WHEELOCK AND COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 20

2018 Final Results Announcement

Strong residential sales despite mixed outlook

Hong Kong Properties Highlights

- **Residential contracted sales** reached approximately HK$26.0 billion in 2018, an increase of 52% compared with 2017. Up to 6 March 2019:
  - **MALIBU** has presold 1,559 units for HK$14.4 billion with continuous interests from buyers.
  - **OASIS KAI TAK** has presold 607 units for HK$7.4 billion since first launch.
  - **MONTEREY** sold or presold 845 units for HK$9.1 billion with sell-through 97%.
- **Net order book** surged to HK$26.7 billion, representing an increase of 203% from 2017, contributed by the successful launches of MALIBU, OASIS KAI TAK and MONTEREY.
- **Land bank** under management stood at 6.3 million square feet in December 2018. If including the newly acquired Kai Tak residential land subsequent to last December, land bank has increased to 6.9 million square feet.

Group Financials

- **Group underlying profit** increased by 9% to HK$13,208 million, mainly attributable to higher IP profits in Hong Kong and Mainland China and good HKP profit.
- Attributable underlying profit from Wharf REIC increased by 6% to HK$6.2 billion.
- Prudent balance sheet with Wheelock's own net gearing before consolidation at 13%.
- Second interim dividend at HK$1.05 per share, increased by 10.5% from last year, making total dividend for the year 2018 HK$1.55 per share.

GROUP RESULTS

Excluding investment property revaluation gain and exceptional items, underlying profit was HK$13,208 million (2017: HK$12,117 million).

Group profit attributable to equity shareholders was HK$17,239 million (2017: HK$20,570 million). Earnings per share were HK$8.43 (2017: HK$10.09).

DIVIDENDS

A first interim dividend of HK$0.50 per share was paid on 17 September 2018. In lieu of a final dividend, a second interim dividend ("Second Interim Dividend") of HK$1.05 per share will be paid on 26 April 2019 to Shareholders on record as at 11 April 2019. Total distribution for the year 2018 will amount to HK$1.550 (2017: HK$1.425) per share.

BUSINESS REVIEW

Hong Kong Properties ("HKP")

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

MALIBU, a large-scale waterfront residential development in the new O'EAST portfolio, was launched in March 2018. A total of 1,559 units were presold for **HK$14.4 billion** in 2018, representing 97% of total stock sold. O'EAST is a natural waterside urban living environment, a neighbour to O'SOUTH portfolio. Located at only 46 meters from LOHAS Park MTR station and the upcoming 480,000 square feet LOHAS mall, the project is the only site in LOHAS to enjoy Silverstrand and O'SOUTH sea views.

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

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

On **commercial contracted sales**, O'SOUTH Retail Portfolio at Tseung Kwan O, namely, Capri Place, Savannah Place and Monterey Place, with a total of approximately 300,000 square feet gross floor area, was sold en-bloc for **HK$3.3 billion** in October 2018, increasing total contracted sales for Hong Kong properties to a new record of HK$29.3 billion by 13% from 2017.

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

Land bank under management was 6.3 million square feet of attributable GFA as at 31 December 2018 after the successful launch of MALIBU which presold 1.1 million square feet. If including the newly acquired Kai Tak residential land subsequent to last December, land bank has been increased to 6.9 million square feet by now.

Our diversified land bank portfolio which provides a wide variety of product offerings, ranging from The Peak collection, MTR residences, waterfront living, suburban houses to commercial properties. The urban-focused land bank is sufficient to fulfill our needs in the coming years, and we strive to further replenish quality land bank through various means.

In the first quarter of 2019, the Group acquired a residential site in Kai Tak, which commands a maximum GFA of 551,138 square feet. The transaction offers an opportunity for us to further expand our development property portfolio in Kai Tak area and is therefore beneficial through capturing synergies.

Corporate Social Responsibility ("CSR") and Business-in-Community

On **Project *WeCan***, the Group's key Business-in-Community initiative, supporting less-privileged students with opportunities and care to empower them for pursuing higher studies and future career. With the support of 68 organisations, the programme currently has developed from 10 schools at 8 years ago to 76 secondary schools for now, benefitting 66,000 students in Hong Kong.

