WHARF

Established 1886

THE WHARF (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 4)

2017 Final Results Announcement

Property Sales Drives the Continuing Business

HIGHLIGHTS

- 2017 core profit increased by 14% to HK$15.7 billion (2016: HK$13.8 billion).

- Demerger of Wharf REIC in November makes a simple comparison to 2016 less relevant. Had there been no demerger, 2017 core profit would have increased by 21% to HK$16.6 billion.

- On the other hand, had the demerger been completed prior to 2016, 2017 core profit would have increased by 36% to HK$7.1 billion, HK$6.2 billion or 88% of which from development properties or DP (Mainland: HK$3.8 billion; Hong Kong: HK$2.4 billion).

- Sale of 8 Bay East in Hong Kong generated proceeds of HK$9.0 billion and a net profit of HK$4.5 billion in addition to the realization of HK$1.3 billion revaluation surplus recorded in prior years, to enable a total net profit of about HK$11 billion realized from the sale of property interests in 2017.

- Demerger and re-investment resulted in consolidated assets excluding cash of HK$177.0 billion and total equity of HK$145.5 billion as at 31 December 2017.

- A second interim dividend of HK$0.95 per share will be paid. Total distribution for 2017 combined with Wharf REIC will amount to HK$7.7 billion in cash (about 46% of combined core profit), excluding non-cash in-specie distribution of Wharf REIC and i-CABLE shares.

RE-INVESTMENT

- Since the second half of 2017, a total of HK$70.5 billion has been re-invested including HK$12.5 billion in Hong Kong properties, HK$32.5 billion in China properties and HK$25.5 billion in listed equities.

- As at 28 February 2018, unaudited consolidated assets excluding cash amounted to about HK$210 billion, comprising 75% in properties and 15% in liquid listed equities.

- Equity capital designated for China properties is no more than 50% of total equity. The remaining equity is designated for Hong Kong properties, hotels, logistics and CME2.

- Hong Kong and China properties will still form the Group's backbone in the foreseeable future.

- Hong Kong properties include the Peak portfolio led by the successful Mount Nicholson project, the Lung Cheung Road site bought in early 2018, as well as redevelopment projects in Kowloon East. Hong Kong property interests also include a portfolio of listed blue chip Hong Kong property stocks as interim proxy to land bank (at an attractive discount to underlying land value and in addition paying a healthy dividend yield).

- Sharpening of our China DP focus to half a dozen key cities (from the sixteen cities previously) has benefitted the business unit across the board. Our investment in listed Greentown China also appreciated in value to HK$6.4 billion (original cost HK$2.9 billion).

- Prime China IP opportunities are scarce and cannot be budgeted for.

- CME2 is a strategic initiative and an infrastructure play in the new economy. The former CME capital released from the exit from Wharf T&T and i-CABLE in 2016 and 2017 is re-invested in a progressive CME2 arena that covers much larger markets with greater growth potential.

GROUP RESULTS

Group core profit for the year increased by 14% to HK$15,718 million (2016: HK$13,754 million), equivalent to HK$5.18 (2016: HK$4.54) per share.

Group profit attributable to equity shareholders, including investment property revaluation surplus and other accounting gains/losses, increased by 2% to HK$21,876 million (2016: HK$21,440 million). Basic earnings per share were HK$7.21 (2016: HK$7.07).

DIVIDENDS

During the financial year, aside from the first interim dividend in cash of HK$0.64 per share paid on 12 September 2017, the Company distributed in specie all shares held by the Group in i-CABLE Communications Limited ("i-CABLE Shares") and Wharf Real Estate Investment Company Limited ("Wharf REIC Shares") to Shareholders as special interim dividends amounting to (i) HK$0.09 per share (on basis of 48.91791 i-CABLE Shares for every 100 shares completed on 7 September 2017); (ii) HK$0.1 per share (on basis of 27.73135 i-CABLE Shares for every 100 shares completed on 10 October 2017); and (iii) HK$65.14 per share (on basis of one Wharf REIC Share for every one share completed on 23 November 2017).

In lieu of a final dividend, a second interim dividend in cash of HK$0.95 per share will be paid on 24 April 2018 to Shareholders on record as at 6:00 p.m. on 9 April 2018, making a total cash dividend of HK$1.59 per share in respect of the financial year 2017. Total distribution for the year, including the aforesaid three special interim dividends of HK$65.33 per share in aggregate, will amount to HK$66.92 (2016: HK$2.15) per share.

POST-DEMERGER CORPORATE OVERVIEW

Demerger of the Hong Kong Investment Properties ("IP") portfolio held through Wharf Real Estate Investment Company Limited ("Wharf REIC"; Stock code: 1997) completed in November 2017 provides investors with clearer strategic and investment profiles, and increases the operational and financial transparency for both Wharf REIC and the Group.

Following the demerger, the Group is principally engaged in Hong Kong and Mainland properties, hotels and logistics. In addition, CME2 represents a strategic initiative and an infrastructure play in the new economy, with the former CME capital released from the exit from Wharf T&T and i-CABLE in 2016 and 2017 re-invested in a progressive CME2 arena that covers much larger markets with greater growth potential.

2017 BUSINESS REVIEW

Hong Kong Properties

Owing to the high base of comparison arising from the recognition of Peninsula East in 2016, segment revenue decreased by 18% to HK$5,279 million in 2017. However, operating profit increased by 21% to HK$2,907 million on recognition of the good-margin Mount Nicholson.

New Land Site in Kowloon Tong

A residential development site in Kowloon Tong was acquired in January 2018 for HK$12.5 billion in a public tender. Commanding a total GFA of 436,000 square feet, the development is strategically located at the junction of Lion Rock Tunnel Road and Lung Cheung Road, near the traditional luxury residential area of Beacon Hill with a prestigious school network. It is poised to become an exquisite living destination in the Kowloon Peninsula.

The Peak Portfolio

Raising the bar for luxury living, Wharf's Peak Portfolio showcases a landmark collection of the most prestigious residences nestled on the Peak. Epitomizing ultra-luxury, exclusivity and scarcity, the peak properties set new standards of excellence for the most discerning residents.

Mount Nicholson, a 50:50 joint venture development, features the finest selection of ultra-luxury residences commanding uninterrupted stunning views of the sparkling Victoria Harbour. During the year, five houses and 14 apartments were sold for combined proceeds exceeding HK$9.4 billion or an average of HK$91,600 per square foot. The fabulous landmark embodying the ultimate lifestyle also sets new records in Asia. Two adjoining apartments were sold together for HK$1.2 billion or a record of HK$132,000 per square foot. This, together with House 3 sold for HK$1.2 billion or HK$126,800 per square foot, represents the priciest luxury residences in Asia. In January 2018, two apartments were sold for a total of HK$1.1 billion or HK$128,400 per square foot.

Superstructure works for the re-development of 11 Plantation Road (seven houses) and 77 Peak Road (eight houses) were completed in 2017 and superstructure work for re-development of 1 Plantation Road (20 houses) is in progress. These exquisite properties will further unleash value and add growth impetus to the Group.

Chelsea Court and Strawberry Hill boasting super deluxe residences with impeccable standards of management have been leasing well.

Kowloon East

Kowloon East, a vibrant CBD2 under the Government's "Energizing Kowloon East" initiative, is gaining momentum, exuding immense potential for the Group's exceptional "Kowloon East Waterfront Portfolio". This portfolio showcases a striking collection of Kowloon Godown (pending re-development), 8 Bay East (a quality office tower already sold to a mainland company), and parent company Wheelock's One Bay East (comprising two office towers already sold to and occupied by Manulife and Citigroup respectively), spanning a 500-metre coastline and boasting a spectacular Harbour view.

