Pacific Century
Premium Developments
盈科大衍地產發展

Stock code: 00432

Annual Report 2015

The name **Pacific Century Premium Developments** signifies the company's sharp focus on the high-end segment of property markets in the region.

In Chinese, the name takes on a more aspirational meaning that invites reflection on the company's origins and progress to the present day, as well as its ambitions for the future.

The structure of the name contains a reference to rivers and streams leading to the sea. According to ancient literature, all such waterways share that destiny and tend to be individually active and dynamic in making their way to the coast, where they finally achieve success together.

The Chinese version of PCPD's name also symbolises vigorous growth into prosperity and can be likened to acorns developing into oak trees, which are well known for their towering size, solid stature and longevity. Interestingly, this analogy is very similar to the popular English saying: 'From tiny acorns do mighty oak trees grow'.

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CORPORATE PROFILE

Majority-owned by PCCW Limited ("PCCW", SEHK: 00008), Pacific Century Premium Developments Limited ("PCPD" or the "Group", SEHK: 00432) is mainly engaged in developing and managing premium property and infrastructure projects, as well as investing in premium-grade buildings, in Asia.

PROPERTY DEVELOPMENT AND INVESTMENT

In Hong Kong, PCPD completed Residence Bel-Air, its signature luxury residential project, at the end of 2008. This has since become one of the city's most prestigious developments. The Group also developed ONE Pacific Heights, a prime residential project situated in the western part of Hong Kong Island.

The Group is continuously exploring potential investment opportunities throughout Asia and around the world. In line with this strategy, it has drawn up long-term plans for the development of world-class all-season resorts in Hokkaido, Japan and Phang-nga, southern Thailand. In 2013, the Group increased its presence in Asia by acquiring a site located in Sudirman CBD, a prime business district in Jakarta, Indonesia, where it plans to develop a Premium Grade A office building for investment purposes.

PROPERTY AND ASSET MANAGEMENT

Drawing on its considerable experience and expertise, the Group provides property and asset management services for various kinds of premises.

STATEMENT FROM THE CHAIRMAN

THE GLOBAL ECONOMY HAS ENTERED A NEW ERA AND THERE WILL BE CHALLENGES AHEAD.

In 2015, the global economy was somewhat unpredictable as indicators showed improvements for the US economy but China and Europe were struggling to bolster their economic growth. Following the US Federal Reserve's decision to raise interest rates, the global economy has entered a new era and there will be challenges ahead. A strengthening US dollar is likely to pose a threat to Asian companies with large foreign currency exposure.

Nevertheless, PCPD remains cautiously optimistic about the long-term growth of emerging markets in Asia. This view was formed on the basis of the presence of the growing affluent population and increasing consumption power of Asia. An agreement with Citibank, N.A., Indonesia was reached whereby the international banking corporation has committed to leasing over five floors in PCPD's upcoming Premium Grade A office building in Jakarta, Indonesia. The building is scheduled to be completed in 2017. This agreement greatly boosts the Group's ambition to increase its presence in the Asia Pacific region.

The Group's long-term resort project in Hokkaido, Japan also reached a key milestone in November 2015 as PCPD and Hyatt Hotels Corporation entered into a management agreement for a Park Hyatt hotel and residences in Niseko. Park Hyatt Niseko, Hanazono is expected to open by the end of 2019. With this collaboration upon its completion, we believe that the resort development will become a tourism landmark in northern Japan and thus giving support to the long-term prosperity of the local community.

With our existing projects in Asia, we are confident that PCPD will continue to prosper with its brand equity and solid testimonials as a premium property developer in the region and across the world.

On behalf of the Board, I would like to thank the management team and all staff members for their valuable contributions to the Group throughout the year.

Richard Li
Chairman
February 26, 2016

STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

PARK HYATT NISEKO, HANAZONO AND ITS RESIDENCES WILL BE A PIVOTAL PART OF PCPD'S RESORT AND RESIDENTIAL DEVELOPMENT IN NISEKO.

The Group recorded the consolidated revenue from continuing operations of approximately HK$165 million for the financial year ended December 31, 2015. This represented a decrease of approximately 1 per cent on its revenue of approximately HK$166 million for 2014.

The Group's consolidated operating loss from its continuing operations for 2015 amounted to approximately HK$280 million, compared to an operating loss of approximately HK$349 million for 2014.

Its consolidated net loss attributable to equity holders of the Company for 2015 totalled approximately HK$81 million, compared to a profit of approximately HK$1,491 million for 2014. Basic loss per share was approximately 5.12 Hong Kong cents, compared to basic earnings per share of 94.13 Hong Kong cents for 2014.

The Board of Directors has not recommended a final dividend for the year ended December 31, 2015.

PCPD's Premium Grade A office building project located in Jakarta, Indonesia under construction sees substantial progress. The construction work is now proceeding to Level 22 of the building.

The building's green elements have been recognised by the industry. Following the LEED Platinum Grade Pre-certification awarded by the US Green Building Council last year, the project has been awarded the Greenship Design Recognition Platinum Grade certification, and became the Winner of the Best Green Development and Highly Commended Best Office Development in the Indonesia Property Awards in 2015. In October 2015, this project was conferred the Highly Commended Best Green Development (South East Asia). These recognitions aid the leasing efforts in attracting global prestigious tenants who share the same values of environmental protection and sustainable developments.

On September 29, 2015, PCPD and Citibank, N.A., Indonesia ("Citi") signed an agreement in relation to Citi's commitment to lease premises in this upcoming office building. Citi will take up over five floors of the 40-storey building located at Lot 10 in the Sudirman CBD of Jakarta. PCPD is also negotiating with other potential tenants in regard to leasing the floor areas of this Premium Grade A office building and we are confident that the building will become a landmark business cluster for multinational corporations, financial institutions, and renowned companies upon its completion in mid-2017 as expected.

For our resort project in Japan, we are delighted that we have entered into a hotel management agreement and other related agreements with Hyatt Hotels Corporation which will manage the first hotel of the project, Park Hyatt Niseko, Hanazono. The hotel will feature a selection of specialty restaurants, extensive meeting space, a golf clubhouse, a ski shop and valet, a destination spa, a fitness centre, and a swimming pool to ensure guests a memorable experience during their stay. Park Hyatt Niseko, Hanazono and its residences will be a pivotal part of PCPD's resort and residential development in Niseko.

In 2016, PCPD will continue its effort in seeking suitable projects around the world.

Robert Lee
Deputy Chairman and
Chief Executive Officer

February 26, 2016

KEY BUSINESS STRATEGIES

THE GROUP IS PRINCIPALLY ENGAGED IN DEVELOPING AND MANAGING PREMIUM PROPERTIES AS WELL AS INVESTING IN PREMIUM-GRADE BUILDINGS, LUXURY RESORTS, AND HOTELS IN HONG KONG AND AROUND THE WORLD. PCPD AIMS TO CREATE AND ENHANCE VALUE FOR OUR SHAREHOLDERS THROUGH ENGAGING IN DEVELOPMENT PROJECTS, ACQUISITIONS, AND JOINT VENTURES.

For this purpose, we embrace three key business strategies:

1. ***Maintain long-term growth and profitability by developing and investing in premium-grade properties***

   We are proactively seeking suitable premium development projects to generate favourable returns and sustain long-term growth for the Group.

2. ***Enhance our opportunities in real estate markets worldwide by leveraging on our experience, expertise, and brand established in developing and managing luxury residential, resort and hotel properties, and premium-grade buildings***

   We intend to replicate our success and maximize the strengths of our brand through new projects. Approached from time to time by potential strategic partners, we are looking at opportunities to participate in mega projects with the benefit of economies of scale, and opportunities to acquire and upgrade existing properties for investment or sale, whether through joint ventures or by setting up real estate funds.

3. ***Maintain a solid and healthy financial position***

   We will continue to maintain a robust financial status with optimal gearing and a healthy debt/equity ratio that will enable us to finance our existing projects and proceed with potential investments.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis of the audited consolidated financial results and operations relating to the business of Pacific Century Premium Developments Limited ("Company") and its subsidiaries (together with the Company, "Group") for the year ended December 31, 2015 is set out below.

REVIEW OF OPERATIONS

Property investment and development

Property investment in Indonesia

The Group's investment in Indonesia is located at Sudirman CBD which is within the Golden Triangle of Jakarta, Indonesia. The site is being developed into a 40-storey Premium Grade A landmark office building; the construction works of the development are underway and it is scheduled to be completed and to become operational in 2017.

Property development in Japan

As released on November 9, 2015, the detailed designs of the Hanazono all-season resort project in Niseko, Hokkaido, Japan, are being worked on as scheduled to bring the Park Hyatt branded residences to one of the top Asia's ski resort destinations.

Property development in Thailand

The preparation of the project in Phang-nga, southern Thailand is continuing. The renewal of the provincial environmental regulations applicable to this project has been pending; when the applicable environmental regulations are announced by the provincial government, the Group will need to study the implications of the provincial environmental regulations on the overall development. For reason of the above, the timeframe for the project has been and will be extended. Due to the extended timeframe, the Group will need to renegotiate the hotel-related contracts with the hotel operator, terminating the existing versions of the contracts, so as to reflect the updated status of the project.

Property development in Hong Kong

As reported in 2013 Annual Report, the sale of first-hand Villa Bel-Air houses completed in 2013. For the year ended December 31, 2015, the nineteenth batch of the net surplus proceeds from the Cyberport project, approximately HK$300 million in total, was allocated between the Government of the Hong Kong Special Administrative Region ("HKSAR Government") and the Group in accordance with the Cyberport Project Agreement. As a result, the HKSAR Government received approximately HK$194 million while the Group retained approximately HK$106 million.

Recreation and leisure

All-season recreational activities in Japan

The Group's all-season recreational operation is located in Niseko, Hokkaido, Japan, which is one of the premium ski destinations in the world. There are various facilities and recreational activities operated by the Group, including ski lift, ski equipment rental, ski school and snowmobile tours in winter and rafting tours and golfing in summer.

The Group entered into a hotel management agreement and other related agreements with Hyatt Hotels Corporation's affiliates for development of a Park Hyatt hotel in Niseko, Hokkaido where the all-season recreational operation is located. The hotel is expected to open in 2019 with a selection of specialty restaurants, extensive meeting space, a golf clubhouse, a ski shop and valet, a destination spa, a fitness centre and a swimming pool.

The Group's revenue from its all-season recreational activities amounted to approximately HK$78 million for the year ended December 31, 2015, as compared to approximately HK$77 million in 2014.

Property management related services

Property management and facilities management in Hong Kong

The Group provides professional property management and facilities management services to its clients in Hong Kong and generated revenue of approximately HK$51 million for the year ended December 31, 2015, as compared to approximately HK$55 million in 2014.

Other businesses

Other businesses of the Group mainly include property management in Japan, property investment in Hong Kong and asset management in Mainland China. The revenue from these other businesses amounted to approximately HK$36 million for the year ended December 31, 2015, as compared to approximately HK$34 million in 2014.

FINANCIAL REVIEW

Review of results

The consolidated revenue of the continuing operations was approximately HK$165 million for the year ended December 31, 2015, representing a decrease of approximately 1 per cent from approximately HK$166 million in 2014.

The consolidated gross profit from continuing operations for the year ended December 31, 2015 was approximately HK$111 million, representing an increase of approximately 3 per cent from approximately HK$108 million in 2014. The increase in consolidated gross profit was mainly due to an one-off credit adjustment relating to the cost of sales of the previous property sales. For the year ended December 31, 2015, the gross profit margin was 67 per cent as compared to 65 per cent in 2014.

The general and administrative expenses were approximately HK$389 million for the year ended December 31, 2015, representing an increase of 3 per cent from approximately HK$376 million in 2014. Such increase was mainly due to the increase in professional and consultancy fees incurred during the year.

The consolidated operating loss from continuing operations for the year ended December 31, 2015 decreased to approximately HK$280 million, as compared to approximately HK$349 million in 2014. Such decrease in operating loss was mainly due to the provision for impairment made for the properties held for development in Thailand in 2014.

As a result of the above and the saving of finance costs after loan repayment and 2014 Convertible Note redemption in 2014, the continuing operations recorded a consolidated net loss after taxation of approximately HK$273 million for the year ended December 31, 2015, as compared to approximately HK$441 million in 2014.

Basic loss per share from continuing operations during the year under review was 17.21 Hong Kong cents, as compared to basic loss per share of 27.86 Hong Kong cents in 2014.

The Group's consolidated results for the year ended December 31, 2015, taking into account of the reversal of provision for tax and direct expenses from the discontinued operation of approximately HK$192 million in relation to the disposal of Gain Score Group in 2014, showed a net loss after taxation of approximately HK$81 million, as compared to a net profit after taxation of approximately HK$1,491 million in 2014.

Current assets and liabilities

As at December 31, 2015, the Group held current assets of approximately HK$2,890 million (December 31, 2014: HK$ 4,368 million), mainly comprising cash and bank balances, sales proceeds held in stakeholders' accounts, restricted cash and prepayments, deposits and other current assets. The decrease in current assets was mainly due to the tax payment in relation to the disposal of Gain Score Group and the investment in the development project. Cash and bank balances (including cash and cash equivalents and short-term deposits) decreased by approximately 26 per cent from approximately HK$2,466 million as at December 31, 2014 to approximately HK$1,816 million as at December 31, 2015. Sales proceeds held in stakeholders' accounts amounted to approximately HK$513 million as at December 31, 2015 (December 31, 2014: HK$528 million). The level of restricted

MANAGEMENT'S DISCUSSION AND ANALYSIS

cash decreased to approximately HK$96 million as at December 31, 2015 from approximately HK$1,022 million as at December 31, 2014 after the net surplus proceeds distribution of the Cyberport project and the release of restricted cash back to the Group. As at December 31, 2015, the current ratio was 3.72 (December 31, 2014: 2.50).

As at December 31, 2015, the Group's total current liabilities amounted to approximately HK$777 million, as compared to approximately HK$1,748 million as at December 31, 2014. Such decrease was due to the settlement of the amount payable to the HKSAR Government under the Cyberport Project Agreement and the income tax liabilities.

Capital structure, liquidity and financial resources

As at December 31, 2015, the Group has no outstanding borrowings (December 31, 2014: Nil). The net debt-to-equity ratio was not applicable (December 31, 2014: not applicable). Net debt is calculated by deducting the aggregate of cash and cash equivalents and short-term deposits from the principal amount of borrowings.

On January 21, 2014, the Group entered into agreements to obtain loan facilities by which the lenders syndicate would make available term loan facilities which in the aggregate shall not exceed US$200 million, for financing the development of a Premium Grade A office building in Jakarta, Indonesia. No drawdown had yet been made by the Group as at December 31, 2015.

Cash and bank deposits were held mainly in US dollars and Hong Kong dollars. The Group has foreign operations, and certain of its net assets are exposed to the risk of foreign currency exchange rate fluctuations. As at December 31, 2015, the assets of the Group in Indonesia, Thailand and Japan represented approximately 43 per cent, 8 per cent and 9 per cent of the Group's total assets respectively. The Group's currency exposure with respect to these operations is subject to fluctuations in the exchange rates of Indonesian Rupiah, Thai Baht and Japanese Yen. On June 25, 2015, the Group has entered an Indonesian Rupiah/US dollars currency option with notional amount of US$200 million to manage the Indonesian Rupiah currency exposure.

Cash generated from operating activities (continuing operations) for the year ended December 31, 2015 was approximately HK$435 million, as compared to cash used in operating activities of approximately HK$249 million in 2014.

Income tax

The Group's income tax for continuing operations for the year ended December 31, 2015 were approximately HK$5 million, as compared to approximately HK$21 million in 2014. The decrease was due to the de-recognition of deferred income tax liabilities.

Security on assets

As at December 31, 2015, certain assets of the Group and equity interests in companies within the Group with an aggregate carrying value of approximately HK$2,268 million (December 31, 2014: HK$2,076 million) and performance guarantee of approximately HK$161 million (December 31, 2014: HK$166 million) were mortgaged and pledged to banks as security for the loan facilities of the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at December 31, 2015, the Group employed a total number of 416 staff in Hong Kong and overseas. The remuneration policies of the Group are in line with prevailing industry practices. Bonuses are paid on a discretionary basis taking into account factors such as performances of individual employees and the Group's performance as a whole. The Group provides comprehensive employee benefits, including medical insurance, a choice of provident fund or mandatory provident fund as well as training programs. The Group is also a participating member of the PCCW employee share incentive award schemes.

The share option scheme that the Company adopted in 2005 was terminated and replaced by a new share option scheme ("2015 Scheme") which was approved at the Company's annual general meeting held on May 6, 2015. The 2015 Scheme became effective on May 7, 2015, following its approval by PCCW's shareholders. The 2015 Scheme is valid and effective for a period of 10 years commencing on May 7, 2015. The purpose of the 2015 Scheme is to provide eligible participants with the opportunity to acquire proprietary interests in the Company and to encourage eligible participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

DIVIDENDS AND DISTRIBUTION

The Board did not recommend the payment of a final dividend to shareholders nor a final distribution to bonus convertible noteholders for the year ended December 31, 2015 (2014: Nil).

The Board did not declare an interim dividend to shareholders nor an interim distribution to bonus convertible noteholders for the year ended December 31, 2015 (2014: Nil).

CLOSURE OF REGISTER OF MEMBERS AND CLOSURE OF REGISTER OF NOTEHOLDERS

The Company's register of members will be closed from May 3, 2016 to May 4, 2016, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the forthcoming annual general meeting of the Company, all transfers, accompanied by the relevant share certificates, should be lodged with the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on April 29, 2016.

The Company's register of noteholders of bonus convertible notes will be closed from May 3, 2016 to May 4, 2016, both days inclusive, during which period no transfer of bonus convertible notes will be effected. In order to be entitled to attend the forthcoming annual general meeting of the Company, all transfers, accompanied by the relevant note certificates, should be lodged with the bonus convertible note registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on April 29, 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended December 31, 2015, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the listed securities of the Company.

OUTLOOK

The US Federal Reserve raised its benchmark interest rate from 0-0.25% to 0.25-0.5% in mid-December last year, which marked the end of a seven-year period of close-to-zero interest rates.

As the rate increase was mild and other major economies, such as the Eurozone, China and Japan, are still struggling to boost their respective economic growth with relaxed monetary policies, the Group does not expect that the US rate hike would have a significant impact on global property markets in the short run.

The increase in the benchmark interest rate will bring volatility to the currency markets especially those emerging markets such as Thailand and Indonesia. PCPD will be cautious in managing the currency risk brought about by such volatility while maintaining existing operations in these countries.

The Group's 40-storey Premium Grade A office building being constructed in Jakarta, Indonesia has received positive response. Following our leasing agreement signed with Citibank, N.A., Indonesia ("Citi"), we continue to negotiate with other prospective tenants. The Group is confident that more office space will be leased later this year. The building is scheduled to be completed in 2017.

The Group and Hyatt Hotels Corporation's affiliates have entered into a management agreement for a Park Hyatt hotel and residences project in Niseko, Japan. The hotel is expected to open in 2019. The Group is stepping up the final design and development of the project.

The Group's balance sheet remains solid. With its current cash and appropriate leverage, PCPD is capable of maintaining current operations as well as engaging in the Group's potential projects.

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

LI Tzar Kai, Richard

Chairman

Mr Li, aged 49, is an Executive Director and the Chairman of Pacific Century Premium Developments Limited ("PCPD"), the Chairman of PCPD's Executive Committee, a member of PCPD's Remuneration Committee and Nomination Committee of PCPD Board. He became a director of PCPD in May 2004. He also holds positions in the following companies:

(1) Chairman and Executive Director of PCCW Limited ("PCCW");
(2) Chairman of PCCW's Executive Committee;
(3) a member of PCCW's Nomination Committee of the PCCW board;
(4) Executive Chairman and Executive Director of HKT Limited ("HKT") and HKT Management Limited, the trustee-manager of the HKT Trust;
(5) Chairman of HKT's Executive Committee;
(6) a member of HKT's Nomination Committee of the HKT board;
(7) Chairman and Chief Executive of the Pacific Century Group; and
(8) Chairman and Executive Director of Singapore-based Pacific Century Regional Developments Limited ("PCRD"), and the Chairman of PCRD's Executive Committee.

Mr Li is an Independent Non-Executive Director of The Bank of East Asia, Limited. He is also a member of the Center for Strategic and International Studies' International Councillors' Group in Washington, D.C., and a member of the Global Information Infrastructure Commission. Mr Li was awarded the Lifetime Achievement Award by the Cable & Satellite Broadcasting Association of Asia in November 2011.

LEE Chi Hong, Robert

Deputy Chairman and Chief Executive Officer

Mr Lee, aged 64, is an Executive Director, the Deputy Chairman, the Chief Executive Officer of PCPD and a member of PCPD's Executive Committee. He became a director of PCPD in May 2004. He is also an Executive Director of PCCW and a member of PCCW's Executive Committee and is a Director of certain PCCW subsidiaries.