In July 2018, the annual Job Tasting Programme was officially kicked off, offering nearly 200 internship opportunities from 32 companies for secondary school students. It simulates a proper job search and application process, from job posting, writing application letters, to attending interviews. Appointed students received a taste of working in real life through a two-to-four-week internship in different departments of participating companies. We also supported the Career Exploration Days held in November 2018 and January 2019. The programme introduced a total of 50 job tasters and other career-related activities covering 20 industries to over 5,000 Form 4 students from *WeCan* schools.

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

These prominent achievements again demonstrate their confidence in our project quality and recognition of our commitment to sustainable and green development. Advocating the concept of "Business-in-Community", Wheelock Properties has promoted diversified youth development through our flagship programmes Project *WeCan*.

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

On **innovation**, CLUB WHEELOCK mobile application has been awarded the "e-brand awards 2018" by Hong Kong Economic Times and e-Zone on 15 August 2018, honouring the "Best lifestyle mobile application" nominated by general public and professional judging panel. The launch of HKSTP@Wheelock Gallery signifies our support for technology innovators and start-ups by leveraging the company's primely-located Wheelock Gallery and business expertise. The initiative creates a platform to connect technology and industry by providing incubation programmes and workshop seminars to help start-ups turn their innovative ideas into marketable products and solutions. The initiative echoes well with our corporate innovation culture and CSR approach "Business-in-Community".

Wheelock Properties also held Wheelock Innovation Competition 2018 to drive innovation initiative within our company. Around 70 submissions have been received from different departments and business units, top 16 winners were awarded based on their ideas' effectiveness and innovativeness.

On **art and culture**, National Geographic Wheelock Hong Kong Photo Contest 2018 officially kicked off in October 2018. Themed "Hong Kong Story", the global competition invites both enthusiasts and novices aged 16 and above to explore and story tell the best of Hong Kong nature, city and people through their lens. Other CSR initiatives including Wheelock Interior Design Internship Program (WIND) are established to support and nurture local art and design talents in interior design to undertake overseas internships, gaining valuable exposure.

Wheelock and Company Limited is the majority shareholder of The Wharf (Holdings) Limited, Wharf Real Estate Investment Company Limited and Wheelock Properties (Singapore) Limited. Below is a report on their operations and achievements in 2018.

The Wharf (Holdings) Limited ("WHL")

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

Due to lower recognition, HKP revenue decreased to HK$1,667 million and operating profit to HK$1,067 million on an attributable basis. WHL's Peak Portfolio redefines the concept of luxury living. MOUNT NICHOLSON was highly-acclaimed since its launch in early-2016, and the re-development of other peak projects including 1 Plantation Road is well underway and will feature 20 houses. Meanwhile, Chelsea Court and Strawberry Hill have been leasing well. The vibrant transformation of Kowloon East is providing a vast potential for WHL's "Kowloon East Waterfront Portfolio", among which different re-development options of Kowloon Godown are under evaluation. Yau Tong Bay's general building plans have been approved. Lease modification is under way.

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

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

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

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

Meanwhile, office revenue reflected solid rental reversion and stable rents for new commitments.

Revenue at Wheelock House and Crawford House was maintained at HK$469 million, and operating profit at HK$407 million.

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

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

Wheelock Properties (Singapore) Limited ("WPSL")

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

FINANCIAL REVIEW

(I) REVIEW OF 2018 RESULTS

WHEELOCK AND COMPANY (before consolidation of listed subsidiaries WHL, Wharf REIC and WPSL)

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

WHEELOCK GROUP

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

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

Revenue and Operating Profit

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

Investment Property ("IP")

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

Development Property ("DP")

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

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

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

Hotels

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

Logistics

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

Communications, Media and Entertainment ("CME")

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

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

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

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

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

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

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

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

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

Non-controlling Interests ("NCI")
Profit attributable to NCI decreased by 23% to HK$9,631 million (2017: HK$12,461 million).

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

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

Set out below is an analysis of the Group profit attributable to equity shareholders as contributed by each of Wheelock and Company, WHL, Wharf REIC and WPSL as if the demerger of Wharf REIC had been completed since 1 January 2017.