In late 2017, the Group disposed the wholly-owned subsidiary that owns the 8 Bay East Project for HK$9 billion, which marked the largest en-bloc office transaction in Kowloon. A gain of HK$4.5 billion was recognised in 2017 in addition to the realization of HK$1.3 billion revaluation surplus recorded in prior years. Commanding a total GFA of 596,000 square feet, 8 Bay East is a sleek 25-storey Grade-A Office Tower with retail space underneath. Featuring a maximised 20% of greenery area by fully utilising roof, vertical wall and podium, the green building has been awarded U.S. LEED® Platinum Pre-Certification (the highest standard) and HK BEAM Plus Gold Pre-Certification in recognition of its contributions in sustainability. Superstructure works are underway.

Kowloon Godown, pending re-development, comprises a warehouse and an open yard envisaging an existing operating GFA of 1,032,000 square feet. The general building plan for the open yard has been approved in February 2016. The lease modifications for commercial scheme at the open yard and the Kowloon Godown sites were submitted in June and August 2017 respectively. In parallel, the general building plan for revitalisation scheme of the Godown was submitted in September 2017.

The 15%-owned Yau Tong Bay joint venture project is prominently located in close proximity to the MTR station fronting the Victoria Harbour. Enjoying a compelling panoramic harbour view, the development features a total GFA of 4,022,000 square feet providing 6,300 residential units. The general building plan has been approved in July 2017. Lease modification is underway.

Logistics

The logistics segment, comprising Modern Terminals and Hong Kong Air Cargo Terminals ("HACTL"), constitutes a steady source of cash flow for the Group. Segment revenue increased by 3% to HK$2,817 million and operating profit dropped by 7% to HK$667 million. It is anticipated that the logistics segment will be benefited from the tremendous potential presented by the grand development of the Greater Bay Area.

Modern Terminals

Against the backdrop of steady improvements of the global economic environments, global trade recovery stayed on course. South China's container throughput increased by 6% while Shenzhen's and Kwai Tsing's throughput increased by 5% and 7% respectively. Market shares of Shenzhen and Kwai Tsing were 60% and 40% respectively.

Throughput handled at Modern Terminals in Hong Kong grew by 12% to 5.2 million TEUs. In the Mainland, throughput at DaChan Bay in Shenzhen remained flat at 1.3 million TEUs, mainly due to new carrier alliance deployments, while that at Shekou Container Terminals in Shenzhen, in which Modern Terminals holds a 20% stake, witnessed a 4% growth to 5.3 million TEUs. Chiwan Container Terminal in Shenzhen, in which Modern Terminals holds an 8% attributable stake, handled 2.2 million TEUs.

Consolidated revenue improved to HK$2,703 million (2016: HK$2,635 million), driven by the volume increase in the Hong Kong business. Operating profit decreased to HK$649 million (2016: HK$710 million) largely due to changes in business mix. The remaining 50% of the indirect equity interest in Taicang container port business was sold to Ningbo Port Co. Ltd., with the disposal gain booked in 2017.

A moderate "new normal" global growth is expected in 2018. Political uncertainties including surging trade protectionism and the prospect of Brexit may undermine global trade recovery. Modern Terminals spares no efforts in enhancing operational efficiency with various initiatives in this challenging market. The infrastructure upgrade project is also on schedule to capture new opportunities and create value.

HACTL

HACTL, a 20.8% associate of the Group, is a leading air cargo terminal operator in Hong Kong with four decades of operational experience. With the unique world-class facilities, highly efficient operation and innovative technology, HACTL has the capacity to handle cargo for up to 3.5 million tonnes per year and is committed to playing an integral role in the logistics business in Hong Kong and the Pearl River Delta. Serving one of the world's busiest airports for international cargo, it handled 1.8 million tonnes in 2017.

China Investment Properties

The Group's leadership in retail management has driven the successful performance of the Group's malls in the Mainland, in particular the award-winning Chengdu IFS. The newly-opened Chongqing IFS and the upcoming Changsha IFS at strategic locations in the cities are set to mirror the success in Chengdu and present superior long-term growth potential. Creating a unique lifestyle platform offering unprecedented "retailtainment" experiences, the Group has positioned itself as one of the most preferred partners of the world's best-in-class retailers. It is a good testament to retailers' trust and confidence in the Group's execution and value-creation capabilities. The exciting pipeline of IFS developments will further strengthen the Group's recurrent income base in the years to come.

First Series – Times Square

Back in the 1990s, the Group started to build its first series of quality IPs, the "Times Square" series, in vibrant cities in the Mainland. This series comprises two prime commercial properties in Shanghai, namely Shanghai Times Square and Shanghai Wheelock Square, as well as Chongqing Times Square, Dalian Times Square and Marco Polo Wuhan (hotel with retail spaces).

Shanghai Times Square is an exceptional retail destination strategically located in the vibrant shopping, entertainment and business hub of Huaihai Zhong Road. The largest Lane Crawford store in the Mainland and a mega lifestyle specialty store city'super provide shoppers with exhilarating experiences. A series of themed marketing campaigns were launched to attract a more diverse audience. These included Nike and One Foundation running club, Shanghai Disney Resort Summer Promotion, Shanghai Tourism Festival Floats Parade and Mid-autumn Festival "Arts & Crafts Workshops". Occupancy rate was 100% at year-end. The offices were 98% let, with lease renewal retention rate of 70%.

Shanghai Wheelock Square, among the tallest skyscrapers in Puxi at 270 meters, remains one of the most preferred addresses for multinationals and major corporations in the district. Its unrivalled location 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 provides excellent accessibility. It also sits between the Bund and Zhongshan Xi Road with Hongqiao International Airport further to the west. Shanghai Wheelock Square integrates environmentally-friendly aspects with state-of-the-art amenities to create sophisticated modern architecture. With world-class management standards, Shanghai Wheelock Square has earned numerous awards and proven its pole position among its peers. Total new commitments in 2017 reached 21,200 square metres. Occupancy rate was 93% at year-end. Lease renewal retention rate was maintained at 71%, with solid reversion.

Current Series – International Finance Square

The development of massive IFS projects marks the next phase of the Group's commercial IPs. Such expansion signifies the Group's commitment to continue its exemplary achievements and success stories in the Mainland. The award-winning Chengdu IFS, the first IFS complex debuted in 2014, has proven to be a resounding success and set a strong model for the other IFS complexes. Chongqing IFS, which celebrated its grand opening in September 2017, has become the city's new landmark of luxury shopping, dining, entertainment and lifestyle, offering unparalleled lifestyle experiences to customers. Opening of another massive IFS complex in Changsha is schedule for mid-2018.

Chengdu IFS

Retail

Setting a new standard for captivating "retailtainment" experiences, Chengdu IFS has become a unique lifestyle icon in the western China metropolis. Strategically located in the city's busiest pedestrian shopping area, the trendsetting landmark leads the pack among Chengdu peers in sales productivity. Its strong operating performance was underpinned by its enviable location, critical mass and high-calibre management. Overall revenue increased by 23% to HK$1,090 million and operating profit by 32% to HK$507 million.

