F) MAJOR CUSTOMERS & SUPPLIERS**

For the financial year ended 31 December 2016:

- (a) the aggregate amount of purchases (not including the purchases of items which are of a capital nature) attributable to the Group's five largest suppliers represented 34% of the Group's total purchases;
- (b) the largest supplier accounted for 20% of the Group's total purchases;
- (c) none of the Directors of the Company or their associates holds, nor does any Shareholder owning (to the knowledge of the Directors) more than 5% of the Company's equity capital hold, any interests in any of the Group's five largest suppliers; and
- (d) the aggregate amount of revenue attributable to the Group's five largest customers represented less than 30% of the Group's total revenue.

### **(G) BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS**

Particulars of any and all bank loans, overdrafts and/or other borrowings of the Company and of the Group as at 31 December 2016 which were repayable on demand or within a period not exceeding one year or after one year are set out in Note 20 to the Financial Statements on pages 96 to 97.

### **(H) PUBLIC FLOAT**

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules throughout the financial year ended 31 December 2016.

### **(I) DISCLOSURE OF CONNECTED TRANSACTIONS**

Set out below is information in relation to certain connected transactions involving the Company and/or its subsidiaries, particulars of which were previously disclosed in the announcements made by the Company dated 26 September 2014 and 14 March 2016 respectively, and are required under the Listing Rules to be disclosed in the Annual Report and Financial Statements of the Company:

#### **(i) Master Tenancy Agreement between Wharf and WGL**

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

On 26 September 2014, Wharf entered into a master tenancy agreement (the “MTA”) with WGL for a term of three years from 1 January 2015 to 31 December 2017. The MTA is for the purpose of, *inter alia*, regulating various continuing connected transactions in respect of the leasing of premises owned by members of Wharf group to the Eligible Tenants and the fixing of the aggregate annual cap amount of rentals in relation thereto during the said three-year term.

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

The annual aggregate amount of rental under the MTA, which is subject to the relevant aggregate annual cap amount previously disclosed in the abovementioned announcement dated 26 September 2014, received by Wharf group from WGL group for the financial year ended 31 December 2016 amounted to HK\$942 million.

## (II) Acquisition of Unit C, Ground Floor, Wheelock House by Wharf

On 14 March 2016, City State Ventures Limited, which is a wholly-owned subsidiary of Wharf, entered into a sale and purchase agreement with Champion Honest International Limited (“CHIL”) to acquire the entire issued share capital and shareholder’s loan in Estcourt International Limited whose principal asset (held through its wholly-owned subsidiary) is the commercial premises known as Unit C located at Ground Floor of Wheelock House, for a consideration of approximately HK\$1,141 million. The consideration was payable in cash, fully paid on completion (which took place on 31 March 2016) as mentioned in the announcement dated 14 March 2016. The acquisition offered Wharf a rare opportunity to acquire a prime and very visible Central property at a reasonable yield to expand Wharf’s portfolio of investment properties in Hong Kong. CHIL was effectively owned and controlled by Mr Peter K C Woo and his spouse. As Mr Peter K C Woo is a substantial shareholder of the Company, the entering into of the transaction constituted a connected transaction for the Company under the Listing Rules.

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

## (IV) Confirmation from Directors etc.

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

- (a) by the Group in the ordinary and usual course of its business;
- (b) on normal commercial terms or better; and
- (c) according to the agreements governing such MTA Transactions on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

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

## REPORT OF THE DIRECTORS (CONTINUED)

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

- (1) the MTA Transactions had not been approved by the Company's Board of Directors;
- (2) the MTA Transactions were not, in all material respects, entered into in accordance with the terms of the related agreements governing the MTA Transactions;
- (3) the relevant cap amounts, where applicable, have been exceeded during the financial year ended 31 December 2016; and
- (4) in the event that there would be any transactions involving the provision of goods and services by the Group, the transactions were not, in any material respects, in accordance with the pricing policies of the Group.

### **(J) PRINCIPAL RISKS AND UNCERTAINTIES**

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

#### **Risks pertaining to Development Properties ("DP")**

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

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

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

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

#### **Risks pertaining to Investment Properties ("IP")**

IP segment is another core business of the Group accounting for over 63% of the Group's total assets. With the majority of the properties locating in Hong Kong and Mainland China, the general economic climate, regulatory changes, government policies and the political conditions in both Hong Kong and Mainland China may have a significant impact on the Group's overall financial results and positions.

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

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

### Non property related businesses

The Group operates container terminals both in Hong Kong and Mainland China. The low global trade growth environment is likely to continue through 2017, impacting volume growth and putting pressure on shipping lines to economise and rationalise their networks further.

The Group operates 14 hotels in the Asia Pacific region, six of which are owned by the Group. Hotel performance is usually subject to a high degree of fluctuations caused by both predictable and unpredictable factors including seasonality, social stability, epidemic diseases and changes in economic conditions.

The Group's CME segment is faced with fast changing user behavior enabled by new technologies in a crowded market.

### Legal and Regulatory Compliance risks

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

### Financial risks

The Group is exposed to financial risks related to interest rate, foreign currency, equity price and credit in the normal course of the business. For further details of such risks and relevant management policies, please refer to Note 23 to the Financial Statements on pages 103 to 108.

## **(K) ENVIRONMENT, SOCIAL AND GOVERNANCE**

Wheelock strives to contribute to sustainable development and create positive impact in society. Under the banner of "Business-in-Community", our Corporate Social Responsibility ("CSR") efforts aim to bring lasting value to our people, environment and community.

