WHARF

Established 1886

THE WHARF (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)
Stock Code: 4

2016 Final Results Announcement

Properties Growth Continues

HIGHLIGHTS

- Group core profit increased by 25% to HK$13.8 billion (2015: HK$11.0 billion).
    - Contribution from properties increased to 92% (2015: 88%).
    - Hong Kong properties exceeded HK$10 billion after a 35% increase over 2015.
    - Mainland properties increased by 16% on translation to HK dollars despite a weaker Renminbi.
- Investment Properties ("IP") recorded a 6% rise in core profit to approach HK$9 billion.
- Development Properties ("DP") reported record sales of HK$40 billion and record revenue of HK$37 billion, with core profit nearly tripling to approach HK$4 billion.
- Net cash inflow on and off balance sheet totaled HK$31 billion, after dividends but before financing activities and the acquisition of Wheelock House for HK$6.2 billion.
- A year-long strategic review led the Group to exit the Communications, Media & Entertainment segment. Wharf T&T was disposed for HK$9.5 billion. Current funding commitments to i-CABLE will not be extended upon expiry.
- A study has commenced to consider the pros and cons of listing some of the Group's IP assets under a separate entity by way of distribution in specie to Wharf shareholders.

GROUP RESULTS

Group core profit for the year increased by 25% to HK$13,754 million (2015: HK$10,969 million), equivalent HK$4.54 per share (2015: HK$3.62).

Group profit attributable to equity shareholders, including investment property revaluation surplus and other accounting gains/losses, increased by 34% to HK$21,440 million (2015: HK$16,024 million). Basic earnings per share were HK$7.07 (2015: HK$5.29).

DIVIDENDS

A first interim dividend of HK$0.58 per share was paid on 14 September 2016. In lieu of a final dividend, a second interim dividend of HK$1.57 per share will be paid on 25 April 2017 to Shareholders on record as at 30 March 2017. Total distribution for the year 2016 will amount to HK$2.15 (2015: HK$1.90) per share.

BUSINESS REVIEW

Core profit from properties increased by 31% to HK$12.7 billion (2015: HK$9.7 billion) and accounted for 92% (2015: 88%) of Group total. That from Hong Kong properties increased by 35% to HK$10.1 billion and that from Mainland properties by 16% to HK$2.6 billion notwithstanding the devaluation of Renminbi.

INVESTMENT PROPERTIES (excluding hotels)

IP contributed HK$8.8 billion of core profit, on the back of high occupancy and favourable rental reversion, for an increase of 6%.

HONG KONG

Proactive management and execution capabilities continued to underpin the solid performance of IP through constant asset enhancement and value-accretive initiatives. Total revenue increased by 6% to HK$12,939 million and operating profit by 7% to HK$11,288 million.

Harbour City

Performance remained solid notwithstanding a soft market. Overall revenue increased by 5% to HK$8,960 million and operating profit by 5% to HK$7,847 million.

Retail

Revenue increased by 4% to HK$6,207 million. Occupancy rate eased to 96% following *Page One*'s strategic exit from Hong Kong. Tenants' sales dropped by 9.9% to HK$27.7 billion, with noticeable improvements in the second half. Stabilizing retail sales enhanced rental visibility with positive and sustainable rental reversion. Foot traffic reported moderate growth.

Harbour City, anchor of the six-million-square-foot "Greater Harbour City" cluster of the golden square mile in Tsim Sha Tsui, remains one of the most coveted addresses and a global showcase for the world's best brands, as manifested in the consistently firm retailers' demand. Critical mass, comprehensive offering and unrivalled productivity put it in the best position to brace for market weakness.

New additions including *IRO, SkinCeuticals, Pearly Gates, Market Liberty, Brooks Brothers, Marella, Frey Wille, Sandro Men, Vilebrequin, CK Performance, Nespresso* and *Claudie Pierlot* freshen up the mall. Tenant mix has been further refined with a spate of Hong Kong or Kowloon debuts which include *Cha Ling, PortsPURE, Bora Aksu, Marcelo Burlon, Aromatherapy Associates, MO&Co., The History of Whoo, Whistles, Theory, Patrizia Pepe, Isabel Marant, Diptyque, Atelier Cologne* and *J. Crew*. An *Adidas* flagship was opened to ride the athleisure wave while *China Tang* made its Kowloon debut to bring compelling flavours to Harbour City.

Effective marketing initiatives secured shoppers flow. In July, the "We're All Smurfs!" exhibition became the first stop for an Asian Art Tour of the all-time favourite cartoon characters. In September, Hong Kong's largest-ever BE@RBRICK fashion-art group exhibition was held at Harbour City. The theme for Christmas was "Christmas Together", where over 150 "Snowie" in different designs joined the Party at the Ocean Terminal Forecourt. The Christmas ambience was also created inside the mall with the display of "modern Santa Claus" designed by Finnish illustrator Rami Niemi.

Incremental retail spaces will embody fresh new concepts in 2017. *The Cheesecake Factory*'s debut in Hong Kong is targeted for mid-2017 and holds great appeal for customers.

The new extension at Ocean Terminal is targeted for opening in the third quarter of 2017. With a stunning harbour view, it is set to captivate crowds with exciting culinary and retail offerings and to become a new icon in town with an overall enhancement effect to Harbour City.

Office
Positive rental reversion drove revenue up by 5% to HK$2,437 million despite the sizable new supply in non-core districts. Solid demand from strategic sectors helped to stabilise rents for new commitments. Occupancy rate was maintained at 97% at year end. Lease renewal retention rate was 69%.

Times Square
Revenue increased by 6% to HK$2,838 million and operating profit by 8% to HK$2,533 million.

Retail
Revenue increased by 6% to HK$2,137 million. Occupancy rate remained at 99%. Tenants' sales dropped by 11% to HK$8.1 billion but showed signs of stabilization in the second half with healthy foot traffic.

Times Square, among the most successful vertical malls globally, continues to receive robust demand for openings or expansion from celebrated retailers. The 17-level shopping landmark remained the core of a "Greater Times Square" cluster in Causeway Bay.

Value creation initiatives are essential in shaping the mall's success. Constant tenant mix refinement helped to accommodate evolving consumer preferences. The establishment of the "Kids Square" on 13A floor and the conversion of the 9th and part of the 10th floor into a lifestyle hub further uplift the one-stop lifestyle experience. Retail offerings were enhanced with the addition of established brands including *Dior, Givenchy, Stuart Weitzman, Sandro, Brooks Brothers, AMOREPACIFIC* (HK debut)*, Shiseido Beauty Centre, Cole Haan, Adidas Originals, Trussardi Jeans, Rockport, Porter International*, *K-style Lab* (HK debut store run by several Korean designers)*, Lacoste, Aldo, GERMAIN/ LANCASTER, Calzedonia, Smiggle, Caudalie, Tresor Rare, amika:, iDecorateshop.com, Liquid Gold, Sanrio Gift Gate, TSL* and *Oysho by Inditex* (debut on Island side).

A diverse collection of delectable dining options from across the globe were introduced to delight shoppers' palate. *Mad For Garlic*, a Korean chain offering garlic-specialized Italian cuisine and an exquisite selection of wines, made its debut in Hong Kong. Other interesting additions included *Joe & The Juice* from Denmark to appeal to health-conscious customers, Hong Kong's first *Selfie Café* dedicated to "selfie lovers", gelato dessert café *Petite House* and Spanish frozen yogurt brand *llaollao*.