Retail revenue increased by 20% to RMB761 million with occupancy rate standing firm at 99% at year-end. Tenant sales witnessed a robust growth of 30% while foot traffic grew by 18%. Raising the bar for lifestyle destination in the region, the premium quality mall is among the top malls in terms of retail sales and foot traffic in China West. The exceptional collection of nearly 300 global premium brands, with over 100 debuts in China, is a testament to the Group's ability to attract the world's best-in-class retailers. The 15-metre-tall giant panda outdoor artpiece garnered wide attention from the public, while the 7,700-square-metre Sculpture Garden is an urban sanctuary for visitors to relax and refresh themselves. The compelling entertainment offerings including an IMAX movie theatre and an ice skating rink further enliven the customer journey.

Tenant mix was further refined with new additions including *ARC, DSquare2, Dyson, ENZO, Fjällräven, Nike Jordan, Moleskine, Moynat, Onitsuka Tiger* and *Vacheron Constantin*. An unprecedented "sister streets' partnership" was announced between Chengdu IFS and Le Comité Saint Germain des Prés of Paris, fostering Sino-French exchange and co-operation in art, culture, business and tourism. Other innovative marketing campaigns including the world's debut of the 180-metre-long Sonic Runway, Disney "Beauty and The Beast" Movie Exhibition and We're All Smurfs Hot Summer Exhibition successfully drew incremental patronage.

In recognition of its efforts to promote the internationalisation of the city and its innovative cooperation mode that aligns domestic and international partners, Chengdu IFS was awarded 2017 ICSC Asia-Pacific Shopping Centre Gold Award (marketing positioning & brand awareness).

Office

Surmounting the nine-level retail and lifestyle podium stands three premium Grade A office towers, IFS Residences and Niccolo Chengdu. Office leasing stayed on track with over 163,000 square metres (60% of total GFA) of the offices leased to premium tenants, creating an optimal marketplace for these tenants to conduct seamless business interaction. These offices represent the most coveted location for multinationals, financial institutions and major corporations in China West and command among the highest rental rates in the city.

IFS Residences

IFS Residences, inaugurated in late 2016, are among the most coveted and exclusive serviced residences with top-notch services. Featuring 150 upscale apartments epitomising blissful living, IFS Residences currently accommodates elite entrepreneurs and expatriates of multinational corporations.

Chongqing IFS

The Group's proven management expertise in operating immensely productive retail-cum-office developments is anticipated to further extend to new IFS complexes including Chongqing IFS.

Debuted in September 2017, Chongqing IFS is strategically located at the centre of Jiangbeizui, the city's emerging central business district, with the scenic landscape where the Yangtze River and Jialing River meets. Its coveted location with clusters of renowned Chinese financial institutions nearby, alongside excellent transport connections with its direct linkage to light railway station (lines 6 and 9), creates an attractive catchment area for Chongqing IFS.

The iconic 300-metre towering landmark, together with four other towers, featuring "City-within-a-City" concept that comprises Grade A offices and Niccolo Chongqing, atop the 109,000-square-metre world-class retail podium becomes the most massive integrated complex (total GFA: 541,000 square metres) in the district. This impressive development is creating a one-of-a-kind cluster that sets the quality standard for the entire area.

The premier mall is the city's new landmark offering an exceptional one-stop lifestyle experience in Chongqing and China West. Having the largest cluster of first tier brands in Chongqing under one roof, Chongqing IFS is the preferred address for the global premium retailers. The tenant mix speaks for itself, with more than 150 retailers including 80 most coveted international brands and 20 debuts in the city. An impressive lineup of delectable dining options, including *ABC Cooking Studio, KITAYAMA*, *NY Night Market* and *Vinoteka*, was unveiled to spice up diners' palates. Alongside the delightful entertainment offerings including *The Rink* and *PALACE* cinema, the diverse tenant mix upkeeps Chongqing IFS' position as an iconic shopping, dining, entertainment and lifestyle destination, bringing unprecedented experiences to customers. Currently, over 95% of the retail floor plates are leased or under offer to key tenants.

88% of office Tower Two, Three and Five was sold.

Niccolo Chongqing, Chongqing's highest sky hotel with spectacular views of the city, was opened alongside the mall in September.

Times Outlets

Outlet malls are among the fastest growing sectors of commercial properties in China. In light of the burgeoning domestic consumption by the rapidly rising middle class, the Group has developed two world-class outlet malls in Chengdu and Changsha to be benefited from the huge potential.

Retail sales at the 63,000-square-metre Chengdu Times Outlets witnessed a solid growth of 12%. Home to over 250 international brands at attractive prices, the mall remains among the most visited outlet destinations across China. It sets an excellent model for the sister mall in Changsha, which was opened in late 2016. The convenient access to multiple major motorways (including metro and high-speed expressway) that link Changsha to various popular national tourist attractions, including Zhangjiajie and Dongting Lake, attracts visitors from other cities to Changsha Times Outlets. With a committed occupancy of 82% at year-end, the mall currently hosts a myriad of international and top local apparels and lifestyle brands as well as eateries. It has positioned itself as a one-stop integrated shopping and leisure landmark in the region.

Under Development – Changsha IFS

Changsha IFS, inclusive of an enormous 246,000-square-metre mall, boasts the city's most prime location at the intersection of Huangxing Road (one of the busiest pedestrian streets) and Jiefang Road (financial streets) with underground linkage to Wuyi Plaza Station (the interchange station for Metro Lines 1 and 2). Slated to open in mid-2018, the gigantic mall is poised to become an unrivalled shopping, dining, lifestyle and leisure destination in Hunan province. Retail leasing is encouraging with 94% of total retail areas leased and under offer to tenants. It demonstrates retailers' confidence in the Group's management capabilities. This retail-oriented IFS complex will tap the strong experience-based consumption market in the Central China metropolis in the medium term.

The top-notch office towers, raising the standard for future workplace, will represent the most coveted addresses for financial institutions and major corporations based in the region.

The opening of Niccolo Changsha, the third Niccolo hotel in the Mainland, at Changsha IFS is targeted for the third quarter of 2018.

Full completion of the project is scheduled for 2019.

CHINA DEVELOPMENT PROPERTIES

In a bid to enhance the quality and return of our land bank, the Group continues to be selective in land acquisition. Beijing, Shanghai, Suzhou, Hangzhou, Shenzhen and Guangzhou are the Group's key target cities.

In 2017, the Group acquired nine sites in Beijing, Foshan, Hangzhou and Suzhou for RMB15.7 billion (GFA: 701,300 square metres) on an attributable basis. Furthermore, the Group acquired ten sites in Suzhou, Hangzhou and Guangzhou for RMB12.2 billion (GFA: 599,100 square metres) on an attributable basis in January and February 2018. Currently, the DP land bank was maintained at 3.9 million square metres.

Inclusive of joint ventures and associates on an attributable basis, revenue increased by 11% to HK$33,959 million, with 1,232,000 square metres of GFA completed and recognised during the year (2016: 1,697,000 square metres). Operating profit surged by 99% to HK$10,207 million, thanks to the full completion of good-margin Suzhou Times City.

With a series of sustained cooling measures implemented by the government, the Group's attributable interest in contracted sales decreased by 19% to RMB25.3 billion. The challenging trading conditions may continue into 2018. The net order book decreased to RMB19.2 billion for 0.8 million square metres at year-end.