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

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

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

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

(II) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL COMMITMENTS

Shareholders' and Total Equity

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

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

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

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

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

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

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

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

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

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

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

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

Finance and Availability of Facilities

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

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

Of the above debt, HK$16.7 billion (2017: HK$12.1 billion) was secured by mortgages over certain DP, IP and property, plant and equipment with a total carrying value of HK$55.2 billion (2017: HK$42.3 billion).

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

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

The Group continued to maintain a strong financial position with ample surplus cash denominated principally in RMB, HKD, USD and Singapore dollars, and undrawn committed facilities to facilitate the Group's business and investment activities. The Group also maintained a portfolio of other long term investments with an aggregate market value of HK$42.6 billion (2017: HK$29.0 billion) as at 31 December 2018, which is immediately available for the Group's use when in need.

Cash Flows from the Group's Operating and Investing Activities

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

Major Capital and Development Expenditure and Commitments
The Group's major capital and development expenditure incurred in 2018 is analysed as follows:

A. Major Capital and Development Expenditure

	Hong Kong / Singapore HK$ Million	**Mainland China** HK$ Million	**Total** HK$ Million
Wheelock and Company			
IP	62	–	62
DP	14,636	–	14,636
	14,698	–	14,698
WHL group			
IP	289	4,607	4,896
DP	12,540	27,687	40,227
Non-property and others	208	11	219
	13,037	32,305	45,342
Wharf REIC group			
IP	329	618	947
DP	–	271	271
Non-property and others	36	–	36
	365	889	1,254
WPSL group			
IP	9	–	9
DP	–	283	283
	9	283	292
Analysis by segment:			
IP	689	5,225	5,914
DP	27,176	28,241	55,417
Non-property and others	244	11	255
Group total	28,109	33,477	61,586

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

ii. WHL's expenditure totalled HK$45.3 billion, comprising expenditure of HK$4.9 billion for IP (mainly construction costs of the IFS projects in Mainland China), HK$40.2 billion for DP (including associates and joint ventures) and HK$0.2 billion for Modern Terminals.

iii. Wharf REIC's expenditure amounted to HK$1.3 billion, comprising expenditure of HK$1.0 billion for IP (mainly construction costs of the Suzhou IFS project) and HK$0.3 billion for DP projects in Mainland China (including associates and joint ventures).

iv. WPSL's expenditure of HK$0.3 billion was mainly for construction cost payments for its Mainland China DP projects.

B. Commitments to Capital and Development Expenditure

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

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

i. Wheelock and Company's own commitments of HK$15.9 billion were mainly related to construction costs for DP (inclusive of an associate's attributable commitment) in Hong Kong.

ii. WHL's commitments of HK$27.2 billion were mainly comprised of expenditure of HK$1.2 billion for IP, HK$22.3 billion land and construction costs for DP (inclusive of associates' and joint ventures' attributable commitments), HK$0.2 billion mainly for Modern Terminals and HK$3.5 billion for financial investments.

iii. Wharf REIC's commitments of HK$6.5 billion were mainly comprised of expenditure of HK$1.4 billion for IP, HK$5.0 billion construction costs for DP and HK$0.1 billion mainly for hotels.

iv. WPSL's commitments of HK$1.5 billion were mainly related to construction costs for DP in Mainland China.

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

(III) HUMAN RESOURCES

The Group had approximately 12,838 employees as at 31 December 2018, including about 2,300 employed by managed operations. Employees are remunerated according to their job responsibilities and the market pay trends, with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the respective group's achievement and results.

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2018

	Note	2018 HK$ Million	2017 HK$ Million
Revenue	2	**48,490**	70,953
Direct costs and operating expenses		**(19,435)**	(42,264)
Selling and marketing expenses		**(1,513)**	(2,198)
Administrative and corporate expenses		**(1,667)**	(1,650)
Operating profit before depreciation, amortisation, interest and tax		**25,875**	24,841
Depreciation and amortisation	3	**(941)**	(984)
Operating profit	2 & 3	**24,934**	23,857
Increase in fair value of investment properties		**9,195**	9,860
Other net (charge)/income	4	**(1,894)**	4,478
		32,235	38,195
Finance costs	5	**(1,599)**	(1,154)
Share of results after tax of :			
Associates		**1,585**	1,471
Joint ventures		**1,279**	2,954
Profit before taxation		**33,500**	41,466
Income tax	6	**(6,630)**	(8,435)
Profit for the year		**26,870**	33,031
Profit attributable to:			
Equity shareholders		**17,239**	20,570
Non-controlling interests		**9,631**	12,461
		26,870	33,031
Earnings per share	7		
Basic		**HK$8.43**	HK$10.09
Diluted		**HK$8.41**	HK$10.06

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2018

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2018

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

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

The financial statements 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 Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong). These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 2017 except for the changes mentioned below.