Mr Lee was previously an Executive Director of Sino Land Company Limited ("Sino Land"), at which his responsibilities included sales, finance, acquisitions, investor relations, marketing and property management. Prior to joining Sino Land, Mr Lee was a senior partner at Deacons in Hong Kong, where he specialized in banking, property development, corporate finance and dispute resolution in Hong Kong and mainland China. Before that, he was a solicitor with the London firm Pritchard Englefield & Tobin (now Thomas Eggar incorporating Pritchard Englefield). He was enrolled as a solicitor in the United Kingdom in 1979 and admitted as a solicitor in Hong Kong in 1980. He became a Notary Public in Hong Kong in 1991.

Mr Lee had also served as a member of the panel of arbitrators of the China International Economic and Trade Arbitration Commission of the China Council for the Promotion of International Trade in Beijing.

Mr Lee is a member of the International Council of the Louvre as well as an Ambassador for the Louvre in China.

Mr Lee graduated from Cornell University in the United States in 1975 with a bachelor's degree in Political Science.

James CHAN

Mr Chan, aged 62, is an Executive Director, the Project Director of PCPD and a member of PCPD's Executive Committee. He became a director of PCPD in August 2005. Mr Chan is responsible for managing various property projects of PCPD and its subsidiaries. He was responsible for the project execution of the Cyberport project and has overall responsibility for all aspects of the construction works. Mr Chan has become an Independent Non-Executive Director of Beijing Properties (Holdings) Limited since June 2011 and a Non-Executive Director of Viva China Holdings Limited since June 2013.

Prior to joining PCCW in October 2002, Mr Chan was a practising architect and had worked for a major developer in Hong Kong, with comprehensive experience in design, planning and land matters, design development and construction management of major investment properties, which included a wide range of industrial and warehousing, commercial, retail and residential developments in Hong Kong and overseas. Mr Chan possesses a wide spectrum of experience in the real estate industry and has been active in the real estate business for more than 37 years.

Mr Chan holds a Bachelor of Arts in Architectural Studies degree from The University of Hong Kong ("HKU"), a Bachelor of Architecture degree from University of Dundee in Scotland and an Executive Master of Business Administration degree from Tsinghua University. He is qualified as the Authorised Person (List I) and Registered Architect in Hong Kong, and is a member of The Hong Kong Institute of Architects, The Royal Institute of British Architects and The Australian Institute of Architects.

BOARD OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Prof WONG Yue Chim, Richard, SBS, JP

Prof Wong, aged 63, is an Independent Non-Executive Director of PCPD, the Chairman of PCPD's Audit Committee and a member of PCPD's Remuneration Committee and Nomination Committee of the Board. He became a director of PCPD in July 2004.

Prof Wong is a Professor of Economics at HKU. He was awarded the Silver Bauhinia Star in 1999 by the Government of the Hong Kong Special Administrative Region for his contributions in education, housing, industry and technology development. In addition, Prof Wong was appointed a Justice of the Peace in July 2000. He studied Economics at the University of Chicago and graduated with a Doctorate in Philosophy.

Prof Wong is currently an Independent Non-Executive Director of the following listed companies in Hong Kong:

(1) Great Eagle Holdings Limited;
(2) Orient Overseas (International) Limited; and
(3) Sun Hung Kai Properties Limited.

Prof Wong is also an Independent Non-Executive Director of the following companies:

(1) Link Asset Management Limited (the manager of Link Real Estate Investment Trust, a Hong Kong listed company); and
(2) Industrial and Commercial Bank of China (Asia) Limited (withdrawal of listing of shares on The Stock Exchange of Hong Kong Limited since 21 December 2010).

Prof Wong was an Independent Non-Executive Director of CK Life Sciences Int'l., (Holdings) Inc. from June 2002 to May 2015.

Dr Allan ZEMAN, GBM, GBS, JP

Dr Zeman, aged 67, is an Independent Non-Executive Director of PCPD, the Chairman of PCPD's Nomination Committee of the Board and a member of PCPD's Audit Committee of the Board. He became a director of PCPD in June 2004.

Dr Zeman is the Chairman of Lan Kwai Fong Group, a major property owner and developer in Hong Kong's Lan Kwai Fong, one of Hong Kong's popular tourist attractions and entertainment districts. Dr Zeman is also an Independent Non-Executive Director of Sino Land, Tsim Sha Tsui Properties Limited, Global Brands Group Holding Limited, Television Broadcasts Limited and a board member of The "Star" Ferry Company, Limited. Besides all the board appointments in Hong Kong, Dr Zeman is an Independent Non-Executive Director and the Vice Chairman of Wynn Macau, Limited, a prominent gaming company in Macau.

Having lived in Hong Kong for over 45 years, Dr Zeman has been very involved in Government services as well as community activities. Dr Zeman also serves as a member of the Board of West Kowloon Cultural District Authority, and is the Chairman of its Performing Arts

Committee. He is also the appointed member of the Economic Development Commission of Hong Kong, a member of the General Committee of the Hong Kong General Chamber of Commerce, a member of the Board of Governors of The Canadian Chamber of Commerce in Hong Kong and a member of the Asian Advisory Board of the Richard Ivey School of Business, The University of Western Ontario. In January 2015, Dr Zeman was appointed by the Chief Executive of the HKSAR Government to be a Representative of Hong Kong China to the Asia-Pacific Economic Cooperation Business Advisory Council. In June 2015, Dr Zeman was appointed as a board member of the Airport Authority of Hong Kong. Dr Zeman is also a board member of The Hong Kong Entrepreneurs Fund of Alibaba Group which was launched in November 2015. Dr Zeman was the Chairman of Hong Kong Ocean Park from July 2003 to June 2014 and he is now the honorary advisor to the Park.

Dr Zeman is a holder of Honorary Doctorate of Laws Degree from The University of Western Ontario, Canada. He is also a holder of Honorary Doctorate of Business Administration from City University of Hong Kong as well as The Hong Kong University of Science and Technology.

CHIANG Yun

Ms Chiang, aged 48, is an Independent Non-Executive Director of PCPD, the Chairman of PCPD's Remuneration Committee of the Board and a member of PCPD's Audit Committee and Nomination Committee of the Board. She became a director of PCPD in May 2015.

Ms Chiang has over 22 years of private equity investment experience and is now a founding managing partner of Pacific Alliance Equity Partners, the private equity division of Pacific Alliance Group ("PAG"). Prior to joining PAG, she was a vice president in AIG Investment Corporation. She is currently an Independent Non-Executive Director of the following listed companies in Hong Kong:

1. Sands China Ltd.;
2. Goodbaby International Holdings Limited;

and an Independent Non-Executive Director of the following listed company in London:

3. Merlin Entertainments Plc.

Ms Chiang obtained a Bachelor of Science degree, cum laude, from Virginia Polytechnic Institute and State University in 1992 and an Executive Master of Business Administration degree from The Kellogg Graduate School of Management of North-western University and Hong Kong University of Science and Technology in 1999.

CORPORATE GOVERNANCE REPORT

Pacific Century Premium Developments Limited ("PCPD" or "Company") and its subsidiaries ("Group") have made continued efforts to incorporate the key elements of sound corporate governance into its management structure and internal procedures. The Group is committed to high standards of ethics and integrity in all aspects of business and to ensuring that its affairs are conducted in accordance with applicable laws and regulations and for the benefits and in the interests of shareholders of the Company.

CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with all applicable code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") during the year ended December 31, 2015.

MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

The Company has adopted its own code of conduct regarding securities transactions, namely the PCPD Code of Conduct for Securities Transactions ("PCPD Code"), which applies to all directors and employees of the Company on terms no less exacting than the required standard indicated by the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

The Company has made specific enquiries with all the directors of the Company and they confirmed that they had complied with the requirements under the PCPD Code for the year ended December 31, 2015.

BOARD OF DIRECTORS

As at the date of this report, the board of directors of the Company ("Board") comprises three executive directors and three independent non-executive directors. The biographies of all the directors as of the date of this report are set out on pages 14 to 17 of this annual report.

The Board is responsible for the management of the Company. Its key responsibilities include formulation of the overall strategies of the Group, setting targets for management and supervision of management's performance. The Board confines itself to making broad policy decisions and exercising its reserved powers, as set out below:

1. those functions and matters as set out in the terms of reference of various committees of the Board for which approval of the Board must be sought from time to time;

2. those functions and matters for which approval of the Board must be sought in accordance with the Group's internal policy;

3. consideration and approval of financial statements in interim reports and annual reports, announcements and press releases of interim and final results;

BOARD OF DIRECTORS – CONTINUED

4. consideration of dividend policy and dividend amount; and

5. monitoring of the corporate governance of the Group in order to ensure compliance with the applicable rules and regulations.

The executive committee of the Board (“Executive Committee”) is, under the leadership of the Chairman of the Board, responsible for considering in detail the policy decisions of the Board and implementing such decisions.

Mr Li Tzar Kai, Richard is the Chairman of the Board and Mr Lee Chi Hong, Robert is the Chief Executive Officer of the Company. The role of the Chairman is separated from that of the Chief Executive Officer. The Chairman is responsible for ensuring that the Board functions effectively, for providing leadership for the Board in setting goals and objectives for the Company and for ensuring that good corporate governance practices and procedures are established and enforced. The Chief Executive Officer is responsible for the day-to-day management of the Group’s businesses and operations and for ensuring effective implementation of the Group’s strategies. Mr Lee Chi Hong, Robert is also the Deputy Chairman of the Company.

All of the directors have full access to all the relevant information and have been furnished with relevant information in a timely manner, including monthly updates from the management, reports from each committee of the Board and briefings on significant legal, regulatory or accounting issues affecting the Group. Directors are also entitled to seek independent professional advice with costs to be borne by the Company.

All directors have confirmed that they have given sufficient time and attention to the Company’s affairs. The Company has requested that each director shall disclose to the Company at the time of his/her appointment the number and nature of offices held in public companies or organisations and other significant commitments and with an indication of the time involved and disclose in a timely manner any changes thereto.

The Board has introduced a structured process to evaluate the performance of all the directors on an annual basis including a self-evaluation questionnaire which has been completed by each director and a summary of the results was presented to the audit committee of the Board (“Audit Committee”) and then to the Board for discussion for the purpose of evaluating each director’s performance of his/her responsibilities and his/her time commitment to the Company’s affairs in accordance with the relevant requirements of the CG Code, and identifying areas for improvement. To supplement this, a Board’s self-assessment questionnaire has been devised during the year and has been completed by a majority of the directors on a voluntary basis for purpose of assessing the Board’s performance in a more comprehensive manner and putting more emphasis on evaluation. Through this process, it was noted that directors were generally satisfied with the performance of their own and of the Board as a whole and their time commitment in discharging their duties as directors of the Company for the year ended December 31, 2015.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS – CONTINUED

The directors acknowledge their responsibilities for preparing the financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the profits and cashflows of the Group and which are prepared in accordance with the Hong Kong Financial Reporting Standards, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Listing Rules. In preparing the financial statements for the year ended December 31, 2015, the directors and the Chief Financial Officer have selected suitable accounting policies and applied them consistently, made judgments and estimates that were prudent and reasonable, stated the reasons for any significant departure from applicable accounting standards in Hong Kong and prepared the financial statements on a going concern basis. The directors and the Chief Financial Officer are responsible for keeping proper accounting records which would reflect with reasonable accuracy at any time the financial position, results of operations, cash flows and changes in equity of the Group. The statement of the auditor of the Company relating to their reporting responsibilities on the financial statements of the Company is set out in the Independent Auditor's Report on pages 58 to 59.

More than one-third of the members of the Board are independent non-executive directors and hence the requirement under Rule 3.10A of the Listing Rules is complied with. In addition, the qualification and experience of Ms Chiang Yun, one of the independent non-executive directors of the Company, fulfil the requirement under Rule 3.10(2) of the Listing Rules; therefore, the requirement under Rule 3.10 of the Listing Rules is complied with. The Company has received from each of its independent non-executive directors the written confirmation confirming his/her independence to the Company and the Company considers that they are independent in accordance with Rule 3.13 of the Listing Rules.

Each of the non-executive directors of the Company is appointed for a term of two years from the date of his/her appointment or re-election. However, all the directors of the Company are subject to retirement by rotation and re-election at the annual general meeting once every three years in accordance with the Bye-laws of the Company and in compliance with the CG Code. The Company has issued formal letters of appointment to its directors setting out the key terms of their appointments as required under the Listing Rules.

Independent non-executive directors are identified in all of the corporate communications in which the names of the directors are disclosed. An updated list of the Company's directors identifying the independent non-executive directors and the role and functions of the directors is maintained on the relevant websites of the Company and Hong Kong Exchanges and Clearing Limited ("HKEx").

EXECUTIVE COMMITTEE

The Executive Committee operates as a general management committee with the overall delegated authority from the Board. This ensures that decisions can be taken quickly to enable the Group to seize opportunities in the fast-moving business environment. The Executive Committee is responsible with determining strategies for the group, reviewing trading performance, ensuring adequate funding, examining major investment opportunities and monitoring management performance. The authority and duties of the Executive Committee are set out in writing in its terms of reference.

EXECUTIVE COMMITTEE – CONTINUED

Current members of the Executive Committee are:

1. Li Tzar Kai, Richard (Chairman)

2. Lee Chi Hong, Robert

3. James Chan

REMUNERATION COMMITTEE

The remuneration committee of the Board ("Remuneration Committee") is responsible for ensuring that formal and transparent procedures are in place for developing the remuneration policy of the Company, for overseeing the remuneration packages of individual executive director and senior management, and for providing effective oversight and administration of the share option scheme of the Company. The authorities and duties of the Remuneration Committee are set out in writing in its terms of reference which specify, among other things, that it must comprise at least three members, and the majority of whom shall be independent non-executive directors; and the chairman of the Remuneration Committee must be an independent non-executive director of the Company. The terms of reference are posted on the relevant websites of the Company and the HKEx.

The Company has adopted the model by which determination of the remuneration packages of individual executive director and senior management is delegated to the Remuneration Committee. The Remuneration Committee is provided with sufficient resources to perform its duties and can seek advice from remuneration consultants or other independent external professional advisers if necessary.

The Remuneration Committee is chaired by an independent non-executive director. Current members of the Remuneration Committee are:

1. Chiang Yun (Chairman)

2. Li Tzar Kai, Richard

3. Prof Wong Yue Chim, Richard

The majority of the members of the Remuneration Committee are independent non-executive directors.

In the year ended December 31, 2015, one Remuneration Committee meeting was held. The attendance record of individual directors at the committee meeting is set out in the table on page 28.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE – CONTINUED

The following is a summary of the work performed by the Remuneration Committee in 2015:

A. reviewed the remuneration of certain executive directors for 2015 and approved 2014 incentive bonus payment to all the executive directors;

B. reviewed the fees and remuneration of the non-executive directors for 2015 and made recommendations to the Board for such to be approved, if thought fit; and

C. reviewed the terms of reference of the Remuneration Committee and concluded that no revision was required.

Details of the remuneration of each director are set out in the consolidated financial statements on pages 92 to 94.

NOMINATION COMMITTEE

The nomination committee of the Board ("Nomination Committee") is responsible for ensuring that a set of fair and transparent procedures is in place for the appointment and re-appointment of directors to the Board. The authorities and duties of the Nomination Committee are set out in writing in its terms of reference which specify, among other things, that it must comprise at least three members, the majority of whom shall be independent non-executive directors and the chairman of the Nomination Committee can be either the chairman of the Board or an independent non-executive director of the Company. The terms of reference are posted on the relevant websites of the Company and the HKEx.

The Company has formal procedures for the appointment of a new director to the Board, and the appointment process is fair and transparent. The Nomination Committee reviews the structure, size and composition of the Board, identifies suitably qualified candidates to become Board members and makes recommendations to the Board on the selection of candidates nominated for directorships and on succession planning for directors. During the process, the Nomination Committee makes the selection of candidate based on merits and with due regard to the benefits of diversity he/she can bring to the Board.

The Board adopted a board diversity policy ("Board Diversity Policy") on February 25, 2013 with the primary objective of enhancing the effectiveness of the Board and the corporate governance standard of the Group. The Company recognizes the importance of having a diverse team of board members, which is an essential element in maintaining a competitive advantage. The Nomination Committee has been delegated the authority to review and assess the diversity of the Board by way of considering a number of factors including but not limited to, gender, age, cultural and educational background, and professional experience with an objective of maintaining an appropriate mix and balance of skills, experience and diversity of perspectives on the Board.

NOMINATION COMMITTEE – CONTINUED

The Board considered the appointment of Ms Chiang Yun with effect from the conclusion of the annual general meeting held on May 6, 2015 would help maintain an appropriate mix and balance of factors in the Board Diversity Policy, including but not limited to, gender, age, cultural and educational background, and professional experience.

The Nomination Committee will review and access the Board Diversity Policy at least annually and make recommendation to the Board regarding appointment and re-appointment of directors. The Nomination Committee will give consideration to the Board Diversity Policy when identifying and selecting suitably qualified candidates.

The Nomination Committee is chaired by an independent non-executive director. Current members of the Nomination Committee are:

1. Dr Allan Zeman (Chairman)

2. Li Tzar Kai, Richard

3. Prof Wong Yue Chim, Richard

4. Chiang Yun

The majority of the members of the Nomination Committee are independent non-executive directors.

In the year ended December 31, 2015, two Nomination Committee meetings were held. The attendance record of individual directors at the committee meetings is set out in the table on page 28.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE – CONTINUED

The following is a summary of the work performed by the Nomination Committee in 2015:

A. reviewed and assessed the independence of all independent non-executive directors and advised the Board as to which of the directors were due to retire pursuant to the applicable laws of Bermuda, the Bye-laws of the Company and the CG Code and recommended that they be subject to retirement and re-election at the 2015 annual general meeting;

B. annual review of the structure, size and composition (including the skills, knowledge and experience) of the Board based on the Board Diversity Policy according to the Listing Rules; and with a recommendation to the Board for approval;

C. reviewed the terms of reference of the Nomination Committee and concluded that no revision was required; and

D. reviewed and recommended the appointment of new independent non-executive director, the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee.

At its meeting on February 26, 2016, the Nomination Committee reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board and formed the view that the Board has a balance of skills, knowledge and experience which was appropriate for the business of the Company for the year ended December 31, 2015, and had made recommendation to the Board for approval of the same. In performing its duties, the Nomination Committee can seek advice from outside legal counsels or other independent professionals at the Company's expenses if necessary.

AUDIT COMMITTEE

The Audit Committee is responsible for ensuring (i) the objectivity and credibility of the Group's financial reporting; (ii) that the directors have exercised due care, diligence and skills prescribed by law when presenting results to the shareholders; (iii) that an effective system of internal controls is in place; (iv) that good corporate governance standards and practices are maintained by the Group; and (v) the Company's general compliance with regulatory obligations. The authorities and duties of the Audit Committee are set out in writing in its terms of reference which are posted on the relevant websites of the Company and the HKEx.

AUDIT COMMITTEE – CONTINUED

The major duties of the Audit Committee include (i) making recommendation of appointment of the external auditor, compensation and supervision of the external auditor and to ensure the independence of the external auditor by reviewing the fees for audit and non-audit services provided to the Group by the external auditor in accordance with its adopted procedures; and (ii) the maintaining of good corporate governance standards and practices and the whistle-blowing policy of the Group.

The Audit Committee reviews the Group's financial statements and internal financial reports, as well as compliance processes and internal control systems, including the works of internal audit unit.

On November 17, 2015, the Board resolved to amend the Audit Committee's terms of reference for enhancing its accountability in risk management and internal controls pursuant to the Listing Rules with effect from the accounting period began on January 1, 2016. In addition to the above responsibilities and duties, the Audit Committee will (i) evaluate the adequacy and review the effectiveness of the Company's disclosure controls and processes for financial reporting; (ii) review the design, implementation and monitoring of the Group's risk management and internal control systems on an ongoing basis; (iii) consider the changes in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment; (iv) consider the scope and quality of management's ongoing monitoring of risks and of the internal control systems; and (v) consider significant control failings or weaknesses that have been identified during the period.

Current members of the Audit Committee are:

1. Prof Wong Yue Chim, Richard (Chairman)
2. Dr Allan Zeman
3. Chiang Yun

All members of the Audit Committee are independent non-executive directors.

The Audit Committee is provided with sufficient resources to discharge its duties and meets regularly with management, internal auditor and external auditor and reviews their reports. In the year ended December 31, 2015, two Audit Committee meetings were held. The attendance record of individual directors at the committee meetings is set out in the table on page 28.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE – CONTINUED

The following is a summary of the work performed by the Audit Committee in 2015:

A. reviewed the financial statements of the Company for the year ended December 31, 2014 and the related annual results announcement and auditor's report; and made recommendations to the Board that the same be approved;

B. reviewed the report of the external auditor and made recommendations to the Board for their re-appointment at the 2015 annual general meeting;

C. reviewed the financial statements of the Company for the six months ended June 30, 2015 and the related interim results announcement and made recommendations to the Board that the same be approved;

D. reviewed external auditor's reports to the Audit Committee for the year ended December 31, 2014 and the six months ended June 30, 2015 and their terms of engagement, communications plan and audit plan for the Group for the financial year ended December 31, 2015;

E. reviewed various internal audit reports;

F. introduced a structured process to evaluate performance of all the directors on an annual basis including reviewed and revised the directors' self-evaluation questionnaire and devised a Board's self-assessment questionnaire;

G. reviewed and revised the terms of reference of the Audit Committee;

H. reviewed the corporate governance report of the Company for the year ended December 31, 2014;

I. reviewed the fees for audit and non-audit services provided by the external auditor;

J. reviewed the Group's continuing connected transactions and external auditor's report thereon; and

K. met with the external auditor in the absence of management.

In addition, the Audit Committee reviewed the consolidated financial statements for the year ended December 31, 2015 and the related annual results announcement and auditor's report and the corporate governance report, and made recommendation to the Board that the same be approved.