In Eastern China, various projects in Shanghai, Suzhou, Hangzhou and Wuxi attracted favourable demand. Shanghai Pudong E18 sold 39 units for RMB1.7 billion. Bellagio in Suzhou sold 580 units for RMB1.4 billion. Greentown Zhijiang No. 1 in Hangzhou sold 192 units for RMB1.0 billion (including car park) on an attributable basis. River Pitti and Times City in Wuxi sold in aggregate 852 units for RMB1.6 billion. Responses to the projects on sale in other regions of China remained encouraging. In particular, Pearl on the Crown in Beijing and The Scenery Bay in Tianjin sold in aggregate 230 units for RMB2.0 billion on an attributable basis.

Hotel Management

Subsequent to the opening of Niccolo Chongqing and The Murray, Hong Kong, a Niccolo Hotel, the Group now manages 16 hotels in China, Hong Kong and the Philippines under the resounding brand of Marco Polo Hotels and the new luxury brand, Niccolo Hotels. The series of contemporary chic Niccolo hotels is a blended mix of understated luxury, exquisite design and gracious hospitality. The finest collection is a proud embodiment of unique timeless design and exquisite service, while exuding an avant-garde opulence with their elegant charm.

Marco Polo Wuhan, Niccolo Chengdu and the upcoming Niccolo Changsha at the respective IFS complexes, are wholly owned by the Group, while Niccolo Chongqing is 50%-owned.

Niccolo Chongqing at Chongqing IFS, modelled on its award-winning sister hotel Niccolo Chengdu, celebrated its opening in 2017. Prominently situated in the heart of Jiangbeizui CBD, the 252-room hotel is the city’s highest sky hotel with spectacular sweeping views of Jialing River and Yangtze River. It sets a new standard for hotels in the region. Meanwhile, Niccolo Chengdu remains the city’s market leader in room yield and clinched multiple new awards, including “Best Business Hotels” in the “2017 Condé Nast Traveler China Gold List”.

Niccolo Changsha, the third Niccolo hotel in the Mainland, is scheduled to open at Changsha IFS in the third quarter of 2018. Another hotel under development is Niccolo Suzhou which is managed but not owned by the Group (owned by the sister company, Wharf REIC) and scheduled to open in 2019. Including these two upcoming Niccolo hotels, the Group’s hotel management portfolio will expand to 18 hotels in the next two years.

FINANCIAL REVIEW

(I) Review of 2017 results

Group core profit rose by 14% to HK$15,718 million (2016: HK$13,754 million) despite the spinoff in November 2017 of Wharf Real Estate Investment Company Limited ("Wharf REIC"). Should the spinoff not have occurred, Group core profit for 2017 would have been HK$16,622 million, an increase of 21% from 2016.

Investment Properties ("IP") reported a 3% decrease in core profit to HK$8,568 million following the spinoff. Wharf REIC has earlier announced an IP core profit of HK$8,671 million for the full year of 2017, an increase of 8% from 2016.

Development Properties ("DP") reported a record high core profit of HK$6,820 million (2016: HK$3,822 million).

Group profit attributable to shareholders increased by 2% to HK$21,876 million (2016: HK$21,440 million) after accounting for a higher net IP revaluation surplus of HK$1,733 million (2016: HK$906 million) and a gain of HK$4,499 million on disposal of 8 Bay East (2016: HK$7,260 million gain on disposal of subsidiary Wharf T&T Limited).

Phased exit from the CME segment since 2016 and the spinoff of Wharf REIC in 2017 have made a simple comparison of 2017 results to 2016 less relevant.

<u>Revenue and Operating Profit</u>

DP subsidiaries recognised 3% lower revenue of HK$22,608 million (2016: HK$23,275 million) but a 112% growth in operating profit to HK$7,753 million (2016: HK$3,650 million) mainly due to higher profit margins from the Mainland projects completed in 2017. Inclusion of attributable interest in joint venture projects, in particular Mount Nicholson in Hong Kong, powered an increase in DP core profit to HK$6,820 million (2016: HK$3,822 million).

IP revenue and operating profit decreased by 5% to HK$14,599 million (2016: HK$15,289 million) and 4% to HK$12,029 million (2016: HK$12,541 million), respectively. In Hong Kong, revenue and operating profit decreased by 8% and 6% due to the Wharf REIC spinoff. On the other hand, Mainland revenue and operating profit, led by Chengdu IFS, increased by 12% and 16%.

Hotel revenue declined by 6% to HK$1,487 million (2016: HK$1,587 million) but operating profit increased by 13% to HK$328 million (2016: HK$289 million). Hong Kong revenue and operating profit decreased by 11% and 2%, respectively, again due to the Wharf REIC spinoff. In the Mainland, Niccolo Chengdu and Marco Polo Changzhou have started to contribute.

Logistics revenue increased by 3% to HK$2,817 million (2016: HK$2,748 million) but operating profit fell by 7% to HK$667 million (2016: HK$719 million) resulting from higher operating costs.

Exit from the CME segment was completed through the sale of Wharf T&T in November 2016 and disposal of i-CABLE shares by distribution in specie to the Company's shareholders completed in September 2017. For 2017, this led to a significant decline in CME revenue to

HK$874 million (2016: HK$3,145 million) and an operating loss of HK$294 million (2016: profit of HK$59 million).

Investment and others revenue increased by 19% to HK$1,044 million (2016: HK$878 million) and operating profit by 27% to HK$579 million (2016: HK$455 million), benefited from higher interest income and dividend income.

On consolidation, Group revenue decreased by 7% to HK$43,273 million (2016: HK$46,627 million) but operating profit increased by 21% to HK$20,622 million (2016: HK$17,065 million).

DP Sales

Total DP contracted sales, inclusive of joint venture projects on an attributable basis, decreased by 13% to HK$35,045 million (2016: HK$40,104 million).

Mainland contracted sales dropped by 19% to RMB25,338 million (2016: RMB31,420 million). However, revenue recognition grew by 11% to HK$33,959 million (2016: HK$30,676 million) with operating profit nearly doubling to HK$10,207 million (2016: HK$5,133 million). Net order book dropped to RMB19,196 million (December 2016: RMB27,436 million) accordingly.

Hong Kong contracted sales, mainly attributable to Mount Nicholson, amounted to HK$4,733 million (2016: HK$4,980 million). Revenue recognition decreased to HK$5,279 million (2016: HK$6,419 million) but contributed an operating profit of HK$2,907 million (2016: HK$2,400 million). In addition, 8 Bay East, an investment property under development in Kwun Tong, was sold for HK$9,000 million resulting in a gain of HK$4,499 million accounted as other net income.

Fair Value Gain of Investment Properties

Book value of the Group's IP portfolio as at 31 December 2017 fell substantially to HK$82.1 billion (2016: HK$319.3 billion), following the Wharf REIC spinoff, of which HK$65.5 billion was stated at fair value based on independent valuation to generate a revaluation gain of HK$2,310 million (2016: HK$910 million). The attributable net revaluation gain of HK$1,733 million (2016: HK$906 million), after taking into account the related deferred tax and non-controlling interests, was credited to the consolidated income statements.

IP under development in the amount of HK$16.6 billion (2016: HK$16.7 billion) is carried at cost and will not be carried at fair value until the earlier of its fair values first becoming reliably measurable or the date of completion.

Other Net Income

Other net income of HK$4,362 million (2016: HK$6,252 million) primarily included a gain of HK$4,499 million arising from disposal of 8 Bay East.

Included in other net income for 2016 was a gain of HK$7,260 million arising from disposal of the entire equity interest of Wharf T&T.