Innovative marketing events and various cultural enrichment initiatives for the community were lined up. These included popular manga 'Saint Seiya' 30th anniversary exhibition, "The Times Square Snow Chamber" to celebrate the festive season and "Walking in the Art with Cheng Kok Kong" Exhibition, marking the 45th anniversary of Mr. Cheng becoming a lyricist.

Office

Revenue increased by 5% to HK$701 million reflecting positive rental reversion. Occupancy rate remained at 97%. Lease renewal retention rate was 86%.

Plaza Hollywood

Revenue increased by 3% to HK$546 million and operating profit by 4% to HK$413 million. Occupancy rate was 96% at year-end. Relentless tenant mix optimization and effective marketing strategies underline future growth potential.

Plaza Hollywood, a leading shopping mall in Kowloon East, is well positioned to exploit the growth opportunities in the vibrant and alternative CBD in the making. The 259 retail outlets, 25 restaurants, and a purpose-built stadium housing six-screen cinema multiplex with 1,614 seats that tops the box office chart in Kowloon East, form an unmatched critical mass for shoppers and retailers. Its highly efficient layout (65% of GFA is lettable), and a deliberate design without towers overhead, will greatly enhance future planning flexibility.

Wheelock House and Crawford House

Presence in Central was augmented by the acquisition of the office tower and a prime shop in Wheelock House for HK$6.2 billion. Crawford House had earlier been acquired in 2014. Both properties performed steadily with positive rental reversions. The offices were nearly fully let, and the retail spaces (including *Zara*'s largest flagship in Hong Kong) were 100% occupied.

CHINA

The adverse impact of currency movements slowed China IP's growth in 2016 on translation to Hong Kong dollars. Revenue increased by 2% to HK$2,350 million and operating profit by 1% to HK$1,253 million.

In Operation

Chengdu IFS

The award-winning Chengdu International Finance Square ("IFS") continued to outshine the competition. Revenue increased by 10% to HK$887 million and operating profit by 22% to HK$383 million. Its retail performance particularly exceeded expectation. Serviced apartments opened in the second half of 2016 to complete the offering.

Retail

Revenue increased by 11% to RMB633 million. Occupancy rate was 98% at year-end. Tenants' sales increased by a robust 17% to RMB3.85 billion while foot traffic grew by 19%.

Opened in 2014, the Chengdu IFS mall has promptly positioned itself as a trendsetting landmark in the western China metropolis with its unrivalled location, critical mass and top-notch management. The mega mall boasts an exquisite collection of 300 global premium brands, with over 100 debuts in western China, as well as appealing entertainment offerings including an IMAX movie theatre and an ice skating rink. The 15-metre-tall outdoor giant panda art installation and the 7,700-square-metre Sculpture Garden also emerged as must-see attractions of the city.

New additions including *Vera Wang, Philipp Plein, Alice and Olivia, Versus, TASAKI, Love Moschino, Didier Dubot* and *Yanjiyou* further optimised the tenant mix and enhanced one-stop lifestyle experience. Inspirational marketing campaigns continued to attract phenomenal patronage. These included "Light Rose Garden", a gorgeous mass art installation featuring 25,000 LED roses, as well as B.Duck "Be Here For You" Christmas Campaign. The mall also organized the first VIK (Very Important Kids) Digital Art Event, "The Monster Works", with Shanghai-based digital art organization Draw Together, and Sport-VR Campaign with VR game booths which combined sports with Virtual Reality technology.

In recognition of its distinguished positioning, Chengdu IFS has earned a host of reputable accolades including "VIVA Best-of-the-Best Design and Development Award" (VIVA for Vision, Innovation, Value, Achievement) presented by International Council of Shopping Centers in 2016, signifying the first Hong Kong developer and China's first-ever commercial project winning this prestigious global title.

Office
The three premium Grade A office towers mark the ultimate 21st Century workplace and the most compelling location for multinationals, financial institutions and major corporations in western China. Raising the benchmark for future offices, they create an optimal marketplace for tenants to conduct seamless business interaction. Demand from renowned tenants remained solid. Nearly 110,000 square metres (40% of total GFA) have been leased, with rental rates achieved among the highest in the city.

Chengdu Times Outlet
The 63,000-square-metre Chengdu Times Outlet remains one of the most visited outlet mall destinations in all of China. The mall offering over 250 international brands achieved an 18% growth in unit sales in 2016, benefiting from the rapid emergence of Chinese middle class.

Changsha Times Outlet
Mirroring the success of Chengdu Times Outlet, the Group opened a 72,000-square-metre outlet mall in Changsha in September 2016. It is served by an excellent transportation network, with convenient access to multiple major motorways (including metro and high-speed expressway) that link Changsha to various popular national tourist attractions, including Zhangjiajie and Donting Lake. Occupancy rate was 66% at year-end.

Shanghai Wheelock Square
The tallest 270-metre skyscraper in Puxi remains one of the top choices for multinationals and major corporations. It is not only right opposite to Jing'an Temple Metro Station from where frequent trains commute to Pudong International Airport and adjacent to the Yan'an elevated expressway, but also sits between the Bund and Zhongshan Xi Road with Hongqiao International Airport further to the west. Its prime location with excellent transport connections provides unmatched accessibility. Occupancy rate was 96% at year-end. Lease renewal retention rate was maintained at 51%, with solid rental reversion.

In recognition of its provision of world-class service and management to tenants, Shanghai Wheelock Square was honoured with many accolades. These included "*Luxury Attitude Award 2016*" and "*Quality 5C Award 2016*" by Golden Key International Alliance, as well as "*Shanghai Commercial Innovative Service Excellence Corporation*" and "*Shanghai Commercial Service Brand*" by Shanghai Commercial Association.

Shanghai Times Square
Conveniently located in the exclusive shopping, entertainment and business hub of Huaihai Zhong Road, this prominent retail destination is home to the largest *Lane Crawford* store in the Mainland and a mega lifestyle specialty store *CitySuper*. It remained virtually 100% occupied at year-end. Various family-friendly events were hosted to bolster engagement of families and to drive patronage and sales. These included "Junior Master Chef" cooking competition collaborated with kidszone and F&B, Children's fashion show at handmade floral garden on piazza and "QQ Icy Wonderland" mascot meet and greet in celebration of Christmas and New Year with families.

The offices were 92% let. Lease renewal retention rate was 81%.

Under Development
A pipeline of IFS project is progressing at full speed to strengthen the Group's recurrent income base. Targeting to replicate the success of the remarkable Harbour City in Hong Kong and IFS in Chengdu, Chongqing IFS and Changsha IFS will capitalize on the Group's management expertise and experience in operating some of the most productive retail-cum-office developments. The retail-led complexes located at the heart of their respective core CBDs will be best positioned to tap the experience-oriented consumption markets in the western and central China metropolis in the years to come.