EXTERNAL AUDITOR

The external auditor of the Group is PricewaterhouseCoopers. During the year ended December 31, 2015, the total fees in respect of audit and non-audit services provided by PricewaterhouseCoopers (which for this purpose included any entity that is under the common control, ownership or management of the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as being part of the firm, either nationally or internationally) amounted to approximately HK$5.2 million.

The significant non-audit services covered by these fees included the following:

Nature of service	Fees paid (HK$ million)
Non-statutory review services	0.9

INTERNAL AUDIT

The Internal Audit Unit of the Group provides independent assurance to the Board and management on the adequacy and effectiveness of the internal controls for the Group. The Head of Internal Audit Unit reports directly to the Audit Committee, the Chief Executive Officer and the Chief Financial Officer.

Internal Audit adopts a risk-and-control-based audit approach. An annual work plan is formulated in advance and covers major activities and processes of the business and service units of the Group. Special reviews are also performed at management's request. All audit reports are communicated to the Audit Committee and audit issues are tracked and followed up for proper implementation, with progress reported to the Audit Committee.

The Group has adopted a Corporate Responsibility Policy that applies to all employees, including directors and officers. This sets out the standards by which the Group conducts its business and the responsibilities of the Group's employees. The policy includes guidance on obligations to the Company, civic responsibilities, equal opportunities, safeguarding of the Company's information and property, personal data privacy, prevention of bribery, conflicts of interests, competition, health and safety at work and environment. The full version of the Corporate Responsibility Policy can be found on the website of the Company.

CORPORATE GOVERNANCE REPORT

INTERNAL AUDIT – CONTINUED

During the year ended December 31, 2015, Internal Audit conducted selective reviews of the effectiveness of the Group's system of internal controls over financial, operational, compliance controls and risk management functions with emphasis on information technology, procurement and accounts payable, and electronic banking in compliance with Listing Rules and regulations. Additionally, major heads of business and corporate functions were required to undertake a control self-assessment of their key controls, as well as controls relating to anti-bribery and anti-corruption covering Hong Kong and overseas entities were added. These results were assessed by Internal Audit and reported to the Audit Committee, which then reviewed and reported the same to the Board. The Audit Committee and the Board were not aware of any areas of concern that would have an adverse impact on the Company's financial position or results of operations and considered the internal control systems to be generally effective and adequate including the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting and financial reporting function.

ATTENDANCE AT MEETINGS

All directors actively participate in the Company's business. The attendance records of all directors for the Board meetings, meetings of the Board committees and annual general meeting during the year ended December 31, 2015 are set out below:

	Meetings attended/held in 2015				
Directors	**Board Meeting**	**Audit Committee Meeting**	**Nomination Committee Meeting**	**Remuneration Committee Meeting**	**Annual General Meeting**
Executive directors					
Li Tzar Kai, Richard	5/5	N/A	2/2	1/1	1/1
Lee Chi Hong, Robert	5/5	N/A	N/A	N/A	1/1
James Chan	5/5	N/A	N/A	N/A	1/1
Gan Kim See, Wendy (resigned with effect from March 18, 2015)	1/1	N/A	N/A	N/A	N/A
Independent non-executive directors					
Cheung Kin Piu, Valiant (retired with effect from the conclusion of the annual general meeting held on May 6, 2015)	2/2	1/1	1/1	1/1	1/1
Prof Wong Yue Chim, Richard	5/5	2/2	2/2	1/1	1/1
Dr Allan Zeman	5/5	2/2	2/2	N/A	0/1
Chiang Yun (appointed with effect from the the conclusion of the annual general meeting held on May 6, 2015)	2/2	1/1	N/A	N/A	N/A

TRAINING AND SUPPORT FOR DIRECTORS

During the year, directors received regular updates and presentations on the developments of the Group's business and also important amendments to the Listing Rules and other applicable regulatory requirements. These updates aim at enhancing directors' knowledge and skills; and assisting them to comply with good corporate governance practices. The current directors of the Company, namely, Li Tzar Kai, Richard, Lee Chi Hong, Robert, James Chan, Prof Wong Yue Chim, Richard, Dr Allan Zeman and Chiang Yun had attended training sessions organized by the Company or its holding company or other professional parties and had provided their training records to the Company Secretary.

COMPANY SECRETARY

During the year ended December 31, 2015, the Company Secretary of the Company is Mr Tsang Sai Chung who had taken no less than 15 hours of relevant professional training.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company is committed to promoting and maintaining effective communication with the shareholders and other stakeholders. A Shareholders Communication Policy has been adopted for ensuring the Company provides the shareholders and the investment community with appropriate and timely information about the Company in order to enable the shareholders to exercise their rights in an informed manner, and to allow the investment community to engage actively with the Company. The Shareholders Communication Policy is available on the Company's website (www.pcpd.com).

The Company encourages two-way communication with both institutional and private investors. Information on the activities of the Company is provided in the interim reports and annual reports as well as on the relevant websites of the Company and the HKEx. There are regular dialogues between institutional investors and the Company. Enquiries from individuals on matters relating to their shareholdings and the business of the Company are welcomed and they are dealt with in an informative and timely manner. Relevant contact information is provided on page 144 of this annual report.

SHAREHOLDERS' RIGHTS

1. *Procedures by which shareholders can convene a special general meeting*

Pursuant to the Bye-laws of the Company, the Board shall, on the requisition in writing of the shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, proceed to call a special general meeting for the transaction of any business specified in such requisition ("Requisition"). The Requisition must state the purposes of the general meeting, be signed by the shareholder(s) concerned and may consist of several documents in like form, each signed by one or more of those shareholders. A special general meeting must be held within two months after deposit of the Requisition.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS – CONTINUED

1. *Procedures by which shareholders can convene a special general meeting – continued*

If within twenty-one days of such deposit the Board fails to proceed to convene such special general meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda ("Act").

2. *Procedures by which enquiries may be put to the Board*

Shareholders may, at any time, direct enquiries to the Board. Such enquiries can be addressed to the Company Secretary in writing by mail to the Company's principal place of business in Hong Kong at 8th Floor, Cyberport 2, 100 Cyberport Road, Hong Kong ("Hong Kong Principal Office").

3. *Procedures for putting forward proposals at general meetings*

To put forward a proposal at a shareholders' meeting, shareholders are requested to follow the requirements and procedures as set out in the Bye-laws of the Company and the Act.

Pursuant to the Act, shareholder(s) of the Company holding (i) not less than one-twentieth of the total voting rights of all the shareholders having the right to vote at the general meeting; or (ii) not less than 100 shareholders, can submit a written request stating the resolution intended to be moved at the annual general meeting; or a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting.

The written request/statements must be signed by the shareholder(s) concerned and deposited at the Company's registered office in Bermuda at Clarendon House, 2 Church Street, Hamilton, HM11 Bermuda ("Registered Office") and its Hong Kong Principal Office, for the attention of the Company Secretary, not less than six weeks before the annual general meeting in the case of a requisition requiring notice of a resolution and not less than one week before the general meeting in the case of any other requisition.

If the written request is in order, the Company Secretary will take necessary actions pursuant to the Act.

SHAREHOLDERS' RIGHTS – CONTINUED

4. *Procedures for shareholders to propose a person for election as a Director*

Pursuant to the Bye-laws of the Company, if a shareholder, who is duly qualified to attend and vote at the general meeting convened to deal with appointment or election of director(s), wishes to propose a person (other than a retiring director and the shareholder himself/herself) for election as a director at that general meeting, such shareholder can deposit a notice in writing of the intention to propose that person for election as a director and a notice in writing by that person of his willingness to be elected at the Company's Registered Office or the Hong Kong Principal Office at least seven days before the date of the general meeting. The period for lodging such notice will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and no later than seven days prior to the date of such meeting.

If a shareholder wishes to nominate a person to stand for election as a director, the following documents must be validly served on the Company Secretary, namely (i) notice of intention to propose a resolution to elect a person as a director ("Nominated Candidate") at the general meeting; (ii) notice in writing executed by the Nominated Candidate of his/her willingness to be elected; and (iii) the information as required to be disclosed under Rule 13.51(2) of the Listing Rules and such other information as required by the Listing Rules and the Bye-laws of the Company from time to time.

On behalf of the Board

TSANG Sai Chung
Company Secretary

Hong Kong, February 26, 2016

FINANCIAL INFORMATION

REPORT OF THE DIRECTORS

The board of directors of Pacific Century Premium Developments Limited ("Company") ("Board") presented its annual report together with the audited consolidated financial statements of the Company and its subsidiaries ("Group") for the year ended December 31, 2015.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the development and management of premium property and infrastructure projects as well as investment in premium-grade buildings in Asia.

Details of segment information are set out in note 5 to the consolidated financial statements.

BUSINESS REVIEW

A review of the businesses of the Group during the year, a discussion on the Group's future business development and an analysis of the Group's performance during the year using financial key performance indicators are provided in the Statement from the Chairman on pages 4 to 5, the Statement from the Chief Executive Officer on pages 6 to 7 and the Management's Discussion and Analysis on pages 10 to 13 of this annual report and note 36 to the consolidated financial statements.

Description of the principal risks and uncertainties that the Group faces and the Group's environmental policies and performances, relationships with its key stakeholders and compliance with laws and regulations which have a significant impact on the Group are set out below.

Principal Risks and Uncertainties

The directors are aware that the Group is exposed to various risks, including some which are specific to the Group or the property industries in which the Group operates as well as others that are common to most if not all other businesses. The Group has been following the risk management policy of its parent company, PCCW Limited ("PCCW"), to ensure that significant risks which may adversely affect the Group's performance and ability to deliver on its strategies, as well as those which may present positive opportunities, are identified, reported, monitored and managed on a continuous basis.

The following list out the key risks and uncertainties facing the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below. Besides, this annual report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the securities of the Company.

REPORT OF THE DIRECTORS

BUSINESS REVIEW – CONTINUED

Principal Risks and Uncertainties – continued

Market Risk

The Group has material investment in commercial property under construction in Indonesia and is largely subject to the risks associated with Indonesia's competition and uncertainties of economic environment.

A substantial part of the Group's revenue is derived in Japan and Hong Kong. As a result, the general state of the monetary policies including taxation in the Mainland China, Japan and Hong Kong, the changes in economy, legislative and regulatory changes, government policies and regional political conditions in these places, the tourism markets and the climate change for the skiing activities in Japan, could have significant impact to the Group's operating results and financial conditions.

People Risk

The Group's success and ability to grow depends largely on its ability to attract, train, retain and motivate highly skilled and qualified managerial, sales, marketing, administrative, operating and technical personnel. The loss of key personnel, or the inability to find additional qualified personnel, could materially and adversely affect the Group's prospects and results of operations.

Regulatory and Operational Compliance Risk

The Group operates in markets and industries which require compliance with numerous licenses and local laws and regulations, including but not limited to, competition, anti-trust, personal data security, property management and construction. In addition, the Group also operates in countries where the Group requires adhering to the statutory requirement according to the authorities and central bank regulations there.

Geopolitical Risk

The Group may also be exposed to the risks of foreign policy change, foreign currency fluctuation, territorial disputes, interest rate change, demand-supply imbalance, terrorism and the overall economic conditions, which may pose an adverse impact on the Group's business, the availability of credit and the cost of borrowing.

Construction Risk

The time and the costs involved in completing construction can be adversely affected by many factors, including shortages of materials, equipment and labour; adverse weather conditions; natural disasters; labour disputes with contractors and subcontractors; accidents; changes in government priorities; and unforeseen problems or circumstances. The occurrence of any of these factors could give rise to delays in the completion of a project and result in cost overruns. This may also result in the profit on development for a particular property not being recognised in the year in which it was originally anticipated to be recognised.

BUSINESS REVIEW – CONTINUED

Environmental Policies and Performances

As a subsidiary of PCCW, the Company follows PCCW's Corporate Social Responsibility Policy which incorporated environmental policy.

On its property development projects, the Group aims to develop green buildings by meeting internationally-recognized standards in environmental protection and sustainable development through the adoption of energy-efficient building designs, efficient use of materials in construction and environmental management plan during site operation. Further to the award of the LEED Platinum Grade Pre-certification by the U.S. Green Building Council in 2014, the Group's major office building project in Jakarta, Indonesia was awarded the Greenship Design Recognition Platinum Grade certification in 2015. In September 2015, the project was conferred the Winner of the Best Green Development and a Highly Commended Best Office Development in the Indonesia Property Awards. The project was also the Highly Commended Best Green Development in the South East Asia Property Awards.

The Group's property management division in Hong Kong has been accredited the ISO 14001 since 2005 and its Integrated Management System has highlighted the environmental targets under ISO 14001 Environmental Management System. To promote environmental awareness with the business partners, regular assessment of on-list contractors with environmental contribution being one of the criteria, higher priority is given for contractors possessing ISO 14001 certification.

A Green Committee is formed by representatives from various operational departments so as to carry out environmental initiatives at Bel-Air as a whole. In addition, the Owners' Committee of Bel-Air has incorporated environmental objective as its mission statement. Therefore, the environmental activities are engaged by stakeholders, residents and employees through organizing events, recycling programmes, staff and resident green suggestions programmes, workplace habits etc.

The effectiveness is sustained by the accreditations of Hong Kong Awards for Environmental Excellence – "Class of Good" Energywi$e Label; Friends of the Earth – Old Textile Recycling Programme; Hong Kong Environmental Protection Association – 2014 Wood Recycling & Tree Conservation Scheme; Environmental Association – Mandarin Recycling & Donation 2014; and appreciation certificates by St. James' Settlement in Electrical Appliances Recycling Programme and Tung Wah Group of Hospitals Jockey Club Ngai Chun Integrated Vocational Rehabilitation Centre in small household appliances recycling.

REPORT OF THE DIRECTORS

BUSINESS REVIEW – CONTINUED

Relationships with Key Stakeholders

The Group is committed to operating in a sustainable manner while balancing the interest of our various stakeholders including our employees, customers, suppliers, business partners and the community.

Relationships with employees

The Group considers its employees the key to sustainable business growth and is committed to providing all employees a safe and harassment-free work environment with equality opportunities in relation to employment, reward management, training and career development. Workplace safety is a priority of the Group. The Group is keen in ensuring health and safety measures are followed while in the performance of duties by our employees as a result reducing total lost days to work injuries. The Group has in place a fair and effective performance appraisal system and incentive bonus schemes designed to motivate and reward employees at all levels to deliver their best performance and achieve business performance targets. For continuous development, the Group offers job-related trainings and provides sponsorship/subsidies to employees who are committed to personal development and learning.

Relationships with customers

Save as disclosed in the Management's Discussion and Analysis, one of the major sources of revenue for the Group is ownership and operation of a ski and golf resort, property management and holiday letting business in Niseko, Hokkaido of Japan. The Group offers a complete all-season holiday solution for discerning guests, offering a complete suite of resort services including ski-lifting, snow-sports and guiding schools, specialty retail, equipment rental, restaurant operations, golf and white water rafting activities. Niseko is now regularly positioned in the top 10 ski resorts in the world, and has been recognised as Japan's Top Ski Resort for the past three years. Renowned for its consistent deep powder snow, Niseko has become a magnet for international ski tourists from across the globe, with international tourists now making up some 75 per cent of winter visitation to the area. With the boom in inbound travel to Japan showing little sign of abating, visitation to Niseko is expected to remain strong, both in winter and in summer. As more new markets engage with Niseko, the reduced dependence on one or two large markets provides resilience to the Group's business activities in Japan. Embracing the mix of different cultures and languages, the business division works closely and collaboratively with government agencies at all levels and continues to maintain important strategic working relationships with all local Japanese companies. The Group aims to offer a safe, diverse, interesting and culturally sensitive experience for all levels of customers, whether families, children, elders or sports enthusiasts. Whether in winter season or in summer season, the Group is committed to providing Niseko's finest holiday experience, one that delivers a standard of year-round service and quality to guests which surpasses that of all other service providers in Niseko, attracts new customers through genuine referral just as much as marketing, and compels people to experience the Group's services and activities not just once, but time and time again.

BUSINESS REVIEW – CONTINUED

Relationships with Key Stakeholders – continued

For the property management and facilities management services in Hong Kong, the property management division has developed various channels to gather its customers' views in order to improve its services, such as dedicated Bel-Air hotline, mobile apps, electronic mail and website (www.bel-air-hk.com). Residents are also encouraged to visit the concierge counters at different tower lobbies, service centres or club houses to express their valuable opinions and suggestions.

To enhance its service quality, customer satisfaction survey is conducted each year so as to understand residents' views on its services and to ensure the services could meet the residents' expectations. Regular meeting with Owner's Committee and sub-committee members are held to gather and communicate with the resident representatives directly in discussing the estate issues and the better ways that the property management division can improve its service standard. Residents' opinion and suggestion are considered as valuable assets. As such, the property management division would study the feasibility of each suggestion made by residents. All resident's feedbacks would be responded in a timely basis.

Relationships with suppliers and contractors

The Group is committed to delivering prestigious high quality sustainable development projects. It is imperative that suppliers and contractors share the same mission and vision. The Group adopts a partnership approach to solicit the commitments of the stakeholders to create the all win situation. A procedure has also been established to ensure open, fair and square procurement process. Procedures are also in place to monitor and audit the deliverables with adequate feedback channel to improve the communications and relationship with suppliers and contractors.

Relationships with community

The Group has been sponsoring and co-organising charitable events in Hong Kong to heighten public awareness of healthy living by running or walking while raising funds for empowering people with disability in Hong Kong and Mainland China.

The property management division has established a volunteer team which participates community services in re-using and reinstalling the Christmas decorations for the Bel-Air's neighbourhood, a rehabilitation association in Hong Kong.

REPORT OF THE DIRECTORS

BUSINESS REVIEW – CONTINUED

Compliance with Laws and Regulations

Among the principal activities of the Group is property management in Hong Kong. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those that have significant impact on the property management industry; any changes in the applicable laws, rules and regulations affecting property management are brought to the attention of relevant employees and relevant operation teams from time to time. The Group is also committed to safeguarding the security of personal data. When collecting and processing such data, the Group complies with the Personal Data (Privacy) Ordinance and the guidelines issued by the Office of the Privacy Commissioner for Personal Data.

In Japan, the Group operates all-season recreational activities for customers and manages the related facility and assets, including operating and maintaining ski lifts, and also engages in property management and property development businesses. The operating vehicles in Japan hold the required licences for the business activities they carry out. The local management team checks to ensure that the subsidiaries in Japan have complied with the applicable local laws and regulations for their principal business activities, such as the Railway Business Act, National Parks Law, Food Hygiene Law and Hotel & Ryokan Management Law in Japan.

As for the Group's property development projects in Indonesia and Thailand, the Group complies with the applicable laws and regulations governing property development in those countries.

Other Corporate and Administrative Requirements

The Group is also subject to various corporate and administrative requirements under other laws and regulations such as the Companies Ordinance (Cap. 622), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules") and the Employment Ordinance. Through various internal controls and approval procedures that are in place, the Company seeks to ensure the compliance with these requirements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2015 are set out in the accompanying consolidated statement of comprehensive income on pages 60 to 61.

For the year ended December 31, 2015, the Board did not declare any interim dividend to shareholders nor any interim distribution to bonus convertible noteholders (2014: Nil). The Board did not recommend the payment of a final dividend to shareholders nor a final distribution to bonus convertible noteholders for the year ended December 31, 2015 (2014: Nil).

FINANCIAL SUMMARY

A summary of the consolidated results and the assets and liabilities of the Group for the last five financial years is set out on page 142.

SUBSIDIARIES

Particulars of the principal subsidiaries of the Company are set out in note 21 to the consolidated financial statements.

PRINCIPAL PROPERTIES

Details of the principal properties held for development and/or sale and for investment purposes are set out on page 143.

BORROWINGS

Particulars of the borrowings of the Group are set out in note 23 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 25 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at December 31, 2015, the Company's reserves available for distribution, calculated under the Companies Act 1981 of Bermuda (as amended), amounted to HK$4,448 million (2014: HK$4,452 million).

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2015, the aggregate amount of revenue from sales of goods or rendering of services attributable to the Group's five largest customers represented approximately 37.87 per cent of the Group's total revenue, while the revenue from sales of goods or rendering of services attributable to the largest customer for the Group accounted for approximately 19.07 per cent of the Group's total revenue.

For the year ended December 31, 2015, the aggregate amount of purchases attributable to the Group's five largest suppliers represented approximately 56.53 per cent of the Group's total purchases, while the purchases attributable to the largest supplier for the Group accounted for approximately 44.88 per cent of the Group's total purchases.