Finance Costs

Finance costs charged to the consolidated income statement amounted to HK$1,013 million (2016: HK$1,361 million) and included an unrealised mark-to-market gain of HK$292 million (2016: HK$237 million) on cross currency and interest rate swaps in accordance with prevailing accounting standards.

The effective borrowing rate for 2017 was 3.5% (2016: 3.2%). Excluding the unrealised mark-to-market gain, finance costs before capitalisation were HK$1,674 million (2016: HK$2,163 million), representing a 23% decrease. Finance costs after capitalisation were HK$1,305 million (2016: HK$1,598 million), representing an 18% decrease.

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

Attributable profit from associates increased by 44% to HK$1,331 million (2016: HK$923 million) mainly due to higher profit contributions from China DP.

Joint ventures profit also grew by 49% to HK$2,958 million (2016: HK$1,983 million) benefited from Mount Nicholson in Hong Kong and various China DP projects.

Income Tax

Taxation charge for the year increased substantially by 94% to HK$7,967 million (2016: HK$4,107 million), which included deferred taxation of HK$572 million (2016: HK$23 million) provided for the current year's revaluation gain attributable to investment properties in the Mainland.

Excluding the above deferred taxation, the tax charge increased by 81% to HK$7,395 million (2016: HK$4,084 million), which was mainly attributable to the higher profits from IP and Mainland DP segments coupled with the increase in land appreciation tax on certain Mainland DP projects sold at relatively high profit margins.

Non-controlling Interests

Group profit attributable to non-controlling interests increased to HK$727 million (2016: HK$225 million).

Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders for the year increased slightly by 2% to HK$21,876 million (2016: HK$21,440 million). Basic earnings per share were HK$7.21, based on weighted average of 3,034 million shares (2016: $7.07 based on weighted average of 3,031 million shares).

Excluding the net IP revaluation gain of HK$1,733 million (2016: HK$906 million), Group profit attributable to shareholders decreased by 2% to HK$20,143 million (2016: HK$20,534 million), which included a gain of HK$4,499 million from disposal of 8 Bay East (2016: HK$7,260 million gain on disposal of Wharf T&T).

Group core profit increased by 14% to HK$15,718 million (2016: HK$13,754 million), of which IP and DP accounted for 55% and 43% respectively. Core earnings per share were HK$5.18 (2016: HK$4.54).

Core profit is a performance indicator of the Group's major business segments and arrived at after excluding the attributable net IP revaluation gain HK$1,733 million (2016: HK$906 million), mark-to-market and exchange gain of HK$62 million (2016: HK$321 million) on certain financial instruments, disposal gain of 8 Bay East HK$4,499 million and other non-recurrent loss of HK$136 million (2016: HK$7,260 million gain on disposal of Wharf T&T).

Wharf REIC's Spinoff

Group results have been impacted by the spinoff of substantially all of its Hong Kong investment properties including Harbour City, Times Square, Plaza Hollywood, Wheelock House, Crawford House together with Harbour Centre Development Limited ("HCDL") through the distribution and separate listing of Wharf REIC in November 2017.

As reported, Group core profit increased by 14% to HK$15,718 million. Adjusted for the demerger by excluding Wharf REIC results, Group core profit increased by 36% from 2016 to HK$7,122 million (2016: HK$5,238 million), 88% of which from DP. Mainland DP core profit leaped by 145% to HK$3,840 million (2016: HK$1,568 million) and Hong Kong DP increased by 22% to HK$2,399 million (2016: HK$1,970 million), accounted for 54% and 34% of Group's core profit, respectively.

Should the spinoff not have occurred, Group core profit would have increased by 21% to HK$16,622 million instead. The spinoff reduced Group core profit by HK$904 million.

The above impacts are summarised by segment as follows:

Core Profit	2017				2016	
(HK$ million)	Group (note) (a)	Group (Excluding Wharf REIC) (b)	Wharf REIC (c)	Combined Wharf and Wharf REIC (b)+(c)	Group	Group (Excluding Wharf REIC)
IP	8,568	747	8,671	9,418	8,839	807
DP	6,820	6,239	683	6,922	3,822	3,538
- Hong Kong	2,399	2,399	-	2,399	1,970	1,970
- Mainland	4,421	3,840	683	4,523	1,852	1,568
Others	330	136	146	282	1,093	893
Total	15,718	7,122	9,500	16,622	13,754	5,238

Note: The Group's reported core profit for 2017 included Wharf REIC's profit up to the date of Wharf REIC's spinoff.

(II) Liquidity, Financial Resources and Capital Commitments

Shareholders' and Total Equity

As at 31 December 2017, shareholders' equity decreased by HK$174.8 billion to HK$142.0 billion (2016: HK$316.8 billion), equivalent to HK$46.75 per share based on 3,037 million issued shares (2016: HK$104.48 per share based on 3,032 million issued shares), mainly resulting from the utilisation of HK$197.8 billion distributable reserve for the Wharf REIC spinoff implemented by distribution of a special interim dividend. This was partially compensated by a net exchange surplus of HK$5.1 billion arising from translation of RMB net assets due to a 7% RMB appreciation in 2017.

Total equity including non-controlling interests decreased by HK$179.9 billion to HK$145.5 billion (2016: HK$325.4 billion).

Assets

Total assets as at 31 December 2017 halved to HK$222.6 billion (2016: HK$443.8 billion) following the Wharf REIC spinoff. Total business assets, excluding bank deposit and cash, financial and deferred tax assets, decreased to HK$161.7 billion (2016: HK$403.0 billion).

Geographically, Mainland business assets, mainly comprising properties and terminals, amounted to HK$127.5 billion (2016: HK$121.0 billion), representing 79% (2016: 30%) of total business assets.

Investment properties

Included in total assets is the IP portfolio of HK$82.1 billion (2016: HK$319.3 billion), representing 51% (2016: 79%) of total business assets. This portfolio mainly comprised Mainland IP at valuation of HK$62.5 billion (2016: HK$58.5 billion), led by Chengdu IFS and Shanghai Wheelock Square, and at cost of HK$16.6 billion (Changsha IFS under development).

Properties for sale

DP assets increased to HK$25.2 billion (2016: HK$23.9 billion), reflecting the construction cost incurred offset by disposals from the Mainland DP portfolio.

Interests in associates and joint ventures

Interests in associates and joint ventures amounted to HK$30.5 billion (2016: HK$31.1 billion), mainly representing DP projects in Hong Kong and the Mainland.

Deposits from sale of properties

Deposits from sale of properties amounted to HK$9.1 billion (2016: HK$18.9 million), representing contracted sales in the Mainland pending recognition in the coming years.