Chongqing IFS
The 50%-owned Chongqing IFS will comprise an iconic 300-metre landmark tower and four other towers atop a 114,000-square-metre retail podium, forming the most massive mixed-use complex in Jiangbei District (Chongqing's new CBD). Grade A offices and the second upscale Niccolo hotel will help to position the development as a boutique-sized Harbour City. Currently, over 90% of the retail floor plates are under offer to or in advanced discussion with key anchors and various major tenants. 80% of office Tower Two and Three was sold. The mall and Niccolo Chongqing are scheduled to open in the third quarter of 2017.

Changsha IFS
Changsha IFS, inclusive of a massive 254,000-square-metre mall, will be the ultimate shopping, dining, lifestyle and leisure destination in Hunan province and the most coveted destination for a wide assortment of celebrated retailers. Over 85% of total retail areas were under offer to tenants or in advanced discussion, a good testament to retailers' trust and confidence in the Group's management execution capabilities and the untapped potential of the city. The mall is scheduled to open in late 2017.

Raising the bar for tomorrow's office, the top-notch office towers will represent the most preferred workplace for financial institutions and major corporations based in the region. Handover to tenants is scheduled to commence by the third quarter of 2017.

The third Niccolo hotel in the Mainland is scheduled to open at Changsha IFS in the first quarter of 2018.

Full completion of the project is scheduled for 2018.

Suzhou IFS
Prominently located in the new CBD overlooking Jinji Lake, the 80%-owned Suzhou IFS will comprise Grade A offices, sky residences, and a 133-room luxury Niccolo hotel. Adjacent to Xinghu Street MTR Station, the 450-metre landmark development (GFA: 299,000 square metres) is slated for full completion in 2018.

DEVELOPMENT PROPERTIES

DP sales and revenue, inclusive of joint ventures and associates on an attributable basis, both surpassed previous records to reach HK$40 billion and HK$37 billion respectively, while core profit nearly tripled to approach HK$4 billion.

HONG KONG

Mount Nicholson, a 50:50 joint venture development with Nan Fung Group (attributable GFA: 162,000 square feet) completed in 2016, offers ultra-luxury residences with an enchanting uninterrupted view over Victoria Harbour. Since its launch on a targeted basis in February 2016, 7 villas and 19 apartments have been sold for combined proceeds of HK$11.6 billion or an average of HK$80,400 per square foot (villas: HK$5.1 billion or an average of HK$85,600 per square foot; apartments: HK$6.5 billion or an average of HK$76,700 per square foot).

All 256 residential units at Peninsula East in close proximity to Yau Tong MTR station have been pre-sold earlier and were completed in 2016, generating proceeds of HK$2.0 billion.

The latest general building plan of the 15%-owned Yau Tong joint venture project has been submitted in late 2016.

CHINA

Inclusive of joint ventures and associates on an attributable basis, revenue increased by 12% to HK$30,676 million and operating profit by 22% to HK$5,133 million. 1,697,000 square metres of GFA were completed and recognized in 2016 (2015: 1,587,000 square metres).

Despite a wave of new cooling measures implemented late in the year, favourable market sentiments for most of 2016 drove up the Group's attributable interest in contracted sales by 21% to RMB31.4 billion, 31% above target. The net order book increased to RMB27.4 billion for 1.2 million square metres at year-end.

In China East, various projects in Shanghai, Suzhou, Hangzhou and Wuxi drew favourable responses. In Shanghai, Shanghai Pudong E18 and Zhoupu sold in aggregate 282 units for RMB6.1 billion in 2016. In Suzhou, Times City, Ambassador Villa and Bellagio sold in aggregate 1,403 units for RMB5.0 billion. In Hangzhou, Palazzo Pitti, The Exquisite Palace and Royal Seal sold in aggregate 244 units for RMB1.8 billion. Greentown Wharf Qiantang Bright Moon and Greentown Zhijiang No. 1 sold 798 units for RMB2.4 billion on an attributable basis. In Wuxi, River Pitti and Times City sold in aggregate 1,618 units for RMB2.2 billion. Demand for the projects on sale in other regions of China also strengthened. In particular, The Scenery Bay in Tianjin sold 401 units for RMB1.2 billion on an attributable basis.

In 2016, the Group acquired three sites in Beijing, Hangzhou and Shenzhen for RMB3.7 billion (GFA: 116,500 square metres) on an attributable basis. Currently, the DP land bank was maintained at 4.2 million square metres.

The Group will continue its selective land purchase strategy, with focus on first-tier and top second-tier cities.

OTHER HONG KONG PROPERTIES

The Peak Portfolio

Marking the ultimate home for the most discerning residents, Wharf's Peak Portfolio showcases an exquisite collection of the most prestigious and exclusive residences nestled on the Peak. These superb developments set a new bar for luxury living and surpass benchmarks of excellence. Superstructure/Foundation works for the re-development of the Peak Portfolio including 1 Plantation Road (20 houses), 11 Plantation Road (7 houses) and 77 Peak Road (8 houses) are progressing to plan.

Kowloon East

The Group's powerful "Kowloon East Waterfront Portfolio" of new developments spanning a 500-metre coastline and boasting a stunning Harbour view is poised to fully tap the enormous potential of the emerging vibrant CBD2. This portfolio features an impressive collection of 8 Bay East (a 534,000-square-feet re-development of the former Wharf T&T Square), Kowloon Godown (pending re-development) and parent company Wheelock's One Bay East (comprising two office towers already sold to and occupied by Manulife and Citigroup). Foundation works for 8 Bay East is underway.

WHARF HOTELS

Currently, the Group operates 14 hotels in the Asia Pacific region through Marco Polo Hotels, six of which owned by the Group. The exciting expansion of this portfolio continues with a solid pipeline of new hotels over the next few years. These new hotels include a prominent collection of contemporary urban chic 'Niccolo' hotels which redefine luxury experiences, styles and tastes for the global traveler. They truly represent an elevated level of understated luxury, exquisite design and impeccable hospitality.

Niccolo Chengdu, which opened at Chengdu IFS in 2015, signaled the start of a new era of the Group's brand extension. This first Niccolo rapidly emerged as the city's market leader for room yield in just a year. It has also clinched a host of coveted distinctions, including "Best Business Hotel in Southwest China" at the 9th TTG China Travel Awards, affirming the success of the brand evolution.

Niccolo Chengdu sets a good model for the three Niccolo hotels under development at the IFS complexes in Chongqing, Changsha and Suzhou, which are progressing to plan. Outside China, Marco Polo Ortigas, Manila, earned the prestigious honour of Forbes Five-Star Hotel for its solid hospitality excellence, becoming one of the first recipients since Forbes opened its doors to Manila hotels.

In Hong Kong, the Group is in full swing to convert the former landmark Murray Building into The Murray, a 336-room Niccolo hotel in Central. As a prominent part of the Government's Conserving Central initiative, this sophisticated urban chic hotel will breathe new life into the historic building and is scheduled to open in late 2017. It will become an iconic luxury hotel befitting the city's most prestigious visitors, serving the business community, and establishing the new epicenter for events and celebrations.

MODERN TERMINALS

The anemic state of the economy in both Europe and the U.S. led to a continued retreat in global trade flows. South China's container throughput declined by 1%, while Shenzhen's and Kwai Tsing's throughput decreased by 1% and 2% respectively. Market shares of Shenzhen and Kwai Tsing were 60% and 40% respectively.