As at December 31, 2015, (i) Reach Networks Hong Kong Limited ("Reach Networks"), which is one of the Group's five largest customers, is a wholly-owned subsidiary of Reach Ltd. which is an associate of PCCW; and (ii) PCCW Solutions Limited, which is also one of the Group's five largest customers, is wholly-owned by PCCW. PCCW is the ultimate holding company of the Company; and Li Tzar Kai, Richard and Lee Chi Hong, Robert (the Company's executive directors) are also executive directors of PCCW and their interests in PCCW are disclosed under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Share Stapled Units, Underlying Shares, Underlying Share Stapled Units and Debentures" in this report. Save as disclosed above, for the year ended December 31, 2015, none of the directors of the Company, their close associates nor any shareholder which to the knowledge of the directors own more than 5 per cent of the issued share capital of the Company had any beneficial interest in the Group's major customers and suppliers. Further details on the agreements between (i) Reach Networks and PCPD Facilities Management Limited, a wholly-owned subsidiary of the Company; and (ii) PCCW Solutions Limited and PCPD Operations Limited, a wholly-owned subsidiary of the Company, can be found in the announcements of the Company dated December 18, 2014 and December 9, 2013 respectively and on pages 53 to 55 of this report.

DIRECTORS

The directors of the Company who have held office during the year and up to the date of this report are:

Executive Directors

Li Tzar Kai, Richard (*Chairman*)
Lee Chi Hong, Robert (*Deputy Chairman and Chief Executive Officer*)
James Chan
Gan Kim See, Wendy (*resigned with effect from March 18, 2015*)

Independent Non-Executive Directors

Prof Wong Yue Chim, Richard, SBS, JP
Dr Allan Zeman, GBM, GBS, JP
Chiang Yun (*appointed with effect from the conclusion of the annual general meeting held on May 6, 2015*)
Cheung Kin Piu, Valiant (*retired with effect from the conclusion of the annual general meeting on May 6, 2015*)

In accordance with bye-law 86(2) of the Bye-laws of the Company, Chiang Yun will retire at the forthcoming annual general meeting and she, being eligible, will offer herself for re-election.

In accordance with bye-law 87 of the Bye-laws of the Company, Lee Chi Hong, Robert will retire by rotation at the forthcoming annual general meeting and he, being eligible, will offer himself for re-election.

In addition, each of the non-executive directors is appointed for a term of two years. As Prof Wong Yue Chim, Richard and Dr Allan Zeman were re-elected as directors at the annual general meeting in 2014, they will retire at the forthcoming annual general meeting and they, being eligible, will offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the directors of the Company are set out in the Board of Directors on pages 14 to 17.

REPORT OF THE DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive directors a written confirmation of his/her independence for the year confirming his/her independence to the Company; and the Company considers that they are independent based on the terms of the independence guidelines as set out in Rule 3.13 of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has with the Group an unexpired service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, SHARE STAPLED UNITS, UNDERLYING SHARES, UNDERLYING SHARE STAPLED UNITS AND DEBENTURES

As at December 31, 2015, the directors and the chief executives of the Company and their respective close associates had the following interests and short positions in the shares, share stapled units, underlying shares, underlying share stapled units and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were recorded in the register required to be kept under Section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") of the Listing Rules:

1. The Company

   As at December 31, 2015, none of the directors or chief executives of the Company or their respective close associates had any interests or short positions in the shares or underlying shares or debentures of the Company as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, SHARE STAPLED UNITS, UNDERLYING SHARES, UNDERLYING SHARE STAPLED UNITS AND DEBENTURES – CONTINUED

2. Associated Corporations of the Company

A. Interests in PCCW

The table below sets out the aggregate long positions of the directors and the chief executives of the Company in the shares of PCCW, the ultimate holding company of the Company, as at December 31, 2015:

Name of director/ chief executive	Number of ordinary shares held Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate percentage of the total number of shares of PCCW in issue
Li Tzar Kai, Richard	—	—	297,738,591 *(Note I(a))*	1,866.432,475 *(Note I(b))*	2,164,171,066	28.40%
Lee Chi Hong, Robert	992,600 *(Note II(a))*	511 *(Note II(b))*	—	—	993,111	0.01%

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, SHARE STAPLED UNITS, UNDERLYING SHARES, UNDERLYING SHARE STAPLED UNITS AND DEBENTURES – CONTINUED

2. Associated Corporations of the Company – Continued

A. Interests in PCCW – Continued

Notes:

I (a) Of these shares of PCCW, Pacific Century Diversified Limited ("PCD"), a wholly-owned subsidiary of Chiltonlink Limited ("Chiltonlink"), held 260,752,905 shares and Eisner Investments Limited ("Eisner") held 36,985,686 shares. Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink and Eisner.

(b) These interests represented:

(i) a deemed interest in 169,639,855 shares of PCCW held by Pacific Century Group Holdings Limited ("PCGH"). Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 169,639,855 shares of PCCW held by PCGH; and

(ii) a deemed interest in 1,696,792,620 shares of PCCW held by Pacific Century Regional Developments Limited ("PCRD"), a company in which PCGH had, through itself and certain wholly-owned subsidiaries being Anglang Investments Limited, Pacific Century Group (Cayman Islands) Limited, Pacific Century International Limited and Borsington Limited, an aggregate of 88.48% interest. Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 1,696,792,620 shares of PCCW held by PCRD. Li Tzar Kai, Richard was also deemed to be interested in 1.06% of the issued share capital of PCRD through Hopestar Holdings Limited, a company wholly-owned by Li Tzar Kai, Richard.

II. (a) These shares were held jointly by Lee Chi Hong, Robert and his spouse.

(b) These shares were held by the spouse of Lee Chi Hong, Robert.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, SHARE STAPLED UNITS, UNDERLYING SHARES, UNDERLYING SHARE STAPLED UNITS AND DEBENTURES – CONTINUED

2. Associated Corporations of the Company – Continued

B. Interests in PCCW-HKT Capital No.4 Limited

FWD Life Insurance Company (Bermuda) Limited ("FWD") held US$9,000,000 of 4.25% guaranteed notes due 2016 ("Notes") issued by PCCW-HKT Capital No.4 Limited, an associated corporation of the Company. Li Tzar Kai, Richard indirectly owned an approximate 84.68% interest in FWD. The Notes have a maturity date of February 24, 2016.

C. Interests in the HKT Trust and HKT Limited

The table below sets out the aggregate long positions in the share stapled units ("Share Stapled Units") jointly issued by the HKT Trust and HKT Limited, an associated corporation of the Company, held by the directors and the chief executives of the Company as at December 31, 2015:

	Number of Share Stapled Units held					
Name of director/ chief executive	Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate percentage of the total number of Share Stapled Units in issue
Li Tzar Kai, Richard	—	—	66,247,614 *(Note I(a))*	144,786,423 *(Note I(b))*	211,034,037	2.79%
Lee Chi Hong, Robert	50,924 *(Note II(a))*	25 *(Note II(b))*	—	—	50,949	0.0007%

Each Share Stapled Unit confers an interest in:

(a) one voting ordinary share of HK$0.0005 in HKT Limited ("HKT"); and

(b) one voting preference share of HK$0.0005 in HKT,

for the purposes of Part XV of the SFO, in addition to an interest in one unit in the HKT Trust.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, SHARE STAPLED UNITS, UNDERLYING SHARES, UNDERLYING SHARE STAPLED UNITS AND DEBENTURES – CONTINUED

2. Associated Corporations of the Company – Continued

C. Interests in the HKT Trust and HKT Limited – Continued

Under the trust deed dated November 7, 2011 constituting the HKT Trust entered into between HKT Management Limited (in its capacity as the trustee-manager of the HKT Trust) and HKT as supplemented, amended or substituted from time to time and the amended and restated articles of association of HKT, the number of ordinary shares and preference shares of HKT in issue must be the same at all times and must also, in each case, be equal to the number of units of the HKT Trust in issue; and each of them is equal to the number of Share Stapled Units in issue.

Notes:

I. (a) Of these Share Stapled Units, PCD held 20,227,614 Share Stapled Units and Eisner held 46,020,000 Share Stapled Units.

(b) These interests represented:

(i) a deemed interest in 13,159,619 Share Stapled Units held by PCGH. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 13,159,619 Share Stapled Units held by PCGH; and

(ii) a deemed interest in 131,626,804 Share Stapled Units held by PCRD. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 131,626,804 Share Stapled Units held by PCRD.

II. (a) These Share Stapled Units were held jointly by Lee Chi Hong, Robert and his spouse.

(b) These Share Stapled Units were held by the spouse of Lee Chi Hong, Robert.

Save as disclosed in the foregoing, as at December 31, 2015, none of the directors or chief executives of the Company or their respective close associates had any interests or short positions in any shares, Share Stapled Units, underlying shares, underlying Share Stapled Units or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The Company adopted a share option scheme on May 23, 2005 ("2005 Scheme"), which was valid for 10 years from the date of adoption. The 2005 Scheme was terminated and replaced by a new share option scheme ("2015 Scheme") which was approved at the Company's annual general meeting held on May 6, 2015. The 2015 Scheme became effective on May 7, 2015 following its approval by PCCW's shareholders. The 2015 Scheme is valid and effective for a period of 10 years commencing on May 7, 2015. After the termination of the 2005 Scheme, no further share options will be granted under such scheme. There is no material difference between the terms of the 2005 Scheme and the 2015 Scheme.

The Company currently operates the 2015 Scheme, under which the Board shall be entitled to offer to grant a share option to any eligible participant whom the Board may select at its absolute discretion. The major terms of the 2015 Scheme are set out below:

(1) The purpose of the 2015 Scheme is to provide eligible participants with the opportunity to acquire proprietary interests in the Company and to encourage eligible participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

(2) Eligible participants include any director, executive director, non-executive director, independent non-executive director, officer and/or employee of the Group or any member of it, whether in full time or part time employment of the Group or any member of it, and any consultant, adviser, supplier, customer, or sub-contractor of the Group or any member of it, and any other person whomsoever is determined by the Board as having contributed to the development, growth or benefit of the Group or any member of it or as having spent any material time in or about the promotion of the Group or its business; and provided always, that an eligible participant can be an individual or any other person permitted under the 2015 Scheme.

(3) The maximum number of shares of the Company in respect of which options may be granted under the 2015 Scheme shall not in aggregate exceed 10% of the shares of the Company in issue as at the date of adoption of the 2015 Scheme. Subject to the Listing Rules requirements, the 10% limit may be renewed with prior shareholders' approval. The overall limit on the number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2015 Scheme and other share option schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time. As at the date of this annual report, the total number of shares of the Company available for issue in respect of which options may be granted under 2015 Scheme is 40,266,831, representing 10% of the shares of the Company in issue as at that date.

REPORT OF THE DIRECTORS

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES – CONTINUED

(4) The total number of shares of the Company issued and to be issued upon exercise of options granted and to be granted to any single eligible participant (other than a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates) under the 2015 Scheme in any 12-month period shall not exceed 1% of the shares of the Company in issue at the relevant time. For options granted or to be granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, the said limit is reduced to 0.1% of the shares of the Company in issue and HK$5 million in aggregate value based on the closing price of the shares of the Company on the date of each grant. Any further grant of share options in excess of such limits is subject to shareholders' approval at a general meeting.

(5) The 2015 Scheme does not specify a minimum period for which an option must be held nor a performance target which must be achieved before an option can be exercised. The terms and conditions under and the period within which an option may be exercised under the 2015 Scheme shall be determined by the Board, provided that such terms and conditions shall not be inconsistent with the 2015 Scheme and no option may be exercised 10 years after the date of grant.

(6) The 2015 Scheme does not specify any consideration which is payable on the acceptance of an option. An option shall be deemed to have been granted and accepted by the grantee and to have taken effect upon the date of grant of such option unless the grantee rejects the grant in writing within 14 days after the date of grant.

(7) The exercise price in relation to each option shall not be less than the higher of (i) the closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the date of grant; and (ii) the average closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange for the five days last preceding the date of grant on which days it has been possible to trade shares of the Company on the Stock Exchange.

(8) Subject to early termination by resolution in general meeting or the Board, the 2015 Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption, after which period no further options shall be granted but the provisions of the 2015 Scheme shall remain in full force and effect in all other respects.

No share options have been granted under the 2005 Scheme and 2015 Scheme since their adoption and up to December 31, 2015.

Save as disclosed above, at no time during the year under review was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the directors or chief executives of the Company or their spouses or children under 18 years of age had any right to subscribe for equity or debt securities of the Company or any of its associated corporations or had exercised any such right during the year under review.

EQUITY-LINKED AGREEMENTS

Share Option Schemes

Details of the share option schemes of the Company are set out in the section headed "Share Options and Directors' Rights to Acquire Shares or Debentures" above and note 27(a) to the consolidated financial statements.

Bonus Convertible Notes

As a result of the issue of bonus convertible notes in the aggregate amount of HK$592,572,154.40 convertible into 1,185,144,308 shares of the Company at a conversion price of HK$0.50 per share (after adjustment made as a consequence of a share consolidation of the Company which became effective on June 25, 2012) in 2012, up to December 31, 2015, bonus convertible notes in the aggregate amount of HK$18,800.00 (December 31, 2014: HK$18,800.00) were converted into 37,600 shares (December 31, 2014: 37,600 shares) of the Company at the conversion price of HK$0.50 per share. As at December 31, 2015, the Company's outstanding bonus convertible notes were in the aggregate amount of HK$592,553,354.40 convertible into 1,185,106,708 shares of the Company at the conversion price of HK$0.50 per share. The bonus convertible notes can be converted into shares of the Company at any time provided that the Company's minimum public float requirements under the Listing Rules could be complied with.

Supporting Agreement and Investor Agreements

On May 23, 2013, the Group entered into a supporting agreement ("Supporting Agreement") with ACE Equity Holdings Limited ("Supporter"), whereby the Group will settle part of the services received in the value of US$23 million by means of, among other things, issuing non-voting, non-contributory but dividend participating class B shares ("Melati Class B Shares") representing not more than 6.388% of the share capital of the Company's indirect wholly-owned subsidiary, Melati Holding Limited ("Melati") to the Supporter. The Group also granted a put option to the Supporter to require the Group to purchase all the Melati Class B Shares after the expiry of 5 years from the date of issue of the shares based on then consolidated net asset value of Melati and its subsidiaries.

On May 23, 2013, the Group also entered into a subscription agreement and a loan purchase agreement ("Investor Agreements") with an independent third party ("Investor") pursuant to which the Group will allot to the Investor 9.99% shares ("Rafflesia Shares") of Rafflesia Investment Limited ("Rafflesia") which is an indirect wholly-owned subsidiary of the Company held by Melati and assign 9.99% of the shareholder's loan to Rafflesia ("Rafflesia Loan") at a consideration to be determined at the time of the allotment based on the total investment costs incurred by the Group on the Indonesian development project plus finance charge. The Group also granted a put option to the Investor to require the Group, at any time on or after May 23, 2023, to purchase all the Rafflesia Shares and the Rafflesia Loan based on then consolidated net asset value of Rafflesia and its subsidiaries.

Details of the Supporting Agreement and the Investor Agreements are set out in the joint announcement issued by the Company and PCCW dated May 23, 2013, the circular issued by the Company dated June 25, 2013 and in notes 27(c)(i) and (ii) to the consolidated financial statements.

REPORT OF THE DIRECTORS

INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF SUBSTANTIAL SHAREHOLDER

1. Interests in the shares and underlying shares of the Company

As at December 31, 2015, the following person (other than directors or the chief executives of the Company) had interests in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of shareholder	Capacity	Number of shares/ underlying shares held
PCCW	Beneficial owner	1,470,155,332 *(Note)*

Note:

These interests comprised (a) an interest in 285,088,666 shares in the Company held by Asian Motion Limited ("Asian Motion"), a wholly-owned subsidiary of PCCW; and (b) an interest in 1,185,066,666 underlying shares of the Company in relation to the bonus convertible notes in the aggregate amount of HK$592,533,333.20 as held by Asian Motion.

2. Short Positions in shares and underlying shares of the Company

As at December 31, 2015, the Company had not been notified of any person who had short positions in the shares or underlying shares of the Company to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Save as disclosed above, as at December 31, 2015, the Company had not been notified of any other person who had interests or short positions in the shares and underlying shares of the Company to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' MATERIAL INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Saved as disclosed in the sections headed "Connected Transactions" and "Related Party Transactions" of this report, no director of the Company or his/her connected entity had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended December 31, 2015, directors of the Company had the following interests in businesses which competed or were likely to compete, either directly or indirectly, with the Group's business:

Name of director	Names of companies	Nature of business	Nature of interests
Li Tzar Kai, Richard	CK Hutchison Holdings Limited ("CKH Holdings") and its subsidiaries *(Note 1)*	Ports and related services, retail, infrastructure, energy and telecommunications	*(Note 2)*
	Cheung Kong Property Holdings Limited ("CK Property") and its subsidiaries *(Note 1)*	Property development and investment, hotel and serviced suite operation, and property and project management	*(Note 2)*

Notes:

1. In 2015, Cheung Kong (Holdings) Limited ("Cheung Kong") and Hutchison Whampoa Limited ("HWL") completed a series of corporate activities ("Reorganization") whereby CKH Holdings and CK Property were created to hold the respective businesses of Cheung Kong and HWL. Certain businesses of CKH Holdings and CK Property may compete with certain aspects of the businesses of the Group during the year.

2. Prior to the completion of the Reorganization, Li Tzar Kai, Richard had a personal interest in 110,000 shares in HWL, and was one of the discretionary beneficiaries of certain discretionary trusts which held units in unit trusts which in turn were interested in certain shares of Cheung Kong and HWL. Immediately following completion of the Reorganization where certain shares of Cheung Kong and HWL were exchanged for the shares of CKH Holdings and CK Property, Li Tzar Kai, Richard has a personal interest in 75,240 shares in each of CKH Holdings and CK Property, and is one of the discretionary beneficiaries of certain discretionary trusts which hold units in unit trust which in turn are interested in certain shares of CKH Holdings and CK Property. Li Tzar Kai, Richard does not hold any shares in HWL after the Reorganization.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN COMPETING BUSINESS – CONTINUED

In addition, Li Tzar Kai, Richard is a director of certain private companies ("Private Companies"), which are engaged in property development and investment in Hong Kong and Japan.

Further, Li Tzar Kai, Richard is a director and chairman of PCRD. PCRD is an investment holding company with interests in telecommunications and media (through PCCW), logistics, property and infrastructure investment and development in the Asia Pacific region.

The business interests of the Private Companies in Hong Kong are not significant when compared with the business of the Group and it is unlikely that such business interests will compete with the business of the Group. The business interests in Japan and the Asia Pacific region are also unlikely to compete with the existing business of the Group.

Li Tzar Kai, Richard has a controlling interest in some of the Private Companies. Further, he is or may be regarded as interested in PCRD and PCGH due to the interests as disclosed under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Share Stapled Units, Underlying Shares, Underlying Share Stapled Units and Debentures" of this report.

As PCRD and the Private Companies are involved in the development and/or investment of properties of different types and/or in different locations, the Group has been operating independently of, and at arm's length from, the businesses of those companies.

Save as disclosed above, none of the directors has an interest in a business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

PERMITTED INDEMNITY

Pursuant to bye-law 166(1) of the Bye-laws of the Company, every director and other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may sustain or incur in or about the execution or holding of his/her office or otherwise in relation thereto, PROVIDED THAT the indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons. The Company has arranged directors' and officers' liability insurance coverage for the directors and officers of the Company during the year.

DONATIONS

During the year, the Group made charitable and other donations in the aggregate amount of approximately HK$1.1 million (2014: 1.02 million).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the listed securities of the Company.

MANAGEMENT CONTRACTS

Save for the directors' service contracts or employment contracts, no other contracts concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, although no restrictions against such rights exist under the laws of Bermuda.