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

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

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

HKFRS 15, Revenue from contracts with customers

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

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

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

a) Timing of revenue recognition

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

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

b) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears. Previously, the Group did not apply such a policy when payments were received in advance.

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

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

c) Sales commissions payable related to property sales contracts

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

d) Presentation of contract assets and liabilities

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

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

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

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

	Amounts reported in accordance with HKFRS 15 (A) HK$ Million	Hypothetical amounts under HKAS 18 (B) HK$ Million	Difference: Estimated impact of adoption of HKFRS 15 in 2018 (A) - (B) HK$ Million
Line items in the consolidated income statement for the year ended 31 December 2018:			
Revenue	48,490	57,154	(8,664)
Direct costs and operating expenses	(19,435)	(24,423)	4,988
Selling and marketing expenses	(1,513)	(1,775)	262
Operating profit	24,934	28,348	(3,414)
Share of results after tax of joint ventures	1,279	1,435	(156)
Profit before taxation	33,500	37,070	(3,570)
Income tax	(6,630)	(7,193)	563
Profit for the year	26,870	29,877	(3,007)
Profit attributable to:			
Equity shareholders	17,239	20,191	(2,952)
Non-controlling interests	9,631	9,686	(55)
Earnings per share			
Basic	HK$8.43	HK$9.87	(HK$1.44)
Diluted	HK$8.41	HK$9.85	(HK$1.44)
Line items in the consolidated statement of comprehensive income for the year ended 31 December 2018:			
Total comprehensive income for the year	14,665	17,672	(3,007)
Total comprehensive income attributable to:			
Equity shareholders	9,168	12,120	(2,952)
Non-controlling interests	5,497	5,552	(55)
Line items in the consolidated statement of financial position as at 31 December 2018:			
Interests in joint ventures	29,161	29,317	(156)
Total non-current assets	459,360	459,516	(156)
Properties for sale	91,433	86,445	4,988
Trade and other receivables	10,002	12,991	(2,989)
Total current assets	133,264	131,265	1,999
Total assets	592,624	590,781	1,843
Trade and other payables	(34,916)	(35,033)	117
Deposits from sale of properties	(24,780)	(19,250)	(5,530)
Taxation payables	(6,121)	(6,684)	563
Total current liabilities	(81,286)	(76,436)	(4,850)
Total liabilities	(203,146)	(198,296)	(4,850)
NET ASSETS	389,478	392,485	(3,007)
Reserves	247,353	250,305	(2,952)
Shareholder’s equity	251,077	254,029	(2,952)
Non-controlling interests	138,401	138,456	(55)
TOTAL EQUITY	389,478	392,485	(3,007)

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

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

The financial information relating to the years ended 31 December 2018 and 2017 included in this announcement of annual results does not constitute the Company's statutory annual financial statements for those 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 2017 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 2018 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 four reportable operating segments for measuring performance and allocating resources. The segments are investment property, development property, hotels and logistics. The Group completed the exit from communications and media and entertainment ("CME") on distribution of i-CABLE Communication Limited's shares in specie to the Company's shareholders. No operating segments have been aggregated to form the reportable segments.

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

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

Hotels segment includes hotel operations in the Asia Pacific region which are operated by The Wharf (Holdings) Limited ("WHL") and Wharf Real Estate Investment Company Limited ("Wharf REIC").