Modern Terminals' contracted throughput in Hong Kong outpaced the weak market and increased by 15% to 5.2 million TEUs. In the Mainland, throughput at DaChan Bay in Shenzhen grew by 8% to 1.3 million TEUs, while that at Taicang International Gateway in Suzhou remained at 2.2 million TEUs. Throughput at Shekou Container Terminals in Shenzhen, in which Modern Terminals holds a 20% stake, fell by 2% to 5.1 million TEUs. Chiwan Container Terminal in Shenzhen, in which Modern Terminals holds an 8% attributable stake, handled 2.5 million TEUs.

Consolidated revenue declined by 4% to HK$2,635 million, partly due to the reclassification of the Taicang investment from subsidiary to associated company status following a partial disposal in the middle of 2015. Operating profit increased to HK$710 million.

Global economic uncertainties including the U.S. trade policy and the prospect of Brexit may further weigh on trade flow in the near future. Modern Terminals has consistently implemented various measures to enhance operational efficiency to capture new opportunities in this challenging market.

STRATEGIC REVIEWS

Communications, Media & Entertainment ("CME")

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

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

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

Investment Properties

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

FINANCIAL REVIEW

(I) Review of 2016 results

The Group attained several records for its financial results with the core profit rising by 25% from the year 2015 to a new high at HK$13,754 million (2015: HK$10,969 million). The increase was sustained by IP gaining 6% core profit growth to record high at HK$8,839 million and DP gaining 185% growth to record high at HK$3,822 million.

Profit attributable to shareholders increased by 34% to HK$21,440 million (2015: HK$16,024 million), including a gain of HK$7,260 million from disposal of the entire equity interests in Wharf T&T Limited ("Wharf T&T"), though with a lower IP revaluation surplus from year end revaluation.

<u>Revenue and Operating Profit</u>

IP revenue and operating profit continued growing by 6% to HK$15,289 million (2015: HK$14,470 million) and 7% to HK$12,541 million (2015: HK$11,759 million), respectively. Hong Kong revenue and operating profit increased by 6% and 7%, respectively, benefitting from firm retail base rent and stable positive office rental reversion for both Harbour City and Times Square. Mainland revenue and operating profit increased moderately by 2% and 1%, respectively, or up by 9% and 7% in term of RMB, which depreciated by 6% in 2016.

DP recognised 29% higher property sales to HK$23,275 million (2015: HK$18,018 million) and operating profit by 63% to HK$3,650 million (2015: HK$2,241 million). The growth was attributable to the completion of Peninsula East in Hong Kong and more projects in the Mainland. Hong Kong revenue and operating profit were HK$1,985 million (2015: Nil) and HK$387 million (2015: loss of HK$25 million), while Mainland rose by 18% and 44%, respectively. Together with joint venture projects on an attributable basis, DP core profit rose by 185% to a record high at HK$3,822 million (2015: HK$1,340 million).

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

Logistics revenue decreased by 4% to HK$2,748 million (2015: HK$2,848 million) but operating profit rose by 4% to HK$719 million (2015: HK$689 million) resulting from lower operating costs from Modern Terminals.

CME revenue dropped by 10% to HK$3,145 million (2015: HK$3,501 million) and operating profit by 47% to HK$59 million (2015: HK$112 million). i-CABLE revenue decreased by 7% and operating loss widened to HK$313 million. The Group disposed Wharf T&T in November 2016, making its contributed revenue reducing by 13% while operating profit increasing only by 3%.

Investment and others revenue rose by 12% to HK$878 million (2015: HK$787 million). Operating profit fell by 2% to HK$455 million (2015: HK$464 million) chiefly due to decrease in dividend income.

Consolidated revenue and operating profit rose by 14% and 15% to HK$46,627 million and HK$17,065 million, respectively.

DP Sales

Total DP contracted sales, inclusive of joint venture projects on an attributable basis, surged by 21% to a record high at HK$40,104 million (2015: HK$33,064 million).

Mainland contracted sales increased by 21% to RMB31,420 million (2015: RMB26,044 million), sales recognition by 12% to HK$30,676 million (2015: HK$27,404 million) and operating profit by 22% to HK$5,133 million (2015: HK$4,200 million). Net order book increased to RMB27,436 million (December 2015: RMB24,635 million).

Hong Kong contracted sales, mainly attributable to Mount Nicholson joint-venture, amounted to HK$4,980 million (2015: HK$1,978 million). Sales recognition, including Mount Nicholson and Peninsula East, amounted to HK$6,419 million (2015: Nil), which contributed an operating profit of HK$2,400 million (2015: loss of HK$82 million).

Fair Value Gain of Investment Properties

The book value of the Group's IP portfolio as at 31 December 2016 increased to HK$319.3 billion (2015: HK$310.2 billion) with HK$302.6 billion thereof stated at fair value based on independent valuation, which produced a revaluation gain of HK$910 million for the year (2015: HK$6,729 million). The attributable net revaluation gain of HK$906 million (2015: HK$6,231 million), after taking into account the related deferred tax and non-controlling interests, was credited to the consolidated income statement.

IP under development in the amount of HK$16.7 billion is carried at cost and will not be carried at fair value until the earlier of their fair values first becoming reliably measurable or the dates of completion.

Other Net Income /(Charge)

Other net income of HK$6,252 million (2015: charge of HK$460 million) primarily included a gain of HK$7,260 million arising from the Group's disposal of the entire equity interests in Wharf T&T.

Included in the net charge for 2015 was a non-recurrent accounting loss of HK$1,620 million arising from the deemed disposal of the Group's 24.3% interest in Greentown China Holdings Limited ("Greentown") upon reclassification of such interest as financial investment instead of an associate and a gain of HK$908 million arising from Modern Terminals' partial disposal of its equity interests in Taicang container port businesses.

Finance Costs

Finance costs charged to the consolidated income statement amounted to HK$1,361 million (2015: HK$1,879 million), including an unrealised mark-to-market gain of HK$237 million (2015: loss of HK$406 million) on the cross currency and interest rate swaps in accordance with prevailing accounting standards.

The Group's effective borrowing rate for the year was 3.2% (2015: 2.8%). Excluding the unrealised mark-to-market gain, finance costs before capitalisation were HK$2,163 million (2015: HK$2,151 million), representing an increase of HK$12 million. Finance costs after capitalisation were HK$1,598 million (2015: HK$1,473 million), representing an increase of HK$125 million.

Share of Results (after tax) of Associates and Joint Ventures

Attributable profit from associates decreased by 20% to HK$923 million (2015: HK$1,156 million) with lower profit contributions from Mainland DP.

Joint ventures increased profit significantly to HK$1,983 million (2015: HK$236 million) attributable to Mount Nicholson in Hong Kong and more completed Mainland DP projects.

Income Tax

Taxation charge for the year was HK$4,107 million (2015: HK$3,829 million), which included deferred taxation of HK$23 million (2015: HK$488 million) provided for the current year's revaluation gain attributable to investment properties in the Mainland.

Excluding the above deferred tax, the tax charge increased by 22% to HK$4,084 million (2015: HK$3,341 million) mainly due to higher profits from IP and China DP segments.

Non-controlling Interests

Group profit attributable to non-controlling interests decreased to HK$225 million (2015: HK$782 million), reflecting the decrease in net profits of certain non-wholly-owned subsidiaries.

Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders for the year amounted to HK$21,440 million (2015: HK$16,024 million), representing an increase of 34%. Basic earnings per share were HK$7.07, based on weighted average of 3,031 million shares (2015: HK$5.29 based on 3,031 million shares).

Excluding the net IP revaluation gain of HK$906 million (2015: HK$6,231 million), Group profit attributable to shareholders for the year increased by 110% to HK$20,534 million (2015: HK$9,793 million), including a gain of HK$7,260 million from disposal of Wharf T&T.

Group core profit rose by 25% to HK$13,754 million (2015: HK$10,969 million), of which 64% was attributable to IP and 28% to DP. Core earnings per share were HK$4.54 (2015: HK$3.62).

Core profit is a performance indicator of the Group's major business segments and arrived at after excluding mainly net IP revaluation gain, disposal gain of Wharf T&T of HK$7,260 million (2015: Nil) and other non-recurrent items. A loss of HK$1,620 million from the deemed disposal of Greentown and attributable gain of HK$613 million from Modern Terminals' disposal of its interest in Taicang were also excluded in last year.

Early adoption of HKFRS 9 "Financial Instruments"

The Group has early adopted the complete version of HKFRS 9 "Financial Instruments" in its consolidated financial statements with effect from 1 January 2016. As a result, the investments in equity securities of HK$5,723 million that were previously classified as available-for-sale investments under HKAS 39 have been re-designated as equity investments measured at fair value through other comprehensive income. Accordingly, HK$14 million of gain on disposal of equity securities in the year was recognised through other comprehensive income instead of the income statement as previously accounted for (2015: HK$178 million profit through the income statement).

(II) Liquidity, Financial Resources and Capital Commitments

Shareholders' and Total Equity

As at 31 December 2016, shareholders' equity increased by HK$9.1 billion to HK$316.8 billion (2015: HK$307.7 billion), equivalent to HK$104.48 per share based on 3,032 million issued shares (2015: HK$101.53 per share based on 3,031 million issued shares), which had been partly impacted by a net exchange deficit of HK$5.9 billion arising from translation of RMB net assets in the midst of 6% depreciation in RMB in 2016.

The Group's total equity including non-controlling interests increased by HK$8.2 billion to HK$325.4 billion (2015: HK$317.2 billion).

Assets and Liabilities

The Group's total assets as at 31 December 2016 stood at HK$443.8 billion (2015: HK$443.9 billion). Total business assets, excluding bank deposit and cash, financial and deferred tax assets, slightly decreased to HK$403.0 billion (2015: HK$414.8 billion), mainly due to selling down of DP but mitigating by IP increase.

Geographically, the Mainland business assets, mainly comprising properties and terminals, decreased to HK$121.0 billion (2015: HK$139.8 billion), representing 30% (2015: 34%) of the Group's total business assets.

Investment properties

Included in the Group's total assets is the IP portfolio of HK$319.3 billion, representing 79% of total business assets. Core assets in this portfolio are Harbour City and Times Square in Hong Kong, which were valued at HK$164.5 billion (excluding the three hotels) and HK$54.5 billion, respectively, together representing 69% of the IP portfolio. Mainland IP amounted to HK$58.5 billion, mainly including Chengdu IFS and Shanghai Wheelock Square, as well as Changsha IFS and Suzhou IFS which were under development and stated at cost of HK$16.7 billion.

During the year, the Group acquired the entire office tower and a prime shop in Wheelock House, Central, Hong Kong, for HK$6.2 billion, to further expand the IP portfolio.

Properties for sale

DP assets dropped to HK$23.9 billion (2015: HK$37.8 billion), mainly reflecting the selling down of Mainland DP portfolio during the year.

Interests in associates and joint ventures

Interests in associates and joint ventures amounted to HK$31.1 billion (2015: HK$35.4 billion), mainly representing various joint-venture DP projects undertaken in the Mainland and Hong Kong.

Deposits from sale of properties

Deposits from sale of properties amounted to HK$18.9 billion (2015: HK$18.9 million), representing contracted sales in Mainland China pending revenue recognition in the coming years.

Debts and Gearing

The Group's net debt as at 31 December 2016 was reduced drastically by 50% to HK$23.8 billion (2015: HK$47.2 billion), resulting from the Group's strong recurrent operating cash inflow, record DP sales and disposal of Wharf T&T. The net debt was made up of HK$60.8 billion in debts and HK$37.0 billion in bank deposits and cash. Included in the net debt were HK$7.1 billion (2015: HK$7.3 billion) attributable to Modern Terminals, HCDL and other subsidiaries, which are without recourse to the Company and its other subsidiaries. Excluding these non-recourse debts, the Group's net debt was HK$16.7 billion (2015: HK$39.9 billion). An analysis of the net debt is as below:

Net debt/(cash)	**31 December 2016 HK$ Million**	31 December 2015 HK$ Million
Wharf (excluding below subsidiaries)	**16,755**	39,863
Modern Terminals	**8,502**	8,763
HCDL	**(1,904)**	(1,647)
i-CABLE	**484**	218
	23,837	47,197

As at 31 December 2016, the ratio of net debt to total equity declined to 7.3% (2015: 14.9%).

Finance and Availability of Facilities

The Group's total available loan facilities and issued debt securities as at 31 December 2016 amounting to HK$77.7 billion, of which HK$60.8 billion was utilised, are analysed as below:

	31 December 2016		
	Available Facility HK$ Billion	**Total Debts HK$ Billion**	**Undrawn Facility HK$ Billion**
Company/wholly-owned subsidiaries			
Committed bank facilities	27.9	15.6	12.3
Debt securities	32.6	32.6	-
	60.5	48.2	12.3
Non-wholly-owned subsidiaries			
Committed and uncommitted			
- Modern Terminals	11.4	8.7	2.7
- HCDL	4.9	3.3	1.6
- i-CABLE	0.9	0.6	0.3
	77.7	60.8	16.9

Of the above debts, HK$6.7 billion (2015: HK$4.0 billion) was secured by mortgages over certain IP, DP and property, plant and equipment with total carrying value of HK$17.7 billion (2015: HK$24.3 billion).

The Group diversified the debt portfolio across a bundle of currencies including primarily United States dollar ("USD"), Hong Kong dollar ("HKD") and Renminbi ("RMB"). The funding sourced from such debt portfolio was mainly used to finance 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 are primarily used for management of the Group's interest rate and currency exposures.

The Group continued to maintain a strong financial position with ample surplus cash denominated principally in RMB, HKD and USD and undrawn committed facilities to facilitate the Group's business and investment activities. In addition, the Group also maintained a portfolio of equity investments with an aggregate market value of HK$5.7 billion (2015: HK$8.1 billion), which is immediately available for liquidation for the Group's use when in need.

Cash Flows for the Group's Operating and Investing Activities

For the year under review, the Group recorded net cash inflows before changes in working capital of HK$18.0 billion (2015: HK$16.0 billion). The changes in working capital increased the net cash inflow from operating activities to HK$29.1 billion (2015: HK$24.1 billion), resulting from increase in China DP sales. For investing activities, the Group recorded a net cash outflow of HK$2.5 billion (2015: HK$7.3 billion), mainly attributing to the acquisition of Wheelock House at HK$6.2 billion and construction costs for Mainland IP but partly compensating by the net proceeds from disposal of Wharf T&T of HK$9.4 billion.