Net Cash/(Debt) and Gearing

Net cash as at 31 December 2017 amounted to HK$9.3 billion (2016: net debt of HK$23.8 billion), mainly resulting from net receipt from Wharf REIC of HK$42.0 billion to settle inter-group balance. It comprised of HK$45.7 billion in bank deposits and cash and HK$36.4 billion in debts. It includes Modern Terminals' net debt of HK$6.8 billion (2016: HK$8.5 billion), which is non-recourse to the Company and its other subsidiaries. Excluding these non-recourse debts, the Group's net cash was HK$16.1 billion (2016: net debt HK$16.7 billion). An analysis of the net cash/(debt) is as below:

Net cash/(debt)	**31 December 2017 HK$ Billion**	31 December 2016 HK$ Billion
Wharf (excluding below subsidiaries)	**16.1**	(16.7)
Modern Terminals	**(6.8)**	(8.5)
HCDL (disposed to Wharf REIC)	**-**	1.9
i-CABLE (disposed in September 2017)	**-**	(0.5)
	9.3	(23.8)

Finance and Availability of Facilities

Total available loan facilities and issued debt securities as at 31 December 2017 amounting to HK$43.0 billion, of which HK$36.4 billion were utilised, are analysed as below:

	31 December 2017		
	Available Facility HK$ Billion	**Total Debts HK$ Billion**	**Undrawn Facility HK$ Billion**
Company/wholly-owned subsidiaries			
Committed and uncommitted bank facilities	7.9	5.4	2.5
Debt securities	23.2	23.2	-
	31.1	28.6	2.5
Non-wholly-owned subsidiaries			
Committed and uncommitted			
- Modern Terminals	11.9	7.8	4.1
	43.0	36.4	6.6

Of the above debts, HK$4.8 billion (2016: HK$6.7 billion) was secured by mortgages over certain IP, DP and property, plant and equipment with total carrying value of HK$18.6 billion (2016: HK$17.7 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 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 are primarily used for management of interest rate and currency exposures.

The Group continued to maintain a strong financial position with ample surplus cash and undrawn committed facilities to facilitate business and investment activities. In addition, the Group also maintained a portfolio of liquid equity investments with an aggregate market value of HK$19.1 billion (2016: HK$5.7 billion), which is available for use if necessary.

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$21.0 billion (2016: HK$18.0 billion). The changes in working capital reduced the net cash inflow from operating activities to HK$5.2 billion (2016: HK$29.1 billion) for decrease in deposits from sale of properties and increase in properties under development. For investing activities, the Group recorded a net cash inflow of HK$36.7 billion (2016: outflow of HK$2.5 billion), mainly from net receipt of HK$42.0 billion from Wharf REIC and proceeds from disposal of 8 Bay East, partly offset by acquisition of equity investments.

Major Capital and Development Expenditures and Commitments

Major expenditures incurred in 2017 are analysed as follows:

	Hong Kong HK$ Million	Mainland China HK$ Million	Total HK$ Million
Properties			
IP	1,716	2,515	4,231
DP	207	26,003	26,210
	1,923	28,518	30,441
Others			
Hotels	994	-	994
Modern Terminals	394	12	406
i-CABLE	135	-	135
	1,523	12	1,535
Group total	3,446	28,530	31,976

i. IP expenditure was mainly for construction costs of the Mainland IFS projects.

ii. DP and IP expenditures included HK$9.4 billion for property projects undertaken by associates and joint ventures.

iii. Expenditure for Hotel was related mainly to conversion of The Murray before the Wharf REIC spinoff, while that for Modern Terminals was related mainly to terminal equipment.

As at 31 December 2017, major expenditures to be incurred in the coming years was estimated at HK$26.0 billion, of which HK$8.0 billion was committed. They are analyzed by segment as below:

	As at 31 December 2017		
	Committed HK$ Million	**Uncommitted HK$ Million**	**Total HK$ Million**
IP			
Hong Kong	748	-	748
Mainland China	2,512	5,409	7,921
	3,260	5,409	8,669
DP			
Mainland China	4,641	12,517	17,158
Others			
Modern Terminals	113	26	139
Group total	8,014	17,952	25,966

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

These expenditures will be funded by internal financial resources including surplus cash, cash flows from operations, as well as bank and other borrowings and pre-sale proceeds. Other available resources include equity investments available for sale.

(III) Human Resources

The Group had approximately 8,800 employees as at 31 December 2017, 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 2017

	Note	**2017** **HK$ Million**	2016 HK$ Million
Revenue	2	**43,273**	46,627
Direct costs and operating expenses		**(19,403)**	(25,145)
Selling and marketing expenses		**(929)**	(1,485)
Administrative and corporate expenses		**(1,381)**	(1,526)
Operating profit before depreciation, amortisation, interest and tax		**21,560**	18,471
Depreciation and amortisation		**(938)**	(1,406)
Operating profit	2 & 3	**20,622**	17,065
Increase in fair value of investment properties		**2,310**	910
Other net income	4	**4,362**	6,252
		27,294	24,227
Finance costs	5	**(1,013)**	(1,361)
Share of results after tax of:			
Associates		**1,331**	923
Joint ventures		**2,958**	1,983
Profit before taxation		**30,570**	25,772
Income tax	6	**(7,967)**	(4,107)
Profit for the year		**22,603**	21,665
Profit attributable to:			
Equity shareholders		**21,876**	21,440
Non-controlling interests		**727**	225
		22,603	21,665
Earnings per share	7		
Basic		**HK$7.21**	HK$7.07
Diluted		**HK$7.21**	HK$7.07

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended 31 December 2017

	2017 HK$ Million	2016 HK$ Million
Profit for the year	**22,603**	21,665
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Fair value changes on equity investments	**2,660**	(827)
Revaluation on reclassification of other properties	**1,427**	-
	4,087	(827)
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of foreign operations	**4,290**	(5,139)
Share of other comprehensive income of associates/joint ventures	**1,054**	(1,088)
Others	**(1)**	14
Other comprehensive income for the year	**9,430**	(7,040)
Total comprehensive income for the year	**32,033**	14,625
Total comprehensive income attributable to:		
Equity shareholders	**30,896**	14,813
Non-controlling interests	**1,137**	(188)
	32,033	14,625

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2017

	Note	**31 December 2017 HK$ Million**	31 December 2016 HK$ Million
Non-current assets			
Investment properties		**82,128**	319,298
Property, plant and equipment		**13,201**	20,735
Interest in associates		**16,608**	14,437
Interest in joint ventures		**13,837**	16,710
Equity investments		**19,109**	5,723
Goodwill and other intangible assets		**298**	298
Deferred tax assets		**954**	654
Derivative financial assets		**180**	247
Other non-current assets		**134**	252
		146,449	378,354
Current assets			
Properties for sale		**25,200**	23,874
Inventories		**-**	29
Trade and other receivables	9	**5,192**	4,281
Derivative financial assets		**109**	332
Bank deposits and cash		**45,697**	36,957
		76,198	65,473
Total assets		**222,647**	443,827
Non-current liabilities			
Derivative financial liabilities		**(578)**	(1,539)
Deferred tax liabilities		**(11,252)**	(10,633)
Other deferred liabilities		**-**	(305)
Bank loans and other borrowings		**(26,267)**	(45,616)
		(38,097)	(58,093)
Current liabilities			
Trade and other payables	10	**(16,982)**	(24,245)
Deposits from sale of properties		**(9,083)**	(18,937)
Derivative financial liabilities		**(343)**	(685)
Taxation payable		**(2,529)**	(1,283)
Bank loans and other borrowings		**(10,142)**	(15,178)
		(39,079)	(60,328)
Total liabilities		**(77,176)**	(118,421)
NET ASSETS		**145,471**	325,406
Capital and reserves			
Share capital		**29,760**	29,497
Reserves		**112,214**	287,297
Shareholders' equity		**141,974**	316,794
Non-controlling interests		**3,497**	8,612
TOTAL EQUITY		**145,471**	325,406

NOTES TO THE FINANCIAL STATEMENTS

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 2016 except for the changes mentioned below.

The HKICPA has issued certain amendments to HKFRSs which are first effective for the current accounting period of the Group. The amendments do not have significant impact on the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for HKFRS 9, Financial Instruments, since the consolidated financial statements for the year ended 31 December 2016.

The financial information relating to the financial years ended 31 December 2017 and 2016 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 2016 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 2017 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.