CONNECTED TRANSACTIONS

Since the publication of the Company's annual report for the year ended December 31, 2014, the Group had entered into (or continued to be a party to) certain transactions which are "continuing connected transactions" as defined in the Listing Rules and which are subject to the disclosure requirements under Chapter 14A of the Listing Rules. The Company has complied with such disclosure requirements. Details of such transactions with subsidiaries and/or associates of PCCW, HKT and a director of the Company during the year and up to the date of this report are as follows:

Continuing connected transactions

1. As disclosed in the announcement of the Company dated December 18, 2014, PCPD Facilities Management Limited ("PCPD FM"), a wholly-owned subsidiary of the Company, had entered into a facilities management services agreement and a lease and tenant management services agreement ("Agreements") with Reach Networks, a wholly-owned subsidiary of Reach Ltd., which is an associate of PCCW, on that day in relation to the facilities management services and lease and tenant management services it provides to Reach Networks from January 1, 2015 onwards for a term of two years until December 31, 2016 at the fees calculated in accordance with the terms of the Agreements, subject to the annual cap of HK$33 million. The aggregate fees charged by PCPD FM under the Agreements for the year ended December 31, 2015 was approximately HK$30.8 million for facilities management services and lease and tenant management services.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS – CONTINUED

Continuing connected transactions – continued

2. As disclosed in the announcement of the Company dated December 9, 2013, PCPD Operations Limited ("PCPDOL"), an indirect wholly-owned subsidiary of the Company, had on that day entered into a master agreement with each of the following parties for procurement of goods and services: (i) PCCW Solutions Limited, an indirect wholly-owned subsidiary of PCCW (PCCW together with its subsidiaries, "PCCW Group"; PCCW Group excluding the Group and the HKT Group (as defined below), "Parent Group") (the agreement with this entity shall be referred to as the "Parent Group Master Agreement"); and (ii) Hong Kong Telecommunications (HKT) Limited, an indirect wholly-owned subsidiary of HKT Limited ("HKT", together with its subsidiaries, "HKT Group") (the agreement with this entity shall be referred to as the "HKT Group Master Agreement"). Such agreements set out the frameworks for the provision of certain goods and services by the Parent Group and the HKT Group respectively to the Group for a term of three years from January 1, 2014 to December 31, 2016 at prices to be determined in accordance with the terms stipulated therein and subject to the annual caps as disclosed in the announcement. The categories of goods and services as provided under (i) the Parent Group Master Agreement are (a) Information Technology Solutions and Services and (b) Corporate Services and Other Services, and those provided under (ii) the HKT Group Master Agreement are (a) Telecommunications and Related Equipment and Services and (b) Corporate Services and Other Services.

   The aggregate contract amounts for transactions contemplated under the Parent Group Master Agreement for the financial year ended December 31, 2015 are set out below:

Categories of Goods and Services	Approximate aggregate contract amount for the financial year ended December 31, 2015	Annual Cap for the financial year ended December 31, 2015
	HK$'000	*HK$'000*
Information Technology Solutions and Services	929	3,300
Corporate Services and Other Services	557	980

CONNECTED TRANSACTIONS – CONTINUED

Continuing connected transactions – continued

2. – continued

The aggregate contract amounts for transactions contemplated under the HKT Group Master Agreement for the financial year ended December 31, 2015 are set out below:

Categories of Goods and Services	Approximate aggregate contract amount for the financial year ended December 31, 2015	Annual Cap for the financial year ended December 31, 2015
	HK$'000	*HK$'000*
Telecommunications and Related Equipment and Services	2,632	6,600
Corporate Services and Other Services	4,904	6,300

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS – CONTINUED

Continuing connected transactions – continued

3. As disclosed in the announcement of the Company dated January 20, 2016, agreement is reached between PT. Prima Bangun Investama ("PT PBI") (as landlord), a wholly-owned subsidiary of the Company, and PT FWD Life Indonesia ("PT FWD") (as tenant), an associate of Li Tzar Kai, Richard, a director of the Company, by way of acceptance by PT FWD of a binding letter of offer (with a *pro forma* form of lease agreement attached thereto) issued by PT PBI ("FWD Agreement") in relation to the key terms of the lease of whole 20th Floor and a portion of the Ground Floor ("Premises") and the signage right of the Premium Grade A office building which is under construction at Jl. Jenderal Sudirman Kavling. 52-53, SCBD Lot 10, Jakarta 12190, Indonesia ("Building"). The parties will sign the *pro forma* lease agreement for the Building when access to the Premises is ready to be delivered to PT FWD. The term of the lease is three years from the lease commencement date which is tentatively on or after January 1, 2018, subject to final confirmation from PT PBI, at the estimated monthly rental of IDR1,261,252,867 (approximately HK$709,725.32) and estimated charges (including monthly service charges of IDR90,000 per square meter (approximately HK$50.64) to IDR150,000 per square meter (approximately HK$84.41), annual parking charges of IDR226,800,000 (approximately HK$127,623.66) and annual signage charges of IDR1,083,333,333 (approximately HK$609,607.41)) in accordance with the terms of the FWD Agreement, subject to an annual cap of IDR23,102,300,000 (approximately HK$13,000,000) for each of the three financial years ending December 31, 2020 as disclosed in the announcement.

As at December 31, 2015, PCCW, a substantial shareholder of the Company, held approximately 70.80% and approximately 63.07% equity interest in the Company and HKT respectively.

The independent non-executive directors of the Company had reviewed and confirmed that the continuing connected transactions for the financial year ended December 31, 2015 have been entered into:

A. in the ordinary and usual course of the business of the Group;

B. on normal commercial terms or better; and

C. according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company was engaged to report on the continuing connected transactions entered into by the Group for the year ended December 31, 2015 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the material related party transactions undertaken by the Group in the normal course of business are set out in note 34 to the consolidated financial statements. Those related party transactions which constituted connected transactions/continuing connected transactions under the Listing Rules had complied with the applicable requirements of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on information that was publicly available to the Company and within the knowledge of the directors of the Company, the directors confirmed that the Company maintained the prescribed public float as required under the Listing Rules.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the corporate governance report on pages 18 to 31 of this annual report.

AUDITOR

The consolidated financial statements for the financial year ended December 31, 2015 were audited by PricewaterhouseCoopers who will retire at the conclusion of the forthcoming annual general meeting. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company will be proposed at that meeting.

On behalf of the Board

TSANG Sai Chung
Company Secretary

Hong Kong, February 26, 2016

INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

TO THE SHAREHOLDERS OF PACIFIC CENTURY PREMIUM DEVELOPMENTS LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Pacific Century Premium Developments Limited (the "Company") and its subsidiaries set out on pages 60 to 141, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 February 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2015

HK$ million	Note(s)	2015	2014
Continuing operations			
Revenue	4, 5	**165**	166
Cost of sales		**(54)**	(58)
Gross profit		**111**	108
General and administrative expenses		**(389)**	(376)
Other income		**1**	1
Other losses, net	6	**(3)**	(82)
Operating loss		**(280)**	(349)
Interest income		**12**	12
Finance costs	7	**—**	(83)
Loss before taxation	8	**(268)**	(420)
Income tax	11	**(5)**	(21)
Loss attributable to equity holders of the Company from continuing operations		**(273)**	(441)
Discontinued operation			
Profit attributable to equity holders of the Company from discontinued operation	12(a)	**192**	1,932
(Loss)/profit attributable to equity holders of the Company		**(81)**	1,491

HK$ million	Note(s)	2015	2014
Other comprehensive loss:			
Item that may be reclassified subsequently to profit or loss:			
Currency translation differences:			
Exchange differences on translating foreign operations		**(226)**	(195)
Reclassification adjustments arising from disposal of subsidiaries		**—**	(1,245)
Total comprehensive (loss)/income		**(307)**	51
Total comprehensive (loss)/income arises from:			
Continuing operations		**(499)**	(559)
Discontinued operation		**192**	610
		(307)	51
(Loss)/earnings per share from continuing operations and discontinued operation (expressed in Hong Kong cents per share)			
Basic and diluted (loss)/earnings per share	14		
Continuing operations		**(17.21) cents**	(27.86) cents
Discontinued operation		**12.09 cents**	121.99 cents
		(5.12) cents	94.13 cents

The notes on pages 67 to 141 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2015

				2015			
HK$ million	Issued equity	Capital reserve	Currency translation reserve	Convertible notes reserve	Other reserves	Retained earnings	Total
Balance at January 1, 2015	**2,848**	**(565)**	**(438)**	**592**	**10**	**3,115**	**5,562**
Total comprehensive loss for the year	—	—	**(226)**	—	—	**(81)**	**(307)**
Balance at December 31, 2015	**2,848**	**(565)**	**(664)**	**592**	**10**	**3,034**	**5,255**

				2014			
HK$ million	Issued equity	Capital reserve	Currency translation reserve	Convertible notes reserve	Other reserves	Retained earnings	Total
Balance at January 1, 2014	2,836	(565)	1,002	1,361	10	855	5,499
Total comprehensive (loss)/income for the year	—	—	(1,440)	—	—	1,491	51
Redemption of 2014 Convertible Note (note 23(a))	—	—	—	(769)	—	769	—
Exercise of share options (note 27(a))	12	—	—	—	—	—	12
Balance at December 31, 2014	2,848	(565)	(438)	592	10	3,115	5,562

The notes on pages 67 to 141 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2015

HK$ million	Note	2015	2014
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	15	**2,136**	1,926
Property, plant and equipment	16	**160**	126
Properties under development	17(a)	**349**	352
Properties held for development	17(b)	**525**	566
Goodwill	18	**3**	3
Other financial assets	19	**2**	2
Prepayments and other receivables		**200**	154
		3,375	3,129
Current assets			
Sales proceeds held in stakeholders' accounts	22(a)	**513**	528
Restricted cash	22(b)	**96**	1,022
Trade receivables, net	22(c)	**7**	8
Prepayments, deposits and other current assets		**390**	336
Amounts due from fellow subsidiaries	34(c)	**1**	1
Amount due from a related company	34(c)	**3**	3
Derivative financial instrument	20	**60**	—
Other financial assets	19	**4**	4
Short-term deposits		**1**	—
Cash and cash equivalents		**1,815**	2,466
		2,890	4,368

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2015

HK$ million	Note	2015	2014
Current liabilities			
Trade payables	22(d)	**14**	17
Accruals, other payables and deferred income	22(e)	**437**	556
Amounts due to fellow subsidiaries	34(c)	**1**	2
Amount payable to the HKSAR Government under the Cyberport Project Agreement	24	**322**	522
Current income tax liabilities		**3**	651
		777	1,748
Net current assets		**2,113**	2,620
Total assets less current liabilities		**5,488**	5,749
Non-current liabilities			
Other payables		**189**	161
Deferred income		**25**	—
Deferred income tax liabilities	29(a)	**19**	26
		233	187
Net assets		**5,255**	5,562
CAPITAL AND RESERVES			
Issued equity	25	**2,848**	2,848
Reserves		**2,407**	2,714
		5,255	5,562

Lee Chi Hong, Robert
Director

James Chan
Director

The notes on pages 67 to 141 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015

HK$ million	Note	2015	2014
OPERATING ACTIVITIES			
Continuing operations	30	**435**	(249)
Discontinued operation		—	66
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		**435**	(183)
INVESTING ACTIVITIES			
Continuing operations			
– Purchases of property, plant and equipment		**(46)**	(17)
– Payment for investment properties		**(516)**	(566)
– Purchase of derivative financial instrument		**(62)**	—
– (Increase)/decrease in short-term deposits with maturity more than three months		**(1)**	5
Discontinued operation			
– Cash outflow from investing activities of discontinued operation		—	(11)
– Net cash (outflow)/inflow arising from the disposal of subsidiaries	12(c)	**(452)**	6,851
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		**(1,077)**	6,262
FINANCING ACTIVITIES			
Continuing operations			
– Proceeds from shares issued from share option scheme		—	12
– Other borrowing costs paid		**(6)**	(72)
– Repayment of bank borrowings		—	(1,500)
– Redemption of 2014 Convertible Note	23(a)	—	(2,904)
NET CASH USED IN FINANCING ACTIVITIES		**(6)**	(4,464)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015

HK$ million	2015	2014
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(648)**	1,615
Exchange difference	**(3)**	(15)
CASH AND CASH EQUIVALENTS		
Balance at January 1,	**2,466**	866
Balance at December 31,	**1,815**	2,466
Analysis of cash and cash equivalents		
Cash and bank balances	**1,816**	2,466
Less: Short-term deposits	**(1)**	—
Cash and cash equivalents at December 31,	**1,815**	2,466

The notes on pages 67 to 141 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015 (Amount expressed in Hong Kong dollars unless otherwise stated)

1. GENERAL INFORMATION

Pacific Century Premium Developments Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the development and management of property and infrastructure and investment in properties in Asia.

The Company is a limited liability company incorporated in Bermuda and its securities are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

At December 31, 2015, the directors consider the immediate holding company of the Group to be Asian Motion Limited, a company incorporated in British Virgin Islands, and the ultimate holding company of the Group to be PCCW Limited ("PCCW"), a company incorporated in Hong Kong. PCCW produces financial statements available for public use.

These consolidated financial statements set out on pages 60 to 141 were approved by the board of directors (the "Board") on February 26, 2016.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

a. Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Companies Ordinance of Hong Kong.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015 (Amount expressed in Hong Kong dollars unless otherwise stated)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

b. Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended December 31, 2015 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost convention, except that the following assets are stated at fair value as explained in the accounting policies set out below:

– investment properties (note 2(g));
– financial assets at fair value through profit or loss (note 2(m)); and
– derivative financial instruments (note 2(n)).

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 3.

The HKICPA has issued certain new and revised HKFRS that are first effective or available for early adoption for the current accounting period of the Group. The following sets out the changes in accounting policies for the current and prior accounting periods reflected in these consolidated financial statements.

Standards and amendments effective for the annual period beginning on January 1, 2015 adopted by the Group but have no significant impact on the Group's consolidated financial statements

HKAS 19 (2011) (Amendment)	Employee Benefits: Defined Benefit Plans – Employee Contributions
Annual Improvements to HKFRS 2010-2012 Cycle	
Annual Improvements to HKFRS 2011-2013 Cycle	

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

b. Basis of preparation of the consolidated financial statements – Continued

The following new standards and amendments have been issued but are not yet effective for the year ended December 31, 2015 and which the Group has not early adopted:

HKAS 1 (Amendment)	Disclosure Initiative [1]
HKAS 16 (Amendment)	Property, Plant and Equipment – Clarification of Acceptable Methods of Depreciation [1]
HKAS 27 (Amendment)	Separate Financial Statements – Equity Method in Separate Financial Statements [1]
HKAS 38 (Amendment)	Intangible Assets – Clarification of Acceptable Methods of Amortisation [1]
HKFRS 9	Financial Instruments [2]
HKFRS 10 and HKAS 28 (Amendments)	Consolidated Financial Statements – Sales or Contribution of Assets between an Investor and its Associate or Joint Venture [1]
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception [1]
HKFRS 11 (Amendment)	Joint Arrangements – Accounting for Acquisitions of Interest in Joint Operation [1]
HKFRS 15	Revenue from Contracts with Customers [2]
Annual Improvements to HKFRS 2012-2014 Cycle [1]	

Note:

1 Effective for annual periods beginning on or after January 1, 2016

2 Effective for annual periods beginning on or after January 1, 2018

Apart from the above, a number of annual improvements and minor amendments to HKFRS have also been issued by the HKICPA but they are not yet effective for the accounting period ended December 31, 2015 and have not been adopted in these consolidated financial statements.

The Group has been evaluating the impact of these new or revised standards and amendments but is not yet in a position to state whether all these new or revised standards and amendments would have a significant impact on the Group's results of operations and financial position.

In addition, the requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015 (Amount expressed in Hong Kong dollars unless otherwise stated)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

c. Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

The Group uses the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint arrangement or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, investment in a subsidiary is stated at cost less any impairment losses (note 2(h)). The results of subsidiaries are recognised by the Company to the extent of dividends received and receivable at the end of the reporting period.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

d. Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and that the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Rental income from operating leases

Rental income receivable under operating leases is recognised in the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

Receipts of rental income in advance are deferred and recorded as "Deferred income" in the consolidated statement of financial position. The amounts are then recognised as revenue based on the actual utilisation of the rental usage of the investment properties.

(ii) Service income

Service income is recognised when the related services are rendered to customers.

(iii) Interest income

Interest income from bank deposits is accrued on a time-apportioned basis using the effective interest method by reference to the principal outstanding and the rates applicable.

e. Operating leases

Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

(i) Assets held for use in operating leases (as lessor)

Where the Group leases out assets under operating leases, the assets are included in the statement of financial position according to their nature as set out in note 2(g). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 2(d)(i).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015 (Amount expressed in Hong Kong dollars unless otherwise stated)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

e. Operating leases – Continued

(ii) Operating lease charges

Leases in which a significant portion of the risks and rewards of ownership retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

Up-front payments made for leasehold land held under operating leases are presented in the consolidated statement of financial position as prepayments for operating leases and are amortised in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement.

f. Freehold land, property, plant and equipment and depreciation

Freehold land is stated at cost less impairment losses (note 2(h)) as the land has an indefinite useful life and is not subject to depreciation.

Property, plant and equipment held for own use are stated at cost less accumulated depreciation and impairment losses (note 2(h)). The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including qualifying borrowing costs (note 2(s)). Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset and is depreciated over the original remaining useful life of the asset when it is probable that future economic benefits will flow to the Group and the costs can be measured reliably. All other subsequent expenditure, such as repairs and maintenance and overhaul costs, is recognised as an expense in the period in which it is incurred.

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal.

The transfer from properties under development to property, plant and equipment as a result of change in its use is stated at its carrying value at the date of transfer.

Freehold land and construction in progress are not depreciated. Depreciation on other property, plant and equipment is calculated to write off the cost on a straight-line basis over the estimated useful lives as follows:

Buildings and structures	5 to 51 years
Other plant and equipment	2 to 17 years

The useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

g. Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation, and which are not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties.

Land held under operating leases are classified and accounted for as an investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment properties are initially measured at their cost, including directly attributable construction costs, borrowing costs and other related transaction costs. After initial recognition, investment properties are stated in the statement of financial position at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee and are prepared or reviewed periodically by independent external valuers. The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the properties. Changes in fair value arising on the revaluation of investment properties are recognised in the income statement.

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement in the period in which they are incurred.

h. Impairment of investment in a subsidiary and non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- interest in freehold land;
- property, plant and equipment;
- goodwill;
- properties under development/held for development;
- pre-paid interests in leasehold land classified as being held under an operating lease; and
- investment in a subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015 (Amount expressed in Hong Kong dollars unless otherwise stated)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

h. Impairment of investment in a subsidiary and non-financial assets – Continued

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows (a cash-generating unit).

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(ii) Reversals of impairment losses

An impairment loss of an asset other than goodwill is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

i. Properties under development/held for development

Properties under development are carried at the lower of cost and the estimated net realisable value. Cost includes original land acquisition costs, costs of land use rights, construction expenditures incurred and other direct development costs attributable to such properties, including interest incurred on loans directly attributable to the development prior to the completion of construction. The net realisable value is determined by reference to estimated sale proceeds of properties sold in the ordinary course of business less all estimated selling expenses.

Properties under development with the development expected to be completed within one year from the end of the reporting period, which have either been pre-sold or are intended for sale, are classified under current assets.

Properties held for development represent interests in land held for future development which are stated at cost less accumulated impairment losses (note 2(h)).

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

j. Goodwill

Goodwill represents the excess of the aggregate of the fair value of the consideration transferred and the fair value of non-controlling interest over the Group's interest in the net fair value of the acquiree's net identifiable assets, liabilities and contingent liabilities at the date of acquisition.

Goodwill is stated in the consolidated statement of financial position at cost less accumulated impairment losses (note 2(h)). Goodwill is allocated to cash-generating units and is tested annually for impairment. Impairment losses on goodwill are not reversed. On disposal of an entity or business unit, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

k. Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. Trade and other receivables are included in the consolidated statement of financial position under "Trade receivables, net" and "Prepayments, deposits and other current assets" under current assets and "Prepayments and other receivables" under non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probably that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement.

l. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition, less bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015 (Amount expressed in Hong Kong dollars unless otherwise stated)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

m. Financial assets at fair value through profit or loss

The Group classifies their investments in equity securities, other than investment in a subsidiary, as financial assets at fair value through profit or loss. This category comprises financial assets held for trading and those designated as fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term or if so designated by management. Financial assets at fair value through profit or loss are classified as current assets, if they are either held for trading or are expected to be realised within 12 months from the end of the reporting period. Any attributable transaction costs are recognised in the income statement as incurred. At the end of each reporting period, the fair value is re-measured, with any unrealised holding gains or losses arising from the changes in fair value being recognised in the income statement in the period in which they arise. The net gain or loss recognised in the income statement does not include any dividends on the financial assets as dividend income is recognised only when the shareholder's right to receive payment is established.

n. Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of each reporting period. The gain or loss on re-measurement to fair value is recognised in the income statement.

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

The fair value of the liability portion of convertible notes is determined using a market interest rate for an equivalent non-convertible debt. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the debt. The remainder of the proceeds is allocated to the conversion option, which is recognised and included in shareholders' equity, net of income tax effects. The carrying amount of the financial liability is measured on the amortised cost basis using effective interest method minus principal repayments. The conversion option is an equity instrument that is recognised in the convertible notes reserve in equity until either the note is converted or redeemed. If the note is converted, the convertible notes reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the convertible notes reserve is transferred directly to retained earnings.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

o. Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

p. Trade and other payables

Trade and other payables are recognised initially at fair value and thereafter stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. They are included in current liabilities, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current liabilities.

q. Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate of the amount required to settle the obligation. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of resources will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015 (Amount expressed in Hong Kong dollars unless otherwise stated)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

r. Borrowings

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between the amount initially recognised, being the proceeds net of transaction costs, and the redemption value being recognised in the income statement over the period of the borrowings, using the effective interest method.

s. Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

t. Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued operation, a single amount is presented in the consolidated statement of comprehensive income, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

u. Income tax

Income tax for the year comprises current income tax and movements in deferred income tax assets and liabilities. Income tax is recognised in the income statement.

(i) Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

u. Income tax – Continued

(ii) Deferred income tax assets and liabilities arise from deductible and taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases respectively. Deferred income tax assets also arise from unused tax losses and unused tax credits.