Major Capital and Development Expenditure and Commitments

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

A. Major capital and development expenditure

	Hong Kong HK$ Million	Mainland China HK$ Million	Total HK$ Million
Properties			
IP	7,942	4,465	12,407
DP	219	12,356	12,575
	8,161	16,821	24,982
Others			
Hotels	981	40	1,021
Modern Terminals	359	72	431
Wharf T&T	258	1	259
i-CABLE	238	-	238
	1,836	113	1,949
Group total	9,997	16,934	26,931

i. IP expenditure was mainly for the acquisition of Wheelock House and construction costs of the Mainland IFS projects.

ii. DP expenditure included HK$6.4 billion for DP projects undertaken by associates and joint ventures.

iii. Modern Terminals' capital expenditure was mainly for terminal equipment while those of Wharf T&T and i-CABLE were incurred substantially for facilities and equipment.

B. Commitments to capital and development expenditure

As at 31 December 2016, the Group's major commitments to capital and development expenditure that are to be incurred in the forthcoming years was estimated at HK$34.8 billion, of which HK$14.6 billion was committed. By segment, the commitments are analysed as below:

	As at 31 December 2016		
	Committed HK$ Million	**Uncommitted HK$ Million**	**Total HK$ Million**
IP			
Hong Kong	990	429	1,419
Mainland China	4,035	6,301	10,336
	5,025	6,730	11,755
DP			
Hong Kong	-	-	-
Mainland China	7,959	12,729	20,688
	7,959	12,729	20,688
Others			
Hotels	1,379	412	1,791
Modern Terminals	247	126	373
i-CABLE	18	211	229
	1,644	749	2,393
Group total	14,628	20,208	34,836

Properties commitments are mainly for construction cost, inclusive of attributable commitments to associates and joint ventures, to be incurred by stages.

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

(III) Human Resources

The Group had approximately 13,500 employees as at 31 December 2016, including about 2,300 employed by managed operations. Employees are remunerated according to their job responsibilities and the market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the respective group's achievement and results.

CONSOLIDATED INCOME STATEMENT
For The Year Ended 31 December 2016

	Note	**2016** **HK$ Million**	2015 HK$ Million
Revenue	2	**46,627**	40,875
Direct costs and operating expenses		**(25,145)**	(21,282)
Selling and marketing expenses		**(1,485)**	(1,560)
Administrative and corporate expenses		**(1,526)**	(1,632)
Operating profit before depreciation, amortisation, interest and tax		**18,471**	16,401
Depreciation and amortisation		**(1,406)**	(1,548)
Operating profit	2 & 3	**17,065**	14,853
Increase in fair value of investment properties		**910**	6,729
Other net income/(charge)	4	**6,252**	(460)
		24,227	21,122
Finance costs	5	**(1,361)**	(1,879)
Share of results after tax of:			
Associates		**923**	1,156
Joint ventures		**1,983**	236
Profit before taxation		**25,772**	20,635
Income tax	6	**(4,107)**	(3,829)
Profit for the year		**21,665**	16,806
Profit attributable to:			
Equity shareholders		**21,440**	16,024
Non-controlling interests		**225**	782
		21,665	16,806
Earnings per share	7		
Basic		**HK$7.07**	HK$5.29
Diluted		**HK$7.07**	HK$5.29

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended 31 December 2016

	2016 HK$ Million	2015 HK$ Million
Profit for the year	**21,665**	16,806
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Fair value changes on equity investments	**(827)**	-
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on:	**(5,139)**	(5,554)
Translation of foreign operations	**(5,139)**	(5,437)
Transferred to profit or loss on disposal of a subsidiary	**-**	(117)
Net deficit on available-for-sale investments:	**-**	(2,032)
Deficit on revaluation	**-**	(1,508)
Transferred to profit or loss on disposal	**-**	(524)
Share of other comprehensive income of associates / joint ventures	**(1,088)**	(1,272)
Others	**14**	10
Other comprehensive income for the year	**(7,040)**	(8,848)
Total comprehensive income for the year	**14,625**	7,958
Total comprehensive income attributable to:		
Equity shareholders	**14,813**	7,629
Non-controlling interests	**(188)**	329
	14,625	7,958

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2016

	Note	**31 December 2016 HK$ Million**	31 December 2015 HK$ Million
Non-current assets			
Investment properties		**319,298**	310,177
Property, plant and equipment		**20,735**	22,779
Interest in associates		**14,437**	17,785
Interest in joint ventures		**16,710**	17,612
Available-for-sale investments		**-**	8,102
Equity investments		**5,723**	-
Goodwill and other intangible assets		**298**	305
Deferred tax assets		**654**	700
Derivative financial assets		**247**	585
Other non-current assets		**252**	237
		378,354	378,282
Current assets			
Properties for sale		**23,874**	37,768
Inventories		**29**	46
Trade and other receivables	9	**4,281**	3,974
Derivative financial assets		**332**	336
Bank deposits and cash		**36,957**	23,510
		65,473	65,634
Total assets		**443,827**	443,916
Non-current liabilities			
Derivative financial liabilities		**(1,539)**	(1,558)
Deferred tax liabilities		**(10,633)**	(10,748)
Other deferred liabilities		**(305)**	(334)
Bank loans and other borrowings		**(45,616)**	(62,244)
		(58,093)	(74,884)
Current liabilities			
Trade and other payables	10	**(24,245)**	(22,681)
Deposits from sale of properties		**(18,937)**	(18,854)
Derivative financial liabilities		**(685)**	(612)
Taxation payable		**(1,283)**	(1,242)
Bank loans and other borrowings		**(15,178)**	(8,463)
		(60,328)	(51,852)
Total liabilities		**(118,421)**	(126,736)
NET ASSETS		**325,406**	317,180
Capital and reserves			
Share capital		**29,497**	29,441
Reserves		**287,297**	278,287
Shareholders' equity		**316,794**	307,728
Non-controlling interests		**8,612**	9,452
TOTAL EQUITY		**325,406**	317,180

NOTES TO THE FINANCIAL INFORMATION

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

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

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

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

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

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

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

(i) investments in equity securities (not held for trading) of HK$5,723 million that were previously classified as available-for-sale investments and measured at fair value at each reporting date under HKAS 39 have been designated as equity investments measured at fair value through other comprehensive income ("FVTOCI"). Group profit for the year has been reduced by HK$14 million, representing the gain on disposal of equity securities recognised through other comprehensive income instead of the income statement as previously accounted for (2015: HK$178 million profit); and

(ii) impairment based on expected credit loss model on the Group's rental, sales and trade receivables have no significant financial impacts.

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

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

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

2. SEGMENT INFORMATION

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

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

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

Hotels segment includes hotel operations in the Asia Pacific region. Currently, the Group operates 14 hotels in the Asia Pacific region, six of which owned by the Group.

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 ("Hactl") and other public transport operations.