In November 2017, six Hong Kong prime properties for investment including Harbour City, Times Square, Plaza Hollywood, Wheelock House, Crawford House and The Murray were spun off through the distribution and separate listing of Wharf Real Estate Investment Company Limited ("Wharf REIC").

Investment property segment primarily includes property leasing operations. After Wharf REIC's spinoff, the Group's properties portfolio, which mainly consists of retail, office and serviced apartments is primarily located in 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. After Wharf REIC's spinoff, the Group operates 16 hotels (five of which are owned by Wharf REIC) in the Asia Pacific region, three 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") and Hong Kong Air Cargo Terminals Limited ("Hactl").

CME segment comprises pay television, internet and multimedia and other businesses. The Group completed the exit of CME businesses in September 2017 upon the completion of distribution in specie of i-CABLE Communications Limited ("i-CABLE").

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 sales 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 2017	Revenue HK$ Million	Operating profit HK$ Million	Investment properties fair value HK$ Million	Other net income HK$ Million	Finance costs HK$ Million	Associates HK$ Million	Joint ventures HK$ Million	Profit before taxation HK$ Million
Investment property	**14,599**	**12,029**	**2,310**	**(10)**	**(1,104)**	**-**	**-**	**13,225**
Hong Kong	**11,964**	**10,571**	**1,199**	**-**	**(944)**	**-**	**-**	**10,826**
Mainland China	**2,635**	**1,458**	**1,111**	**(10)**	**(160)**	**-**	**-**	**2,399**
Development property	**22,608**	**7,753**	**-**	**602**	**(25)**	**1,053**	**2,948**	**12,331**
Hong Kong	**18**	**9**	**-**	**-**	**-**	**2**	**2,389**	**2,400**
Mainland China	**22,590**	**7,744**	**-**	**602**	**(25)**	**1,051**	**559**	**9,931**
Hotels	**1,487**	**328**	**-**	**-**	**(3)**	**-**	**-**	**325**
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	**874**	**(294)**	**-**	**86**	**(7)**	**-**	**-**	**(215)**
Inter-segment revenue	**(156)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Segment total	**42,229**	**20,483**	**2,310**	**782**	**(1,323)**	**1,331**	**2,960**	**26,543**
Investment and others	**1,044**	**579**	**-**	**3,580**	**310**	**-**	**(2)**	**4,467**
Corporate expenses	**-**	**(440)**	**-**	**-**	**-**	**-**	**-**	**(440)**
Group total	**43,273**	**20,622**	**2,310**	**4,362**	**(1,013)**	**1,331**	**2,958**	**30,570**
For the year ended 31 December 2016								
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

2. SEGMENT INFORMATION

b. Analysis of inter-segment revenue

	2017			2016		
	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	**14,599**	**(126)**	**14,473**	15,289	(168)	15,121
Development property	**22,608**	**-**	**22,608**	23,275	-	23,275
Hotels	**1,487**	**-**	**1,487**	1,587	-	1,587
Logistics	**2,817**	**-**	**2,817**	2,748	-	2,748
CME	**874**	**(2)**	**872**	3,145	(63)	3,082
Investment and others	**1,044**	**(28)**	**1,016**	878	(64)	814
	43,429	**(156)**	**43,273**	46,922	(295)	46,627

c. Analysis of segment business assets

	2017 HK$ Million	2016 HK$ Million
Investment property	**86,613**	320,570
Hong Kong	**22,165**	261,459
Mainland China	**64,448**	59,111
Development property	**56,810**	55,144
Hong Kong	**5,076**	6,040
Mainland China	**51,734**	49,104
Hotels	**1,458**	8,361
Logistics	**16,803**	17,732
Terminals	**15,865**	16,727
Others	**938**	1,005
CME	**-**	1,193
Total segment business assets	**161,684**	403,000
Unallocated corporate assets	**60,963**	40,827
Total assets	**222,647**	443,827

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:

	2017 HK$ Million	2016 HK$ Million
Development property	**25,764**	25,000
Logistics	**4,681**	5,974
Group total	**30,445**	30,974

2. SEGMENT INFORMATION

d. Other segment information

	Capital expenditure		Increase in interests in associates and joint ventures		Depreciation and amortisation	
	2017	2016	**2017**	2016	**2017**	2016
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million	**HK$ Million**	HK$ Million
Investment property	**4,231**	12,407	**-**	-	**117**	106
Hong Kong	**1,716**	7,942	**-**	-	**22**	32
Mainland China	**2,515**	4,465	**-**	-	**95**	74
Development property	**-**	-	**6,332**	1,130	**-**	-
Hong Kong	**-**	-	**4**	243	**-**	-
Mainland China	**-**	-	**6,328**	887	**-**	-
Hotels	**994**	1,021	**-**	-	**140**	206
Logistics	**406**	431	**1**	-	**456**	421
Terminals	**406**	431	**1**	-	**454**	418
Others	**-**	-	**-**	-	**2**	3
CME	**135**	497	**-**	-	**225**	673
i-CABLE	**135**	238	**-**	-	**222**	324
Telecommunications	**-**	259	**-**	-	**3**	349
Group total	**5,766**	14,356	**6,333**	1,130	**938**	1,406

In addition, the CME segment incurred HK$74 million (2016: HK$122 million) for its programming library. The Group had no significant non-cash expenses other than i) impairment provision written back of HK$1,104 million (2016: provision charge of HK$1,296 million) made for certain development projects and assets and ii) depreciation and amortization.

2. SEGMENT INFORMATION

e. Geographical information

	Revenue		Operating Profit	
	2017	2016	**2017**	2016
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million
Hong Kong	**16,685**	21,716	**11,454**	12,780
Mainland China	**26,537**	24,860	**9,117**	4,234
Singapore	**51**	51	**51**	51
Group total	**43,273**	46,627	**20,622**	17,065

	Specified non-current assets		Total business assets	
	2017	2016	**2017**	2016
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million
Hong Kong	**31,569**	280,834	**34,221**	282,028
Mainland China	**94,618**	94,239	**127,463**	120,972
Group total	**126,187**	375,073	**161,684**	403,000

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 is 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 is based on the physical location of operations.

3. OPERATING PROFIT

Operating profit is arrived at:

	2017 HK$ Million	2016 HK$ Million
After charging/(crediting):		
Depreciation and amortisation on		
- assets held for use under operating leases	**167**	161
- property, plant and equipment	**627**	1,075
- leasehold land	**63**	60
- programming library	**81**	110
Total depreciation and amortisation	**938**	1,406
Impairment of trade receivables	**-**	1
Staff costs (Note a)	**2,797**	3,545
Auditors' remuneration		
- audit services	**20**	24
- other services	**1**	1
Cost of trading properties for recognised sales	**14,203**	18,634
Rental charges under operating leases in respect of telecommunications equipment and services	**-**	71
Gross rental revenue from investment properties (Note b)	**(14,599)**	(15,289)
Direct operating expenses of investment properties	**2,268**	2,626
Rental income under operating leases in respect of owned plant and equipment	**(28)**	(34)
Interest income (Note c)	**(489)**	(460)
Dividend income from equity investments	**(151)**	(102)
Loss on disposal of property, plant and equipment	**8**	5

Notes:

a. Staff costs include contributions to defined contribution pension schemes of HK$259 million (2016: HK$291 million), which included MPF schemes after a forfeiture of HK$nil million (2016: HK$1 million) and equity-settled share-based payment expenses of HK$40 million (2016: HK$51 million).

b. Rental income includes contingent rentals of HK$1,148 million (2016: HK$1,113 million).

c. Interest income of HK$489 million (2016: HK$460 million) was in respect of financial assets, mainly comprising bank deposits, that are stated at amortised cost.