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

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

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

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

(a) Analysis of segment revenue and results

	Revenue HK$ Million	Operating profit HK$ Million	Increase/ (decrease) in fair value of investment properties HK$ Million	Other net (charge)/ income HK$ Million	Finance costs HK$ Million	Share of results after tax of associates HK$ Million	Share of results after tax of joint ventures HK$ Million	Profit before taxation HK$ Million
For the year ended 31 December 2018								
Investment property	**18,326**	**14,825**	**9,195**	**23**	**(1,048)**	**-**	**95**	**23,090**
Hong Kong	**14,549**	**12,704**	**8,803**	**-**	**(835)**	**-**	**-**	**20,672**
Mainland China	**3,429**	**1,872**	**568**	**23**	**(213)**	**-**	**95**	**2,345**
Singapore	**348**	**249**	**(176)**	**-**	**-**	**-**	**-**	**73**
Development property	**23,283**	**8,404**	**-**	**114**	**(420)**	**1,117**	**1,167**	**10,382**
Hong Kong	**9,740**	**2,754**	**-**	**15**	**(278)**	**-**	**947**	**3,438**
Mainland China	**13,478**	**5,596**	**-**	**99**	**(142)**	**1,117**	**220**	**6,890**
Singapore	**65**	**54**	**-**	**-**	**-**	**-**	**-**	**54**
Hotels	**2,284**	**345**	**-**	**8**	**(39)**	**-**	**7**	**321**
Logistics	**2,742**	**606**	**-**	**(50)**	**(191)**	**272**	**10**	**647**
Terminals	**2,606**	**587**	**-**	**(9)**	**(191)**	**176**	**10**	**573**
Others	**136**	**19**	**-**	**(41)**	**-**	**96**	**-**	**74**
Inter-segment revenue	**(264)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Segment total	**46,371**	**24,180**	**9,195**	**95**	**(1,698)**	**1,389**	**1,279**	**34,440**
Investment and others	**2,119**	**1,515**	**-**	**(1,989)**	**99**	**196**	**-**	**(179)**
Corporate expenses	**-**	**(761)**	**-**	**-**	**-**	**-**	**-**	**(761)**
Group total	**48,490**	**24,934**	**9,195**	**(1,894)**	**(1,599)**	**1,585**	**1,279**	**33,500**
For the year ended 31 December 2017								
Investment property	16,529	13,520	9,860	(10)	(1,216)	-	-	22,154
Hong Kong	13,552	11,846	8,749	-	(1,056)	-	-	19,539
Mainland China	2,635	1,458	1,111	(10)	(160)	-	-	2,399
Singapore	342	216	-	-	-	-	-	216
Development property	47,836	9,312	-	674	(102)	1,161	2,944	13,989
Hong Kong	18,908	1,142	-	-	(76)	4	2,386	3,456
Mainland China	23,396	7,841	-	605	(26)	1,157	558	10,135
Singapore	5,532	329	-	69	-	-	-	398
Hotels	1,686	381	-	-	(3)	-	-	378
Logistics	2,817	667	-	104	(184)	278	12	877
Terminals	2,703	649	-	145	(184)	170	12	792
Others	114	18	-	(41)	-	108	-	85
CME (i-CABLE)	874	(294)	-	86	(7)	-	-	(215)
Inter-segment revenue	(270)	-	-	-	-	-	-	-
Segment total	69,472	23,586	9,860	854	(1,512)	1,439	2,956	37,183
Investment and others	1,481	811	-	3,624	358	32	(2)	4,823
Corporate expenses	-	(540)	-	-	-	-	-	(540)
Group total	70,953	23,857	9,860	4,478	(1,154)	1,471	2,954	41,466

(b) Analysis of inter-segment revenue

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

(c) Disaggregation of revenue

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

(d) Analysis of segment business assets

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

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

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

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

(e) Other segment information

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

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

(f) Geographical information

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

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

Specified non-current assets exclude deferred tax assets, certain other long term investments, derivative financial assets and certain non-current assets.

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

3. OPERATING PROFIT

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

Notes:

(a) Staff costs included contributions to defined contribution pension schemes of HK$300 million (2017: HK$294 million) and equity settled share-based payment expenses of HK$35 million (2017: HK$75 million).

(b) Rental income included contingent rentals of HK$2,011 million (2017: HK$1,278 million).

(c) Interest income of HK$662 million (2017: HK$603 million) was in respect of financial assets, which mainly comprise bank deposits, stated at amortised cost. The remaining of HK$22 million (2017: HK$35 million) was in respect of financial assets at fair value through other comprehensive income.