All deferred income tax liabilities are recognised while deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(g), the amount of deferred income tax recognised is measured using the tax rates would apply on sale of those assets at their carrying value in the statement of financial position unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred income tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred income tax assets and liabilities are not discounted.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(iii) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to offset current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015 (Amount expressed in Hong Kong dollars unless otherwise stated)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

v. Employee benefits

(i) Salaries, annual bonuses, annual leave entitlements, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, provisions are made for the estimated liability as a result of services rendered by employees up to the end of the reporting period.

(ii) Defined contribution retirement schemes (including the Mandatory Provident Fund) are offered to employees of the Group. The schemes are operated by PCCW and the assets of such schemes are generally held in separate trustee-administered funds. The schemes are generally funded by payments from the relevant companies of the PCCW Group including the Group and, in some cases, employees themselves, taking into account of the recommendations of independent qualified actuaries.

The Group's contributions to the defined contribution retirement schemes are recognised as expenses in the income statement in the period to which the contributions relate. Under the defined contribution retirement schemes, the employer is required to make contributions to the scheme at rates specified under the rules of the scheme. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

(iii) The Group and PCCW operate share option schemes where employees (including directors) are granted options to acquire shares of the Company or PCCW at specified exercise prices. The fair value of the employee services received in exchange for the grant of the options is recognised as staff costs in the income statement with a corresponding increase in an employee share-based compensation reserve under equity. The fair value of the options granted is measured at grant date using the trinomial option pricing model, taking into account the terms and conditions upon which the options were granted, and spread over the respective vesting period during which the employees become unconditionally entitled to the options. At the end of each reporting period, the Group revises its estimates of the number of share options that is expected to become vested. The impact of the revision of original estimates, if any, is recognised in the income statement with a corresponding adjustment to the employee share-based compensation reserve over the remaining vesting period. On vesting date, the amount recognised as staff costs is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the employee share-based compensation reserve). The equity amount is recognised in the employee share-based compensation reserve until either the share options are exercised (when it is transferred to the share premium account) or the share options expire (when it is released directly to retained earnings). When the share options are exercised, the proceeds received, net of any directly attributable transaction cost, are credited to share capital (nominal value) and share premium.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

v. Employee benefits – Continued

(iv) The Board of directors of PCCW may also grants shares of PCCW to employees of the Group at nil consideration under its share award scheme; which the awarded shares are either newly issued at par value (the “Subscription Scheme”) or are purchased from the open market (the “Purchase Scheme”).

Awards under the Purchase Scheme and the Subscription Scheme, are accounted for as cash-settle share-based payments. The fair value of the awarded PCCW shares represents the quoted market price of PCCW shares purchased from the open market under the Purchase Scheme and the issue price of PCCW shares under the Subscription Scheme are recognised as financial assets at fair value through profit and loss, and subsequently measured at fair value. The fair value of the employee services received in exchange for the grant of PCCW shares are recognised as staff costs in the income statement over the respective vesting period with a corresponding obligation being recognised. On vesting date, the amount recognised as staff costs is adjusted to reflect the actual number of awarded PCCW shares that vest (with a corresponding adjustment to the obligation) and the carrying amount of awarded PCCW shares recognised in the financial assets at fair value through profit and loss is offset with the obligation.

w. Share-based payment transactions with cash alternatives

Share-based payment transactions are those arrangements which the terms provide either the Group or the counterparty with a choice of whether the Group settles the transaction in cash (or other assets) or by issuing equity instruments. Upon the vesting conditions, if any, are met, the Group shall account for that transaction, or the components of that transaction, as a cash-settled share-based payment transaction if, and to the extent that, the Group has incurred a liability to settle in cash (or other assets). Otherwise, the share-based payment transaction is accounted for as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred.

x. Foreign currency translation

The Group maintains their books and records in the primary currencies of their operations (the “functional currencies”). The consolidated financial statements are presented in Hong Kong dollars, which is the Company’s functional and presentation currency.

Foreign currencies transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015 (Amount expressed in Hong Kong dollars unless otherwise stated)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

x. Foreign currency translation – Continued

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of transactions. Items included in the consolidated statement of financial position of foreign operations, including goodwill arising on consolidation of foreign operations acquired, are translated into Hong Kong dollars at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in the currency translation reserve under equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are recognised in other comprehensive income and accumulated separately currency translation reserve under equity. On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in the currency translation reserve under equity which relate to that foreign operation is included in the calculation of the gain or loss on disposal.

y. Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

z. Dividend distribution

Dividend distribution to the Company's shareholders/bonus convertible noteholders is recognised as a liability in the consolidated financial statements and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a. The management has made judgements in applying the Group's accounting policies. The judgement that has the most significant effect on the amounts recognised in the consolidated financial statements is discussed below:

(i) Purchase consideration for a plot of land in Indonesia

On May 23, 2013, the Group entered into the Land Sale and Purchase Agreement (the "Land SPA") for the acquisition of a plot of land for the development of a Premium Grade A office building in Jakarta, Indonesia. The total consideration under the Land SPA is US$184 million (equivalent to approximately HK$1,428 million), which is subject to various downward adjustments in certain circumstances.

Management expected that the seller of the land will be able to fulfill the conditions as set out in the Land SPA and the deductions from the outstanding consideration is unlikely, as such the total consideration of US$184 million is recorded as the cost of the land and the outstanding consideration of US$23 million to be paid is recorded as payable as at December 31, 2015.

In case there is any downward adjustment from the consideration to be paid for the land acquisition, it would affect the payable to the seller recorded in the consolidated statement of financial position as at December 31, 2015.

b. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom be equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Estimated valuation of investment properties

The best evidence of fair value is current prices in an active market for similar properties. In the absence of such information, the Group determines the amount within a range of reasonable fair values estimates. In making its estimates, the Group considers both (i) information from the valuations of investment properties performed by external professional valuers on a market value basis and (ii) other principal assumptions, including the current and expected market yield, market price, market rent and the outstanding development costs in view of the current usage and condition of the investment properties to determine the fair value of the investment properties. Had the Group used different market yields, market prices, market rents or other assumptions, the fair value of the investment properties would be different and thus caused impact to the consolidated statement of comprehensive income. As at December 31, 2015, the fair value of the investment properties was HK$2,136 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015 (Amount expressed in Hong Kong dollars unless otherwise stated)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – CONTINUED

(ii) Cost of sales and amount payable to the HKSAR Government under the Cyberport Project Agreement

Pursuant to the agreement dated May 17, 2000 entered into with the HKSAR Government ("Cyberport Project Agreement"), the HKSAR Government is entitled to receive approximately 65 per cent of the surplus cash flow earned from the Cyberport project. The amounts paid and payable to the HKSAR Government are part of the Group's costs of developing the Cyberport project.

The estimated cost of developing the Cyberport project, including construction costs and the amounts paid and payable to the HKSAR Government is recognised as cost of properties sold. Had the estimates of development costs been revised, this would have affected the costs of properties sold recorded in the consolidated statement of comprehensive income.

(iii) Taxation

Save as disclosed in the consolidated financial statements, the Group is subject to tax in Mainland China, Hong Kong and other jurisdictions. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax provisions in the periods in which such determination are made.

While deferred income tax liabilities are provided in full on all taxable temporary differences, deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. In assessing the amount of deferred income tax assets that need to be recognised, the Group considers future taxable income and ongoing prudent and feasible tax planning strategies. In the event that the Group's estimates of projected future taxable income and benefits from available tax strategies are changed, or changes in current tax regulations are enacted that would impact the timing or extent of the Group's ability to utilise the tax benefits carried forward in the future, adjustments to the recorded amount of net deferred income tax assets and income tax would be made. As at December 31, 2015, no deferred income tax assets were netted off against the deferred income tax liabilities recognised in the consolidated statement of financial position (note 29(a)).

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – CONTINUED

(iv) Impairment of investment in a subsidiary and non-financial assets

At the end of each reporting period, the Group reviews internal and external sources of information to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– interest in freehold land;
– property, plant and equipment;
– goodwill;
– properties under development/held for development;
– pre-paid interests in leasehold land classified as being held under an operating lease; and
– investment in a subsidiary.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

The sources used to identify indications of impairment are often subjective in nature and the Group is required to use judgement in applying such information to its business. The Group's interpretation of this information has a direct impact on whether an impairment assessment is performed as at the end of any given reporting period.

If an indication of impairment is identified, such information is further subject to an exercise that requires the Group to estimate the recoverable value, representing the greater of the asset's fair value less cost to sell or its value in use. Depending on the Group's assessment of the overall materiality of the asset under review and complexity of deriving reasonable estimates of the recoverable value, the Group may perform such assessment utilising internal resources or the Group may engage external advisors to counsel the Group in making this assessment. Regardless of the resources utilised, the Group is required to make many assumptions to make this assessment, including the utilisation of such asset, the cash flows to be generated, appropriate market discount rates and the projected market and regulatory conditions. Changes in any of these assumptions could result in a material change to future estimates of the recoverable value of any asset.

For the year ended December 31, 2015, no provision for impairment (2014: HK$84 million) was recognised on the properties held for development (note 17(b)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015 (Amount expressed in Hong Kong dollars unless otherwise stated)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – CONTINUED

(v) Fair value of derivative financial instrument

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group adopts dealer quoted price to value the derivative financial instrument, taking into account of spot and forward exchange rates and implied volatility and other assumptions.

4. REVENUE FROM CONTINUING OPERATIONS

Revenue from continuing operations comprises the revenue recognised in respect of the following businesses:

HK$ million	**2015**	2014
All-season recreational activities in Japan	**78**	77
Property and facilities management in Hong Kong	**51**	55
Property investment in Hong Kong	**2**	2
Other businesses	**34**	32
	165	166

5. SEGMENT INFORMATION

Information regarding the Group's reportable segments as provided to the Group's senior executive management for the purposes of resources allocation and assessment of segment performance for the year ended December 31 is set out below:

a. Business segments

	Revenue						Results		Other information			
	Revenue from external customers		Inter-segment revenue		Reportable segment revenue		Segment results before taxation		Provision for impairment of properties held for development		Additions to non-current segment assets	
HK$ million	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
All-season recreational activities in Japan	**78**	77	**—**	—	**78**	77	**2**	(1)	**—**	—	**37**	10
Property investment in Indonesia	**—**	—	**—**	—	**—**	—	**(19)**	(22)	**—**	—	**344**	212
Property development in Thailand	**—**	—	**—**	—	**—**	—	**(16)**	(97)	**—**	(84)	**8**	6
Property development in Japan (note i)	**—**	—	**—**	—	**—**	—	**(8)**	(12)	**—**	—	**4**	2
Property and facilities management in Hong Kong (note i)	**51**	55	**—**	—	**51**	55	**5**	(3)	**—**	—	**—**	—
Property development in Hong Kong	**—**	—	**—**	—	**—**	—	**4**	(14)	**—**	—	**—**	—
Other businesses (note ii)	**36**	34	**2**	2	**38**	36	**4**	2	**—**	—	**1**	3
Elimination	**—**	—	**(2)**	(2)	**(2)**	(2)	**—**	—	**—**	—	**—**	—
Total of reported segments	**165**	166	**—**	—	**165**	166	**(28)**	(147)	**—**	(84)	**394**	233
Unallocated	**—**	—	**—**	—	**—**	—	**(240)**	(273)	**—**	—	**4**	5
Consolidated from continuing operations	**165**	166	**—**	—	**165**	166	**(268)**	(420)	**—**	(84)	**398**	238
Discontinued operation (note iii)	**—**	149	**—**	—	**—**	149	**—**	2,777	**—**	—	**—**	16
Consolidated	**165**	315	**—**	—	**165**	315	**(268)**	2,357	**—**	(84)	**398**	254

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DECEMBER 31, 2015 (Amount expressed in Hong Kong dollars unless otherwise stated)

5. SEGMENT INFORMATION – CONTINUED

a. Business segments – Continued

	Assets		Liabilities	
HK$ million	**2015**	2014	**2015**	2014
All-season recreational activities in Japan	**119**	90	**18**	22
Property investment in Indonesia	**2,713**	2,329	**422**	491
Property development in Thailand	**530**	573	**9**	8
Property development in Japan (note i)	**409**	411	**9**	10
Property and facilities management in Hong Kong (note i)	**19**	20	**10**	11
Property development in Hong Kong	**609**	1,558	**433**	649
Other businesses (note ii)	**111**	110	**41**	34
Total of reported segments	**4,510**	5,091	**942**	1,225
Unallocated	**1,755**	2,406	**68**	710
Consolidated	**6,265**	7,497	**1,010**	1,935

(i) The segments for property development in Japan and property and facilities management in Hong Kong have met the quantitative thresholds under HKFRS 8 for reportable segments during the year ended December 31, 2015, therefore they are separately disclosed and their respective comparative figures have been represented. These segments were included in other businesses for the year ended December 31, 2014.

(ii) Revenue from segments below the quantitative thresholds under HKFRS 8 are attributable to three operating segments of the Group. These segments include property management in Japan, property investment in Hong Kong and asset management in Mainland China. None of these segments have ever met any of the quantitative thresholds for determining reportable segments.

(iii) Discontinued operation mainly represents the property investment in Mainland China (note 12).

5. SEGMENT INFORMATION – CONTINUED

b. Geographical information

The following table sets out the information about geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment properties, property, plant and equipment, properties under development, properties held for development, goodwill and prepayment and other receivables ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of investment properties, property, plant and equipment and properties under development/held for development, and the location of the operation to which they are allocated, in case of goodwill and prepayment and other receivables.

	Revenue from external customers		Specified non-current assets	
HK$ million	**2015**	2014	**2015**	2014
Continuing operations:				
Japan	**98**	95	**492**	456
Hong Kong (place of domicile)	**53**	57	**61**	60
Mainland China	**14**	14	**10**	16
Thailand	**—**	—	**525**	567
Indonesia	**—**	—	**2,285**	2,028
	165	166	**3,373**	3,127
Discontinued operation:				
Mainland China	**—**	149	**—**	—
	165	315	**3,373**	3,127

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6. OTHER LOSSES FROM CONTINUING OPERATIONS

HK$ million	2015	2014
Fair value loss on the derivative financial instrument	**2**	—
Fair value loss/(gain) on the financial assets at fair value through profit or loss	**1**	(2)
Provision for impairment of properties held for development	**—**	84
	3	82

7. FINANCE COSTS FROM CONTINUING OPERATIONS

HK$ million	2015	2014
Interest expenses:		
– Convertible notes	**—**	68
– Bank borrowings	**—**	62
– Other finance costs	**1**	23
	1	153
Less: Interest capitalised into investment properties	**(1)**	(70)
	—	83

The borrowing costs have been capitalised at the weighted average rate of the Group's borrowings at 2.56 per cent per annum in 2015 (2014: 4.64 per cent).

8. LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS

Loss before taxation from continuing operations is stated after crediting and charging the following:

HK$ million	**2015**	2014
Crediting:		
Gross rental income from investment property	**2**	2
Other rental income	**14**	14
Less: outgoings	**(6)**	(6)
Charging:		
Depreciation	**16**	16
Staff costs, included in:		
– cost of sales	**18**	15
– general and administrative expenses	**128**	130
Contributions to defined contribution retirement schemes, included in:		
– cost of sales	**1**	—
– general and administrative expenses	**6**	6
Share-based compensation expenses	**4**	5
Auditor's remuneration		
– audit services	**4**	4
– non-audit services	**1**	4
Operating lease rental of land and buildings included in general and administrative expenses	**33**	43
Operating lease rental of equipment	**3**	2
Net foreign exchange loss/(gain)	**3**	(1)

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9. DIRECTORS' EMOLUMENTS

Directors' emoluments comprise the aggregate amounts paid/payable by the Group to each of the directors of the Company in connection with their employment as directors of the Company or its subsidiaries undertaking during the year.

	2015						
HK$'000	Directors' fee	Salaries	Bonuses (note i)	Allowances	Benefits in kind (note iii)	Employer's contribution to retirement scheme	Total
Executive Directors							
Li Tzar Kai, Richard	—	—	—	—	—	—	—
Lee Chi Hong, Robert (note iv)	—	6,874	5,564	2,946	94	1,031	16,509
James Chan	—	4,346	3,700	1,863	9	652	10,570
Gan Kim See, Wendy (note v)	—	243	—	32	13	105	393
Independent Non-executive Directors							
Cheung Kin Piu, Valiant (note vii)	80	—	—	—	—	—	80
Chiang Yun (note viii)	149	—	—	—	—	—	149
Prof Wong Yue Chim, Richard, SBS, JP	228	—	—	—	—	—	228
Dr Allan Zeman, GBM, GBS, JP	228	—	—	—	—	—	228
	685	11,463	9,264	4,841	116	1,788	28,157

9. DIRECTORS' EMOLUMENTS – CONTINUED

	2014						
HK$'000	Directors' fee	Salaries	Bonuses (note ii)	Allowances	Benefits in kind (note iii)	Employer's contribution to retirement scheme	Total
Executive Directors							
Li Tzar Kai, Richard	—	—	—	—	—	—	—
Lee Chi Hong, Robert (note iv)	—	6,421	4,500	2,752	69	963	14,705
James Chan	—	4,164	3,700	1,784	9	625	10,282
Gan Kim See, Wendy	—	2,880	3,275	1,234	37	625	8,051
Lam Yu Yee (note vi)	—	7,481	3,584	3,614	21	898	15,598
Independent Non-executive Directors							
Cheung Kin Piu, Valiant	218	—	—	—	—	—	218
Prof Wong Yue Chim, Richard, SBS, JP	218	—	—	—	—	—	218
Dr Allan Zeman, GBM, GBS, JP	218	—	—	—	—	—	218
	654	20,946	15,059	9,384	136	3,111	49,290

(i) Refers to bonuses in respect of 2014 and 2015, paid in 2015.

(ii) Refers to bonuses in respect of 2013 and 2014, paid in 2014.

(iii) Benefits in kind mainly includes medical insurance premium.

(iv) Mr. Lee Chi Hong, Robert is also the Chief Executive Officer of the Company.

(v) Resigned as executive director on March 18, 2015. The emoluments shown represent the emoluments received from the Group during the year of 2015.

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9. DIRECTORS' EMOLUMENTS – CONTINUED

(vi) Resigned as executive director on November 25, 2014. The emoluments shown represent the emoluments received from the Group during the year of 2014.

(vii) Resigned as independent non-executive director on May 6, 2015. The emoluments shown represent the emoluments received from the Group during the year of 2015.

(viii) Appointed as independent non-executive director on May 6, 2015. The emoluments shown represent the emoluments received from the Group during the period from the date of appointment to the end of the year of 2015.

(ix) One director offered to waive the basic salary and housing benefits of HK$1.17 million payable to that director by a wholly-owned subsidiary during the year of 2015 (2014: HK$1.83 million).

(x) No directors' emoluments, retirements benefits, payments or benefits in respect of termination of directors' services have been paid to or are receivable by the directors during the year ended December 31, 2015 (2014: Nil).

(xi) No consideration was provided to or receivable by third parties for making available directors' services during the year ended December 31, 2015 (2014: Nil).

(xii) Save as disclosed in the Report of the Directors, there are no loans, quasi-loans and other dealings entered into by the Company or its subsidiaries undertaking, in favour of directors, their controlled bodies corporate and connected entities during the year ended December 31, 2015 (2014: Nil).

(xiii) Save as disclosed in the Report of the Directors, there are no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material, interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended December 31, 2015 (2014: Nil).

(xiv) Certain of the comparative information of directors' emoluments for the year ended December 31, 2014 previously disclosed in accordance with the predecessor Companies Ordinance have been restated in order to comply with the new scope and requirements by the Hong Kong Companies Ordinance (Cap. 622).

10. FIVE TOP-PAID EMPLOYEES

a. Of the five highest paid individuals in the Group, two (2014: four) are directors whose emoluments are set out in note 9. Details of the emoluments of the remaining three highest paid individuals (2014: one) are as follows:

HK$ million	**2015**	2014
Salaries and other short-term employee benefits	**17**	4
Bonuses (note i)	**4**	3
Retirement scheme contributions	**1**	1
Share-based compensation expenses	**4**	5
	26	13

(i) Bonuses were included in the year of payment.

b. The emoluments of the remaining three individuals (2014: one) are within the emolument ranges as set out below:

	Number of individuals	
	2015	2014
HK$5,500,001 – HK$6,000,000	**1**	—
HK$7,000,001 – HK$7,500,000	**1**	—
HK$12,500,001 – HK$13,000,000	**—**	1
HK$13,000,001 – HK$13,500,000	**1**	—
	3	1

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11. INCOME TAX FROM CONTINUING OPERATIONS

Hong Kong profits tax has been provided at the rate of 16.5 per cent (2014: 16.5 per cent) on the estimated assessable profits for the year.

Taxation for Mainland China and overseas subsidiaries has been calculated on the estimated assessable profits for the year at the rates prevailing in the respective jurisdictions.