4. OTHER NET INCOME

Other net income for the year which amounted to HK$4,362 million (2016: HK$6,252 million) mainly comprises:

a. A gain of HK$4,499 million arose from disposal of an investment property.

b. Net foreign exchange loss of HK$706 million (2016: gain HK$301 million) which included a fair value loss on forward foreign exchange contracts of HK$345 million (2016: fair value gain of HK$83 million).

c. Write-back of impairment provision of HK$1,104 million (2016: provision charge of HK$1,296 million) on certain development projects and assets.

d. 2016 included a gain of HK$7,260 million arose from disposal of the entire equity interests in Wharf T&T Limited.

5. FINANCE COSTS

	2017 HK$ Million	2016 HK$ Million
Interest charged on:		
Bank loans and overdrafts	**907**	858
Other borrowings	**635**	1,036
Total interest charge	**1,542**	1,894
Other finance costs	**132**	269
Less: Amount capitalised	**(369)**	(565)
	1,305	1,598
Fair value (gain)/loss:		
Cross currency interest rate swaps	**(433)**	72
Interest rate swaps	**141**	(309)
	(292)	(237)
Total	**1,013**	1,361

6. INCOME TAX

Taxation charged to the consolidated income statement includes:

	2017 HK$ Million	2016 HK$ Million
Current income tax		
Hong Kong		
- provision for the year	**1,676**	1,748
- overprovision in respect of prior years	**(10)**	(7)
Outside Hong Kong		
- provision for the year	**2,608**	1,133
- (Over)/under-provision in respect of prior years	**(36)**	9
	4,238	2,883
Land appreciation tax ("LAT") (Note c)	**2,431**	718
Deferred tax		
Change in fair value of investment properties	**572**	23
Origination and reversal of temporary differences	**726**	537
Benefit of previously unrecognised tax losses now recognised	**-**	(54)
	1,298	506
Total	**7,967**	4,107

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% (2016: 16.5%).

b. Income tax on assessable profits outside Hong Kong is mainly China corporate income tax calculated at a rate of 25% (2016: 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 2017 of HK$1,420 million (2016: HK$1,170 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$21,876 million (2016: HK$21,440 million) and the weighted average of 3,034 million ordinary shares in issue during the year (2016: 3,031 million ordinary shares).

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders for the year of HK$21,876 million (2016: HK$21,440 million) and the weighted average of 3,036 million ordinary shares (2016: 3,031 million ordinary shares) which is the weighted average number of ordinary shares in issue during the year after adjusting for the effect of deemed issue of shares under the Company's share option scheme.

8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	2017 HK$ per share	**2017 HK$ Million**	2016 HK$ per share	2016 HK$ Million
First interim dividend declared and paid	**0.64**	**1,943**	0.58	1,758
Second interim dividend declared after the end of the reporting period (note b)	**0.95**	**2,887**	1.57	4,762
	1.59	**4,830**	2.15	6,520
Distribution in specie in the form of shares in i-CABLE (note c)	**0.19**	**562**	-	-
Distribution in specie in the form of shares in Wharf REIC (note d)	**65.14**	**197,779**	-	-
	65.33	**198,341**	-	-
Total	**66.92**	**203,171**	2.15	6,520

a. The second interim dividend based on 3,039 million issued ordinary shares (2016: 3,032 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$4,762 million for 2016 was approved and paid in 2017.

c. The distribution in specie comprises (i) the initial distribution in specie of the entire shareholding of 1,485.3 million i-CABLE shares held by the Company with an attributable book value of HK$262 million; and (ii) further distribution in specie of 842.0 million i-CABLE shares held by the Company which were being capitalised from the capitalisation of loan to i-CABLE in the sum of HK$300 million.

d. The distribution in specie was implemented for the purpose of spin-off of Wharf REIC, whereby Wharf REIC shares was allotted and issued to the qualifying Wharf shareholders on the basis of one Wharf REIC share for every one share of the Company held as at 20 November 2017. Following the completion of the spin-off of Wharf REIC, the Company does not retain any interest in the issued share capital of Wharf REIC and Wharf REIC is no longer be a subsidiary of the Company. The carrying amount of net assets of Wharf REIC on the completion date were as follows:

	HK$ Million
Investment Properties	245,801
Property, plant and equipment	7,916
Bank deposits and cash	2,964
Other assets	6,964
Liabilities	(60,332)
Net assets on the completion date	203,313
Non-controlling interests	(5,534)
Net assets distributed	197,779

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 2017 as follows:

	2017	2016
	HK$ Million	HK$ Million
Trade receivables		
0 - 30 days	**177**	411
31 – 60 days	**37**	70
61 – 90 days	**14**	31
Over 90 days	**108**	143
	336	655
Other receivables and prepayments	**4,856**	3,626
	5,192	4,281

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 the invoice date as at 31 December 2017 as follows:

	2017	2016
	HK$ Million	HK$ Million
Trade payables		
0 - 30 days	**313**	349
31 - 60 days	**187**	261
61 - 90 days	**33**	39
Over 90 days	**108**	188
	641	837
Rental and customer deposits	**1,017**	4,129
Construction costs payable	**7,113**	8,112
Amount due to associates	**2,933**	3,390
Amount due to joint ventures	**592**	1,875
Other payables	**4,686**	5,902
	16,982	24,245

11. REVIEW OF UNAUDITED FINANCIAL STATEMENTS

The financial results for the year ended 31 December 2017 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 2017 have been agreed by the Company's Auditors to the amounts set out in the Group's consolidated financial statements for the year.

CORPORATE GOVERNANCE CODE

During the financial year ended 31 December 2017, 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 one exception as regards Code Provision A.2.1 providing for the roles of the chairman and chief executive to be performed by different individuals.

Such deviation is deemed appropriate as it is considered to be more efficient to have one single person to be 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 listed securities of the Company during the financial year under review.

RELEVANT DATES FOR SECOND INTERIM DIVIDEND IN CASH AND ANNUAL GENERAL MEETING

Second Interim Dividend in Cash

Ex-entitlement date	6 April 2018 (Fri)
Latest time to lodge share transfer	4:30 p.m., 9 April 2018 (Mon)
Record date/ time	6:00 p.m., 9 April 2018 (Mon)
Payment date	24 April 2018 (Tue)

In order to qualify for the second interim dividend in cash, all transfer, 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 Monday, 9 April 2018.

Annual General Meeting ("AGM")

Ex-entitlement date	2 May 2018 (Wed)
Latest time to lodge share transfer	4:30 p.m., 3 May 2018 (Thu)
Book closure period	4 May 2018 (Fri) to 10 May 2018 (Thu), both days inclusive
Record date	4 May 2018 (Fri)
AGM date/ time	10:30 a.m., 10 May 2018 (Thu)

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 Thursday, 3 May 2018.

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

Hong Kong, 8 March 2018

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 and Mr. K. P. Chan, together with five Independent Non-executive Directors, namely Professor Edward K. Y. Chen, Mr. Vincent K. Fang, Mr. Hans Michael Jebsen, Ms. Elizabeth Law and Mr. David Muir Turnbull.

The English text of this announcement shall prevail over the Chinese text in the event of inconsistency.