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

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

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

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

2. SEGMENT INFORMATION

a. Analysis of segment revenue and results

For the year ended 31 December 2016	Revenue HK$ Million	Operating profit HK$ Million	Investment properties fair value HK$ Million	Other net income/ (charge) HK$ Million	Finance costs HK$ Million	Associates HK$ Million	Joint ventures HK$ Million	Profit before taxation HK$ Million
Investment property	**15,289**	**12,541**	**910**	**(55)**	**(1,378)**	**-**	**-**	**12,018**
Hong Kong	**12,939**	**11,288**	**1,286**	**48**	**(1,333)**	**-**	**-**	**11,289**
Mainland China	**2,350**	**1,253**	**(376)**	**(103)**	**(45)**	**-**	**-**	**729**
Development property	**23,275**	**3,650**	**-**	**(457)**	**(52)**	**679**	**1,972**	**5,792**
Hong Kong	**1,985**	**387**	**-**	**-**	**-**	**5**	**1,633**	**2,025**
Mainland China	**21,290**	**3,263**	**-**	**(457)**	**(52)**	**674**	**339**	**3,767**
Hotels	**1,587**	**289**	**-**	**-**	**(4)**	**-**	**-**	**285**
Logistics	**2,748**	**719**	**-**	**(161)**	**(152)**	**244**	**11**	**661**
Terminals	**2,635**	**710**	**-**	**(120)**	**(152)**	**166**	**11**	**615**
Others	**113**	**9**	**-**	**(41)**	**-**	**78**	**-**	**46**
CME	**3,145**	**59**	**-**	**-**	**(29)**	**-**	**-**	**30**
i-CABLE	**1,406**	**(313)**	**-**	**1**	**(6)**	**-**	**-**	**(318)**
Telecommunications	**1,739**	**372**	**-**	**(1)**	**(23)**	**-**	**-**	**348**
Inter-segment revenue	**(295)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Segment total	**45,749**	**17,258**	**910**	**(673)**	**(1,615)**	**923**	**1,983**	**18,786**
Investment and others	**878**	**455**	**-**	**6,925**	**254**	**-**	**-**	**7,634**
Corporate expenses	**-**	**(648)**	**-**	**-**	**-**	**-**	**-**	**(648)**
Group total	**46,627**	**17,065**	**910**	**6,252**	**(1,361)**	**923**	**1,983**	**25,772**
For the year ended 31 December 2015								
Investment property	14,470	11,759	6,729	111	(1,255)	-	-	17,344
Hong Kong	12,165	10,516	5,761	-	(1,246)	-	-	15,031
Mainland China	2,305	1,243	968	111	(9)	-	-	2,313
Development property	18,018	2,241	-	(1,542)	(93)	890	201	1,697
Hong Kong	-	(25)	-	-	-	18	(57)	(64)
Mainland China	18,018	2,266	-	(1,542)	(93)	872	258	1,761
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	(298)	-	-	-	-	-	-	-
Segment total	40,088	15,079	6,729	(802)	(1,580)	1,156	236	20,818
Investment and others	787	464	-	342	(299)	-	-	507
Corporate expenses	-	(690)	-	-	-	-	-	(690)
Group total	40,875	14,853	6,729	(460)	(1,879)	1,156	236	20,635

2. SEGMENT INFORMATION

b. Analysis of inter-segment revenue

	2016			2015		
	Total Revenue HK$ Million	**Inter-segment revenue HK$ Million**	**Group Revenue HK$ Million**	Total Revenue HK$ Million	Inter-segment revenue HK$ Million	Group Revenue HK$ Million
Investment property	**15,289**	**(168)**	**15,121**	14,470	(148)	14,322
Development property	**23,275**	**-**	**23,275**	18,018	-	18,018
Hotels	**1,587**	**-**	**1,587**	1,549	-	1,549
Logistics	**2,748**	**-**	**2,748**	2,848	-	2,848
CME	**3,145**	**(63)**	**3,082**	3,501	(78)	3,423
Investment and others	**878**	**(64)**	**814**	787	(72)	715
	46,922	**(295)**	**46,627**	41,173	(298)	40,875

c. Analysis of segment business assets

	2016 HK$ Million	2015 HK$ Million
Investment property	**320,570**	311,641
Hong Kong	**261,459**	252,904
Mainland China	**59,111**	58,737
Development property	**55,144**	73,239
Hong Kong	**6,040**	5,685
Mainland China	**49,104**	67,554
Hotels	**8,361**	7,728
Logistics	**17,732**	18,244
Terminals	**16,727**	17,245
Others	**1,005**	999
CME	**1,193**	3,918
i-CABLE	**1,193**	1,189
Telecommunications	**-**	2,729
Total segment business assets	**403,000**	414,770
Unallocated corporate assets	**40,827**	29,146
Total assets	**443,827**	443,916

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

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

	2016 HK$ Million	2015 HK$ Million
Development property	**25,000**	29,332
Logistics	**5,974**	6,065
Group total	**30,974**	35,397

2. SEGMENT INFORMATION

d. Other segment information

	Capital expenditure		Increase in interests in associates and joint ventures		Depreciation and amortisation	
	2016	2015	**2016**	2015	**2016**	2015
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million	**HK$ Million**	HK$ Million
Investment property	**12,407**	5,355	**-**	-	**106**	118
Hong Kong	**7,942**	1,218	**-**	-	**32**	32
Mainland China	**4,465**	4,137	**-**	-	**74**	86
Development property	**-**	-	**1,130**	3,487	**-**	-
Hong Kong	**-**	-	**243**	155	**-**	-
Mainland China	**-**	-	**887**	3,332	**-**	-
Hotels	**1,021**	372	**-**	-	**206**	208
Logistics	**431**	294	**-**	8	**421**	457
Terminals	**431**	294	**-**	8	**418**	454
Others	**-**	-	**-**	-	**3**	3
CME	**497**	538	**-**	-	**673**	765
i-CABLE	**238**	207	**-**	-	**324**	351
Telecommunications	**259**	331	**-**	-	**349**	414
Group total	**14,356**	6,559	**1,130**	3,495	**1,406**	1,548

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

2. SEGMENT INFORMATION

e. Geographical information

	Revenue		Operating Profit	
	2016	2015	**2016**	2015
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million
Hong Kong	**21,716**	19,152	**12,780**	11,409
Mainland China	**24,860**	21,685	**4,234**	3,406
Singapore	**51**	38	**51**	38
Group total	**46,627**	40,875	**17,065**	14,853

	Specified non-current assets		Total business assets	
	2016	2015	**2016**	2015
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million
Hong Kong	**280,834**	271,671	**282,028**	275,016
Mainland China	**94,239**	101,340	**120,972**	139,754
Group total	**375,073**	373,011	**403,000**	414,770

Specified non-current assets excluded deferred tax assets, certain financial investments, derivative financial assets and certain non-current assets.