HK$ million	2015	2014
Income tax outside Hong Kong		
– Provision for current year	12	13
Deferred income tax		
– Other origination and reversal of temporary differences	(7)	8
	5	21

Reconciliation between income tax and the Group's accounting loss from continuing operations at applicable tax rates is set out below:

HK$ million	2015	2014
Loss before taxation	(268)	(420)
Notional tax on loss before taxation, calculated at applicable tax rate of 16.5 per cent (2014: 16.5 per cent)	(44)	(69)
Effect of different tax rates of subsidiaries operating outside Hong Kong	1	2
Tax effect of income not subject to taxation	(3)	(4)
Tax effect of expenses not deductible for taxation purposes	47	68
Tax losses for which no deferred income tax asset was recognised	6	12
Utilisation of previously unrecognised tax losses	(2)	(2)
Others	—	14
Income tax	5	21

12. DISCONTINUED OPERATION AND DISPOSAL OF SUBSIDIARIES

On April 8, 2014, the Group entered into a sale and purchase agreement ("SPA") pursuant to which the Group has agreed to sell the entire issued share capital of Gain Score Limited, an indirect wholly-owned subsidiary of the Company, and to assign a shareholder loan which was made by the Group to Gain Score Limited to an independent third party for an initial aggregated consideration of US$928 million (equivalent to approximately HK$7,201 million), subject to adjustments in accordance with the SPA. The principal assets of Gain Score Limited and its subsidiaries (the "Gain Score Group") are the land use rights and property rights in the investment property known as "Pacific Century Place, Beijing" located in Mainland China.

The transaction was completed in August 2014, and the final consideration received was US$939 million (equivalent to approximately HK$7,281 million) after adjustments in accordance with the SPA.

a. The profit attributable to equity holders of the Company from discontinued operation is as follows:

HK$ million	**2015**	2014
Revenue	—	149
Cost of sales	—	(23)
Gross profit	—	126
General and administrative expenses	—	(50)
Surplus on revaluation of investment property	—	654
Operating profit	—	730
Interest income	—	6
Profit before tax	—	736
Income tax	—	(194)
Profit after tax	—	542
Gain on disposal of subsidiaries, net of tax (note i)	**192**	1,390
Profit attributable to equity holders of the Company from discontinued operation	**192**	1,932

(i) The amount recognised for the year ended December 31, 2015 includes a reversal of provision for tax and direct expenses in relation to the disposal as management, after review at the end of each reporting period to reflect the current best estimate, considers it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

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12. DISCONTINUED OPERATION AND DISPOSAL OF SUBSIDIARIES – CONTINUED

b. The net assets of the Gain Score Group at the date of disposal were as follows:

HK$ million	2014
Net assets disposed of:	
Investment property	7,236
Property, plant and equipment	34
Intangible asset	31
Trade receivables, net	4
Prepayments, deposits and other current assets	11
Amounts due from fellow subsidiaries	1
Restricted cash	5
Cash and cash equivalents	208
Shareholder loan	(1,983)
Accruals, other payables and deferred income	(97)
Current income tax liabilities	(4)
Deferred income tax liabilities	(1,166)
	4,280
Consideration settled by cash	(7,281)
Assignment of shareholder loan	1,983
Tax and direct expenses in relation to the disposal	873
	(145)
Reclassification of currency translation reserve to profit or loss	(1,245)
Gain on disposal of subsidiaries, net of tax	(1,390)

c. Net cash flow arising from the disposal:

The net cash outflow from the discontinued operation of HK$452 million for the year ended December 31, 2015 represents the payment of tax and direct expenses in 2015 in relation to the disposal of Gain Score Group. For the year ended December 31, 2014, the net cash inflow arising from the disposal is HK$6,851 million, representing the cash consideration received, net of transaction costs paid and cash and cash equivalents disposed of.

13. DIVIDEND

HK$ million	2015	2014
Final dividend	—	—

There was no final dividend paid for 2015 and 2014.

14. (LOSS)/EARNINGS PER SHARE

The calculations of basic and diluted (loss)/earnings per share based on the share capital of the Company are as follows:

	2015	2014
(Loss)/Earnings (HK$ million)		
Loss from continuing operations	(273)	(441)
Earnings from discontinued operation	192	1,932
(Loss)/Earnings for the purpose of calculating the basic and diluted (loss)/earnings per share	(81)	1,491
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating the basic and diluted (loss)/earnings per share	1,587,775,022	1,583,857,214

Pursuant to the terms of the applicable deed poll, the bonus convertible notes confer upon the holders the same economic interests attached to the bonus shares. The aggregated amount of HK$592,553,354.40 (2014: HK$592,553,354.40) for the outstanding bonus convertible notes which could be converted into 1,185,106,708 (2014: 1,185,106,708) fully paid ordinary shares of HK$0.50 each is included in the weighted average number of ordinary shares for calculating the basic earnings/(loss) per share for the years ended December 31, 2015 and December 31, 2014.

Employee share options of 5,000,000 were exercised during the year ended December 31, 2014. The potential ordinary shares arising from the assumed conversion of the employee share options are anti-dilutive at the loss from continuing operations level for the year ended December 31, 2014 and so, have been treated as anti-dilutive for the purpose of calculating diluted earnings/(loss) per share.

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14. (LOSS)/EARNINGS PER SHARE – CONTINUED

2014 Convertible Note was redeemed in full upon its maturity date in 2014. The 672,222,222 of the potential ordinary shares arising from the assumed conversion of 2014 Convertible Note have not been included in the calculation of diluted earnings/(loss) per share for the year ended December 31, 2014 because they are anti-dilutive.

15. INVESTMENT PROPERTIES

HK$ million	2015	2014
At January 1,	**1,926**	8,519
Additions	**340**	220
Reclassification (note i)	—	(115)
Surplus on revaluation of investment property (note ii)	—	654
Disposal of subsidiaries (note 12(b))	—	(7,236)
Exchange differences	**(130)**	(116)
At December 31,	**2,136**	1,926

(i) As at December 31, 2014, value added tax payment of approximately HK$115 million in relation to the land acquisition was reclassified from investment properties to prepayments and other receivables under non-current assets after the completion of assessment by the relevant tax authority.

(ii) The change in unrealised gains of the investment properties for the year ended December 31, 2014 of HK$654 million was credited to the consolidated statement of comprehensive income as “Surplus on revaluation of investment property”. The gain is attributable to the Group’s investment property in Mainland China and is included within discontinued operation (note 12(a)).

(iii) As at December 31, 2015, a sum of approximately HK$293 million (2014: HK$239 million) advanced to the contractors in relation to the construction of the investment property is included in “Prepayment, deposits and other current assets” in the consolidated statement of financial position.

(iv) As at December 31, 2015, value added tax receivables of approximately HK$168 million (2014: HK$152 million) in relation to the land acquisition and construction of the investment property is included in non-current assets’ “Prepayments and other receivables” in the consolidated statement of financial position.

15. INVESTMENT PROPERTIES – CONTINUED

a. The following tables analyse the investment properties which are carried at fair value. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets (level 1)
- Inputs other than quoted prices that are observable either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for asset that are not based on observable market data (level 3)

HK$ million	**Fair value measurement as at December 31, 2015** **Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Recurring fair value measurement			
Investment properties			
– Indonesia	**—**	**—**	**2,084**
– Hong Kong	**—**	**—**	**52**

HK$ million	Fair value measurement as at December 31, 2014 Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurement			
Investment properties			
– Indonesia	—	—	1,874
– Hong Kong	—	—	52

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15. INVESTMENT PROPERTIES – CONTINUED

Information about level 3 fair value measurements

	As at December 31, 2015		
Investment properties	**Valuation technique**	**Unobservable inputs**	**Rate**
– Indonesia	Residual value approach	Price per net saleable area	US$5,730/sq.m. to US$6,280/sq.m.
		Construction cost	US$2,000/sq.m. to US$2,450/sq.m.
– Hong Kong	Income capitalisation approach	Market yield	4.5%
		Monthly gross market rent	HK$9.27/sq. ft.

	As at December 31, 2014		
Investment properties	Valuation technique	Unobservable inputs	Rate
– Indonesia	Residual value approach	Price per net saleable area	US$5,950/sq.m. to US$6,690/sq.m.
		Construction cost	US$1,850/sq.m. to US$2,450/sq.m.
– Hong Kong	Income capitalisation approach	Market yield	4.5%
		Monthly gross market rent	HK$9.27/sq. ft.

15. INVESTMENT PROPERTIES – CONTINUED

On July 24, 2013, the Group completed the acquisition of a plot of land for the development of a Premium Grade A office building in Jakarta, Indonesia. The property located in Indonesia is held by the Group for investment which the construction is in progress. Management has performed a valuation of the fair value of the property determined by using residual value approach with reference to the sale evidence as available in the market and allowing for the outstanding development costs including mainly construction cost, sales and marketing cost and finance cost. Significant changes in the price and the construction cost would result in a significant change in the fair value of the investment property. In addition, the exchange rate movement between Indonesian rupiah and the US dollar could also affect the price and construction costs.

For the investment property in Hong Kong, the usage of this property is constrained by the Group's undertaking to the lessee. Management has performed the valuation of the fair value as at December 31, 2015 using the income capitalisation approach assuming such constraint and the current tenancy agreement will continue in its existing manner in the foreseeable future. The valuation takes into account expected market rental and market yield. A significant change in the rental or the market yield would result in a significant change in the fair value of the investment property.

b. The carrying amount of investment properties is analysed as follows:

HK$ million	2015	2014
Held in Indonesia		
On medium-term lease (10-50 years)	**2,084**	1,874
Held in Hong Kong		
On long lease (over 50 years)	**52**	52
	2,136	1,926

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16. PROPERTY, PLANT AND EQUIPMENT

HK$ million	Freehold land	Buildings and structures	Other plant and equipment	Construction in progress	Total
At January 1, 2014					
At cost	5	99	279	5	388
Less: Accumulated depreciation	—	(17)	(196)	—	(213)
Net book value	5	82	83	5	175
Net book value at January 1, 2014	5	82	83	5	175
Additions	—	6	13	2	21
Disposals	—	—	(1)	—	(1)
Depreciation	—	(3)	(22)	—	(25)
Disposal of subsidiaries (note 12(b))	—	—	(34)	—	(34)
Exchange differences	(1)	(10)	2	(1)	(10)
Net book value at December 31, 2014	4	75	41	6	126
At December 31, 2014					
At cost	4	93	157	6	260
Less: Accumulated depreciation	—	(18)	(116)	—	(134)
Net book value	4	75	41	6	126
Net book value at January 1, 2015	**4**	**75**	**41**	**6**	**126**
Additions	**34**	**1**	**11**	**—**	**46**
Reclassification from properties under development	**5**	**—**	**—**	**2**	**7**
Depreciation	**—**	**(4)**	**(12)**	**—**	**(16)**
Exchange differences	**(1)**	**—**	**(1)**	**(1)**	**(3)**
Net book value at December 31, 2015	**42**	**72**	**39**	**7**	**160**
At December 31, 2015					
At cost	**42**	**94**	**165**	**7**	**308**
Less: Accumulated depreciation	**—**	**(22)**	**(126)**	**—**	**(148)**
Net book value	**42**	**72**	**39**	**7**	**160**

17. PROPERTIES UNDER DEVELOPMENT/HELD FOR DEVELOPMENT

a. Properties under development

HK$ million	**2015**	2014
At January 1,	**352**	401
Additions	**4**	2
Reclassification to property, plant and equipment (note ii)	**(7)**	—
Exchange differences	**—**	(51)
At December 31,	**349**	352

(i) Properties under development as at December 31, 2015 represents freehold land in Japan which is held by an indirect wholly-owned subsidiary. Management has performed assessments of the recoverable amount of the development project in Japan included in properties under development as at December 31, 2015. The valuation is based on the discounted cash flow forecast of the development project which involves the use of various estimates and assumptions such as selling prices, construction costs and discount rate. Changes in the assumptions adopted in the valuation may result in a change in future estimate of the recoverable amount of the development project.

(ii) During the year ended December 31, 2015, the Group entered into a management agreement with an international hotel operator for the hotel and branded residences of this development project in Japan. As the hotel is intended to be owned by the Group with the outsourced hotel management services, the carrying value in relation to the land and capitalised costs attributable to the hotel portion has been reclassified from properties under development to property, plant and equipment following the change in use.

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17. PROPERTIES UNDER DEVELOPMENT/HELD FOR DEVELOPMENT – CONTINUED

b. Properties held for development

HK$ million	2015	2014
At January 1,	566	645
Additions	8	6
Provision for impairment (note 6)	—	(84)
Exchange differences	(49)	(1)
At December 31,	525	566

Properties held for development as at December 31, 2015 represents freehold land in Thailand, for which the Group intends for future development projects. The land in Thailand is held by the Group through a long-term operating lease agreement with the legal owners, 39 per cent owned entities, established to hold the land, whose financial statements have been consolidated into these consolidated financial statements (note 21).

Management has performed assessments of the recoverable amount of the property interest together with the costs of improvements spent on the land in Thailand included in properties held for development, with reference to the advice of an external valuer. The valuation is based on the direct comparison approach which involves the use of various market comparables, estimates and assumptions. Based on the impairment assessment, no provision for impairment was recognised for the year ended December 31, 2015 (2014: HK$84 million). Changes in the assumptions adopted in the valuation may result in a change in future estimates of the recoverable amount of the development project.

18. GOODWILL

HK$ million	2015	2014
Costs:		
At January 1, and December 31,	99	99
Accumulated impairment losses:		
At January 1, and December 31,	(96)	(96)
Carrying amount:		
At December 31,	3	3

18. GOODWILL – CONTINUED

Goodwill is allocated to the Group's cash-generating unit identified as follows:

HK$ million	**2015**	2014
Other business – property management operations	**3**	3
	3	3

Management has performed assessments of the recoverable amount of the property management operations which is determined based on the cash flow forecast of the business. Management considered there is no impairment of goodwill in relation to the property management operations as at December 31, 2015.

The impairment losses recognised in prior years related to the property development division and ski operation.

19. OTHER FINANCIAL ASSETS

Financial assets at fair value through profit or loss:

HK$ million	**2015**	2014
Listed equity securities, Hong Kong	**6**	6
Less: Amount classified as current assets	**(4)**	(4)
	2	2

20. DERIVATIVE FINANCIAL INSTRUMENT

On June 25, 2015, the Group executed an Indonesian rupiah/US dollar currency call spread option for a notional amount of US$200 million with a tenor of one year (the "Option"). The Option will expire on June 27, 2016. An option premium of US$8 million (equivalent to HK$62 million) was paid up-front. The Option was purchased for the purpose of managing the risk of foreign currency exposure arising from the Group's net investment in the foreign operation in Indonesia. It is recognised as a derivative financial instrument at fair value as at June 25, 2015 of HK$62 million, and the mark-to-market value at December 31, 2015 was HK$60 million. The difference of HK$2 million is recognised in "other losses, net" in the consolidated statement of comprehensive income for the year ended December 31, 2015.

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21. PRINCIPAL SUBSIDIARIES AND ENTITIES CONSOLIDATED INTO THE CONSOLIDATED FINANCIAL STATEMENTS

The following list contains only the particulars of subsidiaries and entities which principally affected the results, assets and liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Company name	Place of incorporation/ operations	Principal activities	Amount of issued capital/ registered capital	Equity interest attributable to the Company	
				Directly	Indirectly
北京裕澤諮詢服務有限公司[1]	The People's Republic of China	Property management	US$100,000	—	100%
City Charm Enterprises Limited 城創企業有限公司	British Virgin Islands	Investment holding	US$1	—	100%
Cyber-Port Limited 資訊港有限公司	Hong Kong	Property development	HK$2	—	100%
Dong Si (Holdings) Limited 盈科優質創建有限公司	Hong Kong	Provision of leasing and financing	HK$1	—	100%
Harmony TMK	Japan	Property development	JPY4,550,000,000 (JPY100,000,000 specified shares and JPY4,450,000,000 preferred shares)	—	100%
Ipswich Holdings Limited	British Virgin Islands	Investment holding	US$2	100%	—
Island South Property Management Limited 南盈物業管理有限公司	Hong Kong	Property management	HK$2	—	100%

21. PRINCIPAL SUBSIDIARIES AND ENTITIES CONSOLIDATED INTO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Company name	Place of incorporation/ operations	Principal activities	Amount of issued capital/ registered capital	Equity interest attributable to the Company Directly	Equity interest attributable to the Company Indirectly
Interstate Holdings Limited	Hong Kong	Property development management	HK$2,478,156,001	—	100%
Kabushiki Kaisha Niseko Management Service	Japan	Property management and travel agency	JPY10,000,000	—	100%
Madeline Investments Limited 盈科大衍地產發展有限公司	Hong Kong	Trademark registrant	HK$2	—	100%
Melati Holding Limited	British Virgin Islands	Investment holding	US$93,612	—	100%
Nihon Harmony Resorts KK	Japan	Ski operation	JPY405,000,000	—	100%
PCPD Facilities Management Limited	Hong Kong	Provision of property management services	HK$2	—	100%
PCPD Services Limited	Hong Kong	Provision of administrative services	HK$2	—	100%
PCPD South Village Hotel Co., Ltd.	Japan	Hotel management	JPY51,000,000	—	100%
PCPD Wealth Limited	Hong Kong	Provision of financial services	HK$1	—	100%

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21. PRINCIPAL SUBSIDIARIES AND ENTITIES CONSOLIDATED INTO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Company name	Place of incorporation/ operations	Principal activities	Amount of issued capital/ registered capital	Equity interest attributable to the Company	
				Directly	Indirectly
PT Prima Bangun Investama	Indonesia	Property development and management	US$26,000,000	—	100%
Rafflesia Investment Limited	British Virgin Islands	Investment holding	US$90,010	—	100%
Talent Master Investments Limited	British Virgin Islands/ Hong Kong	Property investment	US$1	—	100%
Phang-nga Leisure Limited	Thailand	Property holding and leasing	THB2,000,000	—	39%
Phang-nga Paradise Limited	Thailand	Property holding and leasing	THB2,000,000	—	39%

Note:

[1] Represents a wholly foreign owned enterprise.

22. CURRENT ASSETS AND LIABILITIES

a. Sales proceeds held in stakeholders' accounts

The balance represents proceeds from the sales of properties of the Group's property development project that are retained in bank accounts opened and maintained by stakeholders. The amount is related to the residential portion of the Cyberport project and will be transferred to specific bank accounts, which are restricted in use, pursuant to certain conditions and procedures as stated in the Cyberport Project Agreement. The sales proceeds held in stakeholders' accounts of HK$513 million as at December 31, 2015 (2014: HK$528 million) are exposed to minimal credit risk.

22. CURRENT ASSETS AND LIABILITIES – CONTINUED

b. Restricted cash

Pursuant to the Cyberport Project Agreement, the Group has a restricted cash balance of approximately HK$96 million as at December 31, 2015 (2014: HK$1,022 million) held in specific bank accounts. The uses of the funds are specified in the Cyberport Project Agreement.

c. Trade receivables, net

(i) Aging analysis

An aging analysis of trade receivables, based on invoice date and before provision for receivable impairment, is set out below:

HK$ million	**2015**	2014
Current	**5**	7
One to three months	**2**	—
More than three months	—	1
	7	8

Trade receivables have a normal credit period which ranges up to 30 days from the date of the invoice unless there is separate mutual agreement on extension of the credit period.

(ii) Trade receivables of HK$7 million (2014: HK$8 million) are exposed to credit risk. No trade receivable was impaired (2014: Nil) and no provision was made as at December 31, 2015 (2014: Nil). The amounts in trade receivables balance relate to a wide range of customers for whom there is no recent history of default.

As at December 31, 2015, trade receivables of HK$2 million were past due but not impaired (2014: HK$1 million).

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22. CURRENT ASSETS AND LIABILITIES – CONTINUED

c. Trade receivables, net – Continued

(iii) The carrying amounts of the Group's trade receivables are denominated in the following currencies:

HK$ million	2015	2014
Renminbi	2	2
Hong Kong dollar	1	1
Japanese yen	4	5
	7	8

d. Trade payables

An aging analysis of trade payables, based on invoice date, is set out below:

HK$ million	2015	2014
Current	13	16
More than three months	1	1
	14	17

e. Accruals, other payables and deferred income

Accruals, other payables and deferred income represents accruals for construction costs and operating costs, payable for the consideration of the land, retention payables, tenants deposits and deferred income.

23. BORROWINGS

a. The 2014 Convertible Note in the principal amount of HK$2,420 million together with 20 per cent premium (in an aggregate amount of HK$2,904 million) was redeemed by PCPD Wealth Limited ("PCPD Wealth") (an indirect wholly-owned subsidiary of the Company), the issuer of the 2014 Convertible Note, in full in cash upon its maturity on May 9, 2014 in accordance with the terms and conditions of the 2014 Convertible Note.

PCPD Wealth did not issue the 2019 Convertible Note on May 9, 2014, where the Subscription Agreement dated March 2, 2012 entered into between PCPD Wealth, the Company and PCCW-HKT Partners Limited (an indirect wholly-owned subsidiary of PCCW) has lapsed and shall be of no further effect.