4. OTHER NET (CHARGE)/INCOME

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

(a) A deficit of HK$1,171 million (2017: HK$Nil) resulted from the reclassification of the investment in an associate from interest in associates to other long term investments.

(b) Net exchange loss of HK$692 million (2017: HK$703 million) which included a fair value loss on forward foreign exchange contracts of HK$41 million (2017: HK$381 million).

(c) 2017 included a gain of HK$4,499 million arising from disposal of an investment property.

(d) 2017 included write-back of impairment provision of HK$1,104 million on certain development projects and assets.

5. FINANCE COSTS

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

6. INCOME TAX

Taxation charged to the consolidated income statement includes:

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

(a) The provision for Hong Kong profits tax is based on the profit for the year as adjusted for tax purposes at the rate of 16.5% (2017: 16.5%).

(b) Income tax on assessable profits outside Hong Kong is mainly China corporate income tax calculated at a rate of 25% (2017: 25%), China withholding income tax at a rate of up to 10% and Singapore income tax at a rate of 17% (2017: 17%).

(c) Under the Provisional Regulations on LAT, all gains arising from transfer of real estate property in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds on sales of properties less deductible expenditure including cost of land use rights, borrowing costs and all property development expenditure.

(d) Tax attributable to associates and joint ventures for the year ended 31 December 2018 of HK$1,247 million (2017: HK$1,435 million) is included in the share of results after tax of associates and joint ventures.

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following data:

(a) Earnings for the purpose of basic and diluted earnings per share

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

(b) Weighted average number of ordinary shares

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

8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

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

(a) The second interim dividend based on 2,048 million (2017: 2,042 million) issued ordinary shares declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) The second interim dividend of HK$1,945 million for 2017 was approved and paid in 2018.

9. TRADE AND OTHER RECEIVABLES

Included in this item are trade receivables (net of allowance for bad and doubtful debts) with an ageing analysis based on invoice dates as at 31 December 2018 as follows:

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

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

10. TRADE AND OTHER PAYABLES

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

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

11. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

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

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

12. SHARE CAPITAL

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

13. REVIEW OF FINANCIAL STATEMENTS

The financial results for the year ended 31 December 2018 have been reviewed with no disagreement by the Audit Committee of the Company. The figures in respect of the announcement of the Group's results for the year ended 31 December 2018 have been agreed with the Company's Auditors to the amounts set out in the Group's consolidated financial statements for the year.

CORPORATE GOVERNANCE CODE

During the financial year ended 31 December 2018, all the code provisions set out in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited were met by the Company, with the exception of two deviations, namely, (i) Code Provision A.2.1 (the "First Deviation") providing for the roles of the chairman and chief executive to be performed by different individuals; and (ii) Code Provision F.1.3 (the "Second Deviation") providing for the company secretary to report to the board chairman or the chief executive.

Regarding the First Deviation, the relevant arrangement is deemed appropriate as it is considered to be more efficient for one single person to be the Chairman of the Company as well as to discharge the executive functions of a chief executive. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals, with more than half of them being Independent Non-executive Directors. As regards the Second Deviation, the Company Secretary of the Company has for some years directly reported to, and continues to report to, the Deputy Chairman of the Company, which is considered appropriate and reasonable given the size of the Group. In the view of the Directors, this reporting arrangement in no way adversely affects the efficient discharge by the Company Secretary of his job duties.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

RECORD DATE FOR SECOND INTERIM DIVIDEND

There will be no book closure for determining Shareholders' entitlements to the Second Interim Dividend, which will be paid on 26 April 2019 to Shareholders on record as at the close of business on 11 April 2019. In order to qualify for the Second Interim Dividend, all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Thursday, 11 April 2019.

BOOK CLOSURE FOR AGM

For the purpose of ascertaining Shareholders' right to attend and vote at the forthcoming Annual General Meeting to be held on Tuesday, 14 May 2019 ("AGM"), the Register of Members of the Company will be closed from Wednesday, 8 May 2019 to Tuesday, 14 May 2019, 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, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 7 May 2019.

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

Hong Kong, 12 March 2019

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