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

3. OPERATING PROFIT

Operating profit is arrived at:

	2016 HK$ Million	2015 HK$ Million
After charging/(crediting):		
Depreciation and amortisation on		
- assets held for use under operating leases	**161**	162
- property, plant and equipment	**1,075**	1,190
- leasehold land	**60**	69
- programming library	**110**	127
Total depreciation and amortisation	**1,406**	1,548
Impairment of trade receivables	**1**	10
Impairment of property, plant and equipment	**-**	45
Staff costs (Note a)	**3,545**	3,632
Auditors' remuneration		
- audit services	**24**	23
- other services	**1**	2
Cost of trading properties for recognised sales	**18,634**	15,000
Rental charges under operating leases in respect of telecommunications equipment and services	**71**	74
Gross rental revenue from investment properties (Note b)	**(15,289)**	(14,470)
Direct operating expenses of investment properties	**2,626**	2,584
Rental income under operating leases in respect of owned plant and equipment	**(34)**	(16)
Interest income (Note c)	**(460)**	(363)
Dividend income from investments	**(102)**	(174)
Loss on disposal of property, plant and equipment	**5**	2

Notes:

a. Staff costs include contributions to defined contribution pension schemes of HK$291 million (2015: HK$287 million), which included MPF schemes after a forfeiture of HK$1 million (2015: HK$3 million) and equity-settled share-based payment expenses of HK$51 million (2015: HK$40 million).

b. Rental income includes contingent rentals of HK$1,113 million (2015: HK$1,476 million).

c. Interest income of HK$460 million (2015: HK$363 million) was in respect of financial assets, mainly comprising bank deposits, that are stated at amortised cost.

4. OTHER NET INCOME/(CHARGE)

Other net income for the year which amounted to HK$6,252 million (2015: charge of HK$460 million) mainly comprises:

a. A gain of HK$7,260 million arose from disposal of the entire equity interests in Wharf T&T.

b. Net foreign exchange gains of HK$301 million (2015: HK$111 million) which included a fair value gain on forward foreign exchange contracts of HK$83 million (2015: HK$24 million).

c. Impairment provision of HK$1,296 million made for certain development projects and assets.

d. Included in the net charge for 2015 were a non-recurrent accounting loss of HK$1,620 million arising from the deemed disposal of the Group's entire 24.3% equity interest in Greentown upon reclassification of such interest as financial investment instead of an associate and a gain of HK$908 million arising from Modern Terminals' disposal of 50% of its equity interest in its Taicang container port businesses.

5. FINANCE COSTS

	2016 HK$ Million	2015 HK$ Million
Interest charged on:		
Bank loans and overdrafts	**858**	1,018
Other borrowings	**1,036**	938
Total interest charge	**1,894**	1,956
Other finance costs	**269**	195
Less: Amount capitalised	**(565)**	(678)
	1,598	1,473
Fair value (gain)/loss:		
Cross currency interest rate swaps	**72**	379
Interest rate swaps	**(309)**	27
	(237)	406
Total	**1,361**	1,879

6. INCOME TAX

Taxation charged to the consolidated income statement includes:

	2016 HK$ Million	2015 HK$ Million
Current income tax		
Hong Kong		
- provision for the year	**1,748**	1,592
- overprovision in respect of prior years	**(7)**	(21)
Outside Hong Kong		
- provision for the year	**1,133**	1,073
- Under/(over)-provision in respect of prior years	**9**	(5)
	2,883	2,639
Land appreciation tax ("LAT") (Note c)	**718**	411
Deferred tax		
Change in fair value of investment properties	**23**	488
Origination and reversal of temporary differences	**537**	304
Benefit of previously unrecognised tax losses now recognised	**(54)**	(13)
	506	779
Total	**4,107**	3,829

a. The provision for Hong Kong profits tax is based on the profit for the year as adjusted for tax purposes at a rate of 16.5% (2015: 16.5%).

b. Income tax on profits assessable outside Hong Kong is mainly China corporate income tax calculated at a rate of 25% (2015: 25%) and China withholding tax at a rate of up to 10%.

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 the land value, being the proceeds on sales of properties less deductible expenditure including cost of land use rights, borrowings costs and all property development expenditure.

d. Tax attributable to associates and joint ventures for the year ended 31 December 2016 of HK$1,170 million (2015: HK$1,082 million) is included in the share of results of associates and joint ventures.

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit attributable to ordinary equity shareholders for the year of HK$21,440 million (2015: HK$16,024 million) and the weighted average of 3,031 million ordinary shares in issue during the year (2015: 3,031 million ordinary shares).

8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	2016 HK$ per share	**2016 HK$ Million**	2015 HK$ per share	2015 HK$ Million
First interim dividend declared and paid	**0.58**	**1,758**	0.55	1,667
Second interim dividend declared after the end of the reporting period	**1.57**	**4,760**	1.35	4,092
	2.15	**6,518**	1.90	5,759

a. The second interim dividend based on 3,032 million issued ordinary shares (2015: 3,031 million shares) declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

b. The second interim dividend of HK$4,092 million for 2015 was approved and paid in 2016.

9. TRADE AND OTHER RECEIVABLES

Included in this item are trade receivables (net of allowance for bad and doubtful debts) with an ageing analysis based on the invoice date as at 31 December 2016 as follows:

	2016 HK$ Million	2015 HK$ Million
Trade receivables		
0 - 30 days	**411**	625
31 – 60 days	**70**	167
61 – 90 days	**31**	74
Over 90 days	**143**	105
	655	971
Other receivables and prepayments	**3,626**	3,003
	4,281	3,974

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 virtually recoverable within one year.

10. TRADE AND OTHER PAYABLES

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

	2016 HK$ Million	2015 HK$ Million
Trade payables		
0 - 30 days	**349**	390
31 - 60 days	**261**	258
61 - 90 days	**39**	32
Over 90 days	**188**	128
	837	808
Rental and customer deposits	**4,129**	3,982
Construction costs payable	**8,112**	7,980
Amount due to associates	**3,390**	3,083
Amount due to joint ventures	**1,875**	2,524
Other payables	**5,902**	4,304
	24,245	22,681

11. REVIEW OF RESULTS

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

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

CORPORATE GOVERNANCE CODE

During the financial year ended 31 December 2016, all the code provisions set out in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited were met by the Company, with the exception of Code Provision A.2.1 providing for the roles of the chairman and chief executive to be performed by different individuals.

It 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 thereby enabling more effective planning and better execution of long-term strategies. 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 half of them being Independent Non-executive Directors.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

BOOK CLOSURE

To ascertain Shareholders' entitlement to the abovementioned second interim dividend, the Register of Members will be closed from Thursday, 30 March 2017 to Friday, 31 March 2017, both days inclusive, during which period no transfer of shares of the Company can be registered. In order to qualify for the second interm 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, Hong Kong, not later than 4:30 p.m. on Wednesday, 29 March 2017.

To ascertain Shareholders' rights to attend and to vote at the forthcoming Annual General Meeting (the "AGM") to be held on Wednesday, 10 May 2017, the Register of Members will be closed from Thursday, 4 May 2017 to Wednesday, 10 May 2017, both days inclusive, during which period no transfer of shares of the Company can be registered. In order to be eligible for attending and voting at the AGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 2 May 2017.

By Order of the Board
Kevin C. Y. Hui
Company Secretary

Hong Kong, 9 March 2017

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Stephen T. H. Ng, Mr. Andrew O. K. Chow, Ms. Doreen Y. F. Lee, Mr. Paul Y. C. Tsui, Ms. Y. T. Leng and Mr. K. P. Chan, together with six Independent Non-executive Directors, namely, Mr. Alexander S. K. Au, Professor Edward K. Y. Chen, Mr. Vincent K. Fang, Mr. Hans Michael Jebsen, Mr. David Muir Turnbull and Professor E. K. Yeoh.