The Group's full CSR report will be published in July 2017 on the Company's corporate website ([www.wheelockcompany.com](http://www.wheelockcompany.com)). The report will be prepared in accordance with the Environmental, Social and Governance Reporting Guide issued by the Stock Exchange, and with Global Reporting Initiative G4 reporting framework and will be independently audited.

# REPORT OF THE DIRECTORS (CONTINUED)

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## Environment

Wheelock is committed to optimising the use of natural resources and minimising the impact our operations have on the environment. We consider sustainability in all stages of project development, from inception, planning, design, procurement, construction and occupation to demolition or conversion. At a minimum, all of our construction projects follow the BEAM Plus green building guidelines. We track and analyse environmental metrics from all of our construction sites. We strive to surpass regulatory compliance and adopt international standards in minimising and effectively managing energy, water, materials consumption as well as controlling emissions and waste.

## People

Wheelock is an equal opportunity employer. We recruit candidates based on their ability and eligibility for the job. The Group has put in place policies and procedures which set labour and employment practice standards and requirements including, but not limited to, anti-corruption, anti-discrimination, human rights, talent recruitment and promotion, decent workplace, grievance mechanism and employee wellbeing. We are constantly investing in building capacity of our workforce through talent development and training, to deliver exemplary service to our customers.

## Health and Safety

Wheelock places great emphasis on health and safety for our staff and customers. Across our business units, corresponding task groups or departments are in place to monitor potential health and safety risks and to implement improvement plans where appropriate. We conduct relevant training on a timely basis for our employees and subcontracted workers, in particular on our construction sites to manage the risk of accidents.

## Products and Services

Given our diverse operations and customer base, the Group is dedicated to providing quality products and services to our customers. Regular product and service assessment and customer engagement are in place to ensure they comply with local laws and industry regulations and to fulfil customers' expectations. We manage and protect all collected customer data in compliance with the Personal Data (Privacy) Ordinance.

## Supplier Management

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

## Stakeholder Engagement

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

## (L) DIRECTORS OF SUBSIDIARIES

The names of all persons who, during the financial year and/or during the period from the end of the financial year to 10 March 2017 (the date of the Report of the Directors of the Company), serve/served as directors of subsidiary(ies) of the Company are set out below:

<u>Name</u>	<u>Name</u>	<u>Name</u>
Admirable Corporation	LAM Man Shing	TAN Bee Kim
Andrea Limited	LAM Yuk Lau*	TAN Zing Yan
CHAK Hoi Kit Jacques	LEE Ho Ming	TANG See King
CHAN Doi Lei Dorothy	LEE Wai Chung	TANG Sing Ming Sherman
CHAN Kai Cheuk	LEE Yuk Fong Doreen	TO King Yan Adam
CHAN King Chuen Lourice	LENG Yen Thean	TSANG Chin Cheung Samuel
CHAN Kwok Pong	LEUNG Chi Kin	TSANG Yiu Fat Peter
CHAN Sik Wah	LEUNG Kam Cheung*	TSO Hok Chiu Vivian
CHAN Wai Leung	LEUNG Kwan Yuen Andrew	TSOI Kwong Ki*
CHAN Wing Sang Wilson	LEUNG Ping Chiu	TSUI Yiu Cheung Paul
CHAN Wing Yee Almira	LEUNG Yan Yee Hester	WEI Qing Shan
CHAVALIT Uttasart	LEVESQUE Peter Jon	WILLIAMS Richard Gareth
CHEUNG Ka Lung Tom*	LI Jianhui*	WONG Che Kwong*
CHEUNG Kwai Nang	LI Jun	WONG Chi Kit*
CHEUNG Mark Quintin	LI Lei	WONG Kwong Yiu
CHIANG Sui Fook Lilian	LI Qingan	WONG Pui Chee Gigi
CHIU Ying Chun Ronald	LI Yongqian	WONG Wing Sing
CHOI Margaret	LI Yubin	WOO Chun Kuen Douglas
CHOW Ming Kuen Joseph	LIM Tik En David	WU Guan
CHOW On Kiu	LING Miu Ngan	WU Yung Wei Patrick
CHOW Siu Ngor	LO Wai Man	YE Zhong Xiao
de LACY STAUNTON Hugh Maurice Victor	LUK Koon Hoo Roger	YEUNG HO Ingrid Poi Yan
FU Chi Yuen Patrick*	MA Wai Shin Vincent*	YICK Chi Ming Frankie
FU Wai Hung	MAN Yuk Sim	YIM Kong
GUO Yong	MCCARTHY Colm Martin	YOUNG Ying Yuen Stephen
HAO Jian Min	MILLIKEN Andrew*	YU Ka Kai
HEBERT Dominic	MOK Wai Man*	YUNG Yung Cheng Frank
HENNIG Hans Helmuth	NG Tin Hoi Stephen	ZEMAN Allan
HO Lung Wei*	OON Hock Neo	ZERBE Jared Heath*
HU Shao Ming Herman	PAO Zen Kwok Peter	ZHANG Li
HUANG Xuan	POON Kwok Fai	ZHANG Lu
HUI Chung Ying Kevin	SEOW Fook Hin Greg	ZHANG Vicky Yuanyuan
HUNG Hing On	SIT Kien Ping Peter	ZHANG Yi
JENSEN Frank	SIU Man Ho Simon	ZUO Yong Quan
KELLY Sean Aloysius*	SIU Wing Koon	毛立鵬
KELLY Simon	SIU Yau Chung Joseph	王玲
KWAN Jut Ho	SUN Ligan	凌學風
KWOK Khien Kevin	SUN Qi*	陳小平
LAI Tse Ming Benjamin	SZE Tsai Ping Michael	郭志成
LAM Chun On*	TAM Wai Choi	陸美麗

\* ceased to be a director on or before 10 March 2017