Interest expense on the 2014 Convertible Note was calculated using the effective interest method by applying the effective interest rate of 6.87 per cent to the liability component.

b. On October 8, 2012, an indirect wholly-owned subsidiary of the Company was granted a three-year term and revolving loan facility up to an aggregate amount of HK$3,000 million ("HKD Facility"). Such facility was secured by the shares and assets of certain indirect wholly-owned subsidiaries. On January 29, 2013 and February 7, 2013, the indirect wholly-owned subsidiary made drawdowns of HK$200 million and HK$1,300 million respectively. The loans under such HKD Facility have been fully repaid upon the completion of the disposal of the Gain Score Group in August 2014.

c. On October 8, 2012, an indirect wholly-owned subsidiary of the Company entered into a new RMB facility agreement which the lender had agreed to make available a three-year term loan facility up to an aggregate amount of RMB100 million ("RMB Facility"). No drawdown was made by the Group. Upon the completion of the disposal of the Gain Score Group in August 2014, the RMB Facility has been cancelled.

d. On January 21, 2014, indirect wholly-owned subsidiaries of the Company entered into USD facilities agreements ("USD Facility") which the lenders would make available term loan facilities in an aggregate amount of US$200 million, comprising a term loan facility for US$140 million (the "USD Facility A") and a term loan facility for US$60 million (the "USD Facility B"), for financing the development of a Premium Grade A office building in Jakarta, Indonesia. The USD Facility must be repaid on or before six months after the completion of the building or December 31, 2017, whichever is earlier. The USD Facility are secured by the shares and assets of the indirect wholly-owned subsidiaries and one of the indirect wholly-owned subsidiaries is subjected to certain financial ratios covenants which are commonly found in lending arrangements with financial institutions. As at December 31, 2015, none of the covenants were breached. The USD Facility is available for drawdown as the conditions precedent have been fulfilled, but no drawdown has yet been made by the Group as at December 31, 2015.

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24. AMOUNT PAYABLE TO THE HKSAR GOVERNMENT UNDER THE CYBERPORT PROJECT AGREEMENT

HK$ million	2015 Government share under the Cyberport Project Agreement (note a)	Others	Total
At January 1, 2015	**517**	**5**	**522**
Reversal	**(1)**	**(5)**	**(6)**
Settlement during the year	**(194)**	**—**	**(194)**
At December 31, 2015	**322**	**—**	**322**

HK$ million	2014 Government share under the Cyberport Project Agreement (note a)	Others	Total
At January 1, 2014	516	5	521
Addition	1	—	1
At December 31, 2014	517	5	522

a. Pursuant to the Cyberport Project Agreement, the Group was granted an exclusive right and obligation to design, develop, construct and market the Cyberport project at Telegraph Bay on the Hong Kong Island. The Cyberport project consists of commercial and residential portions. The completed commercial portion was transferred to the HKSAR Government at no consideration. The associated costs incurred have formed part of the development costs of the residential portion. The construction of residential portion of the Cyberport project was completed in November 2008.

Pursuant to the Cyberport Project Agreement, the HKSAR Government shall be entitled to receive payments of approximately 65 per cent from the surplus cashflow arising from the sales of the residential portion of the Cyberport project, net of certain allowable costs incurred on the project, as stipulated under certain terms and conditions of the Cyberport Project Agreement. The amount payable to the HKSAR Government is based on the surplus from sales proceeds of the residential portion after the development costs of the Cyberport project.

25. ISSUED EQUITY

	The Group	
	Number of shares (note a)	Issued equity HK$ million (note a)
Ordinary shares of HK$0.50 each at January 1, 2014	397,668,313	2,836
Shares issued upon exercise of share options (note d)	5,000,000	12
Ordinary shares of HK$0.50 each at December 31, 2014 and December 31, 2015 (note e)	**402,668,313**	**2,848**

a. Due to the use of reverse acquisition basis of accounting (as stated in note 2(d) to the 2004 Financial Statements), the amount of issued equity, which includes share capital and share premium in the consolidated statement of financial position, represents the amount of issued equity of the legal subsidiary, Ipswich Holdings Limited, at the date of completion of the reverse acquisition plus equity changes attributable to the Group after the reverse acquisition. The equity structure (i.e. the number and type of shares) reflects the equity structure of the legal parent, Pacific Century Premium Developments Limited, for all accounting periods presented.

b. The following is the movement in the share capital of the Company:

	The Company	
	Number of shares	Nominal value HK$ million
Authorised:		
Ordinary shares of HK$0.50 each at December 31, 2014 and December 31, 2015	**4,000,000,000**	**2,000**
Issued and fully paid:		
Ordinary shares of HK$0.50 each at January 1, 2014	397,668,313	199
Shares issued upon exercise of share options (note d)	5,000,000	2
Ordinary shares of HK$0.50 each at December 31, 2014 and December 31, 2015 (note e)	**402,668,313**	**201**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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25. ISSUED EQUITY – CONTINUED

c. Pursuant to an ordinary resolution passed at the special general meeting of the Company held on May 2, 2012 and the announcements dated May 16, 2012 and June 21, 2012 in relation to the bonus issue of shares (with a right for shareholders to elect to receive bonus convertible notes in lieu of bonus shares), 405,378,544 bonus shares of HK$0.10 each were allotted and issued on June 22, 2012 on the basis of four (4) bonus shares for every one (1) issued share held by the qualifying shareholders of the Company whose names appeared on the register of members of the Company on May 30, 2012 (other than those qualifying shareholders who had elected to receive bonus convertible notes in lieu of all of their entitlement to the bonus shares).

Bonus convertible notes of HK$592,572,154.40 at the conversion price of HK$0.10 per share were issued by the Company on June 22, 2012. Immediately after the share consolidation which took effect on June 25, 2012, the conversion price of the bonus convertible notes was adjusted from HK$0.10 per share to HK$0.50 per share pursuant to the terms of the applicable deed poll.

The bonus convertible notes are unlisted and irredeemable but have conversion rights entitling the noteholders to convert into an equivalent number of shares as the number of bonus shares which the noteholders would otherwise be entitled to receive under the bonus issue had the shareholder not elected for the bonus convertible notes. The bonus convertible notes do not carry voting rights at any general meeting of shareholders of the Company. The noteholders can exercise the conversion rights at any time after the issue of bonus convertible notes, subject to the terms and conditions of the applicable deed poll constituting the bonus convertible notes. The bonus convertible notes were recognised as equity and are presented in "Convertible notes reserve" in the consolidated statement of changes in equity.

d. During the year ended December 31, 2014, 5,000,000 share options in the amount of HK$11,875,000 were exercised at the price of HK$2.375 per share and 5,000,000 shares were issued.

e. As at December 31, 2015, the number of the total issued and fully paid consolidated ordinary shares of HK$0.50 each was 402,668,313.2. Fractional shares amounted to 1.2 ordinary shares of HK$0.50 each were generated from the share consolidation on June 25, 2012 and are retained by the Company in accordance with the terms of the share consolidation. Such fractional shares are registered under the name of an indirect wholly-owned subsidiary of the Company. Amongst such 1.2 fractional shares, 0.2 shares of which are not tradable on the main board of the Stock Exchange and such 0.2 shares are not shown in this section.

26. EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement schemes

Employees of the Group are entitled to join the defined contribution retirement schemes operated by PCCW, including the Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The schemes are administered by independent trustees.

Under the defined contribution retirement scheme, the employer is required to make contributions to the scheme at rates specified under the rules of the scheme. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at specific rates pursuant to the rules of the MPF scheme. Contributions to the scheme vest immediately upon the completion of the service in the relevant service period.

27. SHARE-BASED PAYMENT TRANSACTIONS

a. Share option scheme

In order to align the terms of the share option scheme of the Company with those of PCCW and in view of the limited number of shares capable of being issued relative to the current capital base of the Company, under the 2003 share option scheme, which was approved and adopted on March 17, 2003 and was valid for ten years after the date of adoption, the shareholders of the Company approved the termination of the 2003 share option scheme and adoption of a new share option scheme (the "2005 Scheme") at the Company's annual general meeting held on May 13, 2005. The 2005 Scheme became effective on May 23, 2005 following its approval by the shareholders of PCCW. The 2005 Scheme was subsequently terminated on May 6, 2015 following the approval by the shareholders of the Company at the annual general meeting of the Company held on the same day to adopt another new share option scheme (the "2015 Scheme"). The 2015 Scheme became effective on May 7, 2015, following its approval by PCCW's shareholders. The 2015 Scheme is valid and effective for a period of 10 years commencing on May 7, 2015. After the termination of both the 2003 share option scheme and the 2005 Scheme, no further share options will be granted under such schemes, but in all other respects the provisions of such schemes will remain in full force and effect. There is no material difference between the terms of the 2005 Scheme and the 2015 Scheme.

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27. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

a. Share option scheme – Continued

Under the 2015 Scheme, save as disclosed in the Report of the Directors, the board of directors of the Company may, at its discretion, grant share options to any eligible person to subscribe for shares in the Company subject to the terms and conditions stipulated therein. The exercise price of the options under the 2015 Scheme is determined by the board of directors of the Company in its absolute discretion but in any event shall not be less than the higher of (i) the closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the date of grant; and (ii) the average closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange for the five days last preceding the date of grant on which days it has been possible to trade shares on the Stock Exchange. The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2015 Scheme and any other share option schemes of the Company must not exceed 30 per cent of the shares in issue from time to time. In addition, the maximum number of shares in respect of which options may be granted under the 2015 Scheme shall not (when aggregated with any shares subject to any grants made after May 7, 2015 pursuant to any other share option schemes of the Company) exceed the limit of 10 per cent of the issued share capital of the Company on May 7, 2015 (or some other date if renewal of this limit is approved by shareholders). The maximum entitlement of any eligible person (other than a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates) under the 2015 Scheme is the total number of shares issued and to be issued upon exercise of all options granted and to be granted in any 12-month period up to and including the date of the latest grant up to a maximum of 1 per cent of the shares of the Company in issue at the relevant time. Any further grant of share options in excess of this limit is subject to shareholders' approval at a general meeting.

No share options have been granted pursuant to the 2005 Scheme and 2015 Scheme. Details of share options granted by the Company pursuant to the 2003 share option scheme are as follows:

(i) Movements in share options

	Number of options	
	2015	2014
At January 1,	—	5,000,000
Exercised	—	(5,000,000)
At December 31,	—	—
Options vested at December 31,	—	—

27. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

a. Share option scheme – Continued

(ii) Details of share options outstanding as at December 31,

During the years ended December 31, 2015 and December 31, 2014, no share options were granted under the 2015 Scheme, 2005 Scheme or 2003 share option scheme. 5,000,000 share options granted related to the 2003 share option scheme were exercised during the year ended December 31, 2014. There are no share options outstanding as at December 31, 2015 and December 31, 2014.

(iii) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2015		2014	
	Average exercise price in HK$ per share	**Number of options**	Average exercise price in HK$ per share	Number of options
At January 1,	—	—	2.375	5,000,000
Exercised	—	—	2.375	(5,000,000)
At December 31,	—	—	—	—

The weighted average share price at the date of exercise for share options exercised during the year ended December 31, 2014 was HK$3.56.

The fair value of the share options granted under 2003 share option scheme determined using the trinomial option pricing model was HK$12.9 million using share price of HK$2.325, exercise price of HK$2.375, risk-free interest rate of 3.95 per cent, volatility of 0.50 with expected life for ten years and no expected dividend per share. As the share options were vested before January 1, 2005, no expenses were charged to the consolidated statement of comprehensive income as allowed by the transitional provision of HKFRS 2 “Share-based Payment”.

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27. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

b. Share award scheme

PCCW established two employee share incentive award schemes under which awards of shares may be granted to employees of participating subsidiaries. The Group is a participating member of the PCCW employee share incentive award schemes. Under both schemes, following the making of an award to an employee, the relevant shares are held on trust for the employee and then vest over a period of time provided that he/she remains employee of the Group at the relevant time and satisfies any other conditions specified at the time the award is made.

Details of the accounting policies for the shares granted to the employees of the Group are described in note 2 (v)(iv). Since PCCW shares were purchased, the Group recognised it as cash-settled share-based payment transaction.

A summary of movements in PCCW shares held under the share award scheme that is attributable to the Group during the year is as follows:

	Number of PCCW shares	
	2015	2014
At January 1,	**1,163,550**	952,793
Purchased from market by the trustee at average market price of HK$5.08 per PCCW Share (2014: HK$4.20)	**837,000**	855,000
Vested	**(735,341)**	(644,243)
At December 31,	**1,265,209**	1,163,550

Details of PCCW Shares awarded pursuant to the Purchase Scheme during the year and the PCCW Shares unvested, are as follows:

(i) Movements in the number of unvested PCCW Shares and their related weighted average fair value on the date of award

	2015		2014	
	Weighted average fair value on date of award HK$	**Number of PCCW Shares**	Weighted average fair value on date of award HK$	Number of PCCW Shares
At January 1,	**4.04**	**1,162,647**	3.75	952,279
Awarded (note iii)	**5.35**	**837,122**	3.99	854,611
Vested	**4.07**	**(735,341)**	3.54	(644,243)
At December 31, (note ii)	**4.89**	**1,264,428**	4.04	1,162,647

27. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

b. Share award scheme – Continued

(ii) Details of unvested PCCW Shares as at December 31,

Date of award	Vesting period	Fair value on the date of award HK$	Number of PCCW shares 2015	2014
May 10, 2013	May 10, 2013 to May 10, 2015	4.17	—	308,036
April 11, 2014	April 11, 2014 to April 11, 2015	3.99	—	427,305
April 11, 2014	April 11, 2014 to April 11, 2016	3.99	**427,306**	427,306
May 7, 2015	May 7, 2015 to May 7, 2016	5.35	**418,561**	—
May 7, 2015	May 7, 2015 to May 7, 2017	5.35	**418,561**	—
			1,264,428	1,162,647

The PCCW Shares unvested at December 31, 2015 had a weighted average remaining vesting period of 0.66 years (2014: 0.67 years).

(iii) Details of PCCW Shares awarded during the year

Date of award	Vesting period	Fair value on the date of award HK$	Number of PCCW shares 2015	2014
April 11, 2014	April 11, 2014 to April 11, 2015	3.99	—	427,305
April 11, 2014	April 11, 2014 to April 11, 2016	3.99	—	427,306
May 7, 2015	May 7, 2015 to May 7, 2016	5.35	**418,561**	—
May 7, 2015	May 7, 2015 to May 7, 2017	5.35	**418,561**	—
			837,122	854,611

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27. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

c. Share-based payment transactions with cash alternatives

(i) On May 23, 2013, the Group entered into the Supporting Agreement with an affiliated company of the seller of a plot of land in Jakarta, Indonesia (the "Supporter") under which the Group will settle part of the supporting services received for the value of US$23 million (subject to certain downward adjustments) by means of issuing non-voting, non-contributory but dividend participating class B shares that represent not more than 6.388 per cent (subject to downward adjustments) of the share capital in an indirect wholly-owned subsidiary ("Melati") (the "Supporter Shares") and by assignment of the shareholder's loan to Melati (the "Supporter Shareholder's Loans").

In addition, the Group granted to the Supporter a right (but not an obligation) to require the Group, after the expiry of 5 years from the date on which the Supporter Shares are issued and the Supporter Shareholder's Loans assigned, to purchase from the Supporter all (but not part) of the Supporter Shares and to take assignment of all the then outstanding Supporter Shareholder's Loans (the "Supporter Put Option"). The Supporter Put Option is granted at no premium.

When the consolidated net asset value of Melati is positive, the Supporter Shareholder's Loans are to be assigned at the face amount and the Supporter Shares are to be issued at its corresponding portion of the consolidated net asset value of Melati; or when the consolidated net asset value of Melati is negative, the Supporter Shareholder's Loans are to be assigned at the face amount after deduction of the absolute value of the corresponding portion of the consolidated net asset value of Melati, and the Supporter Shares are to be issued at nominal value of US$1.

A financial liability would be recognised in the consolidated statement of financial position in relation to the Supporter Put Option until the exercise of the Supporter Put Option by the Supporter. Management considered the fair value of the Supporter Shares is positively correlated to the consolidated net asset value of Melati which is minimal as at December 31, 2015, therefore the fair value of the Supporter Shares is nil (2014: Nil).

27. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

c. Share-based payment transactions with cash alternatives – Continued

(ii) On May 23, 2013, the Group entered into the Investor Subscription Agreement and the Investor Loan Purchase Agreement with an independent third party (the "Investor"), the Group will allot to the Investor 9.99 per cent shares of an indirect wholly-owned subsidiary ("Rafflesia") (the "Investor Shares") and assign to the Investor 9.99 per cent of all the unsecured and non-interest bearing shareholder's loan to Rafflesia (the "Investor Shareholder's Loans") at the time when the occupation permit of the Premium Grade A office building in Jakarta, Indonesia is issued. This arrangement will allow the Investor to have 9.99 per cent of the Group's Indonesian development project at a consideration of an amount which represents the same percentage (9.99 per cent) of the total investment cost incurred by the Group in the Indonesian development project plus finance charge from the completion date of the land acquisition to the time the shares are subscribed.

In addition, the Group granted to the Investor a right (but not an obligation) to require the Group, at any time on or after May 23, 2023, to purchase from the Investor all (but not part) of the Investor Shares and to take assignment of all the then outstanding Investor Shareholder's Loans ("Investor Put Option"). The Investor Put Option enables a structure which allows the Investor to realise its investment and prevents unknown parties from becoming a stakeholder in Rafflesia, so far as practicable. The Investor Put Option is granted at no premium.

When the consolidated net asset value of Rafflesia is positive, the Investor Shareholder's Loans are to be assigned at the face amount and the Investor Shares are to be issued at its corresponding portion of the consolidated net asset value of Rafflesia; or when the consolidated net asset value of Rafflesia is negative, the Investor Shareholder's Loans are to be assigned at the face amount after deduction of the absolute value of the corresponding portion of the consolidated net asset value of Rafflesia (in case of any shortfall after the deduction), the Investor is required to settle the shortfall. The Investor Shares are to be issued at nominal value of US$1.

Management considered the fair value of the Investor Shares is positively correlated to the consolidated net asset value of Rafflesia which is minimal as at December 31, 2015, therefore the fair value of the Investor Shares is nil (2014: Nil).

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28. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

a. Statement of Financial Position of the Company

HK$ million	Note	2015	2014
ASSETS AND LIABILITIES			
Non-current asset			
Investment in a subsidiary		**2,870**	2,870
Current assets			
Prepayments		**1**	1
Amounts due from subsidiaries		**7,071**	7,069
Cash and cash equivalents		—	1
		7,072	7,071
Current liabilities			
Accruals and other payables		**3**	2
Amount due to a subsidiary		**4,697**	4,693
		4,700	4,695
Net current assets		**2,372**	2,376
Total assets less current liabilities		**5,242**	5,246
Net assets		**5,242**	5,246
CAPITAL AND RESERVES			
Share capital		**201**	201
Reserves	28 (b)	**5,041**	5,045
		5,242	5,246

Lee Chi Hong, Robert
Director

James Chan
Director

28. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – CONTINUED

b. Reserves of the Company

			2015		
HK$ million	**Share premium**	**Capital redemption reserve**	**Convertible notes reserve**	**Retained earnings**	**Total**
Balance at January 1, 2015	**2,449**	**1**	**592**	**2,003**	**5,045**
Total comprehensive loss for the year	—	—	—	**(4)**	**(4)**
Balance at December 31, 2015	**2,449**	**1**	**592**	**1,999**	**5,041**

			2014		
HK$ million	Share premium	Capital redemption reserve	Convertible notes reserve	Retained earnings	Total
Balance at January 1, 2014	2,439	1	1,361	1,238	5,039
Total comprehensive loss for the year	—	—	—	(4)	(4)
Redemption of 2014 Convertible Note (note 23(a))	—	—	(769)	769	—
Exercise of share options	10	—	—	—	10
Balance at December 31, 2014	2,449	1	592	2,003	5,045

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29. DEFERRED INCOME TAX

a. The components of deferred income tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

HK$ million	Accelerated tax depreciation	Revaluation of properties	Others	Total
At January 1, 2014	468	553	(6)	1,015
Charged to the consolidated statement of comprehensive income	20	163	6	189
Disposal of subsidiaries (note 12(b))	(480)	(705)	19	(1,166)
Exchange differences	(6)	(6)	—	(12)
At December 31, 2014	2	5	19	26
At January 1, 2015	**2**	**5**	**19**	**26**
Credited to the consolidated statement of comprehensive income	**—**	**—**	**(7)**	**(7)**
At December 31, 2015	**2**	**5**	**12**	**19**

There were no deferred income tax assets netted off against deferred income tax liabilities recognised in the consolidated statement of financial position as at December 31, 2015 (2014: Nil).

b. The deferred income tax liabilities as at December 31, 2015 of HK$19 million (2014: HK$26 million) are expected to be recovered after more than 12 months.

c. The Group has unrecognised estimated tax losses of HK$396 million as at December 31, 2015 (2014: HK$385 million) to be carried forward for deduction against future taxable profits. HK$193 million (2014: HK$178 million) tax losses relating to the subsidiaries operating outside Hong Kong would be expired within one to nine years from December 31, 2015 (2014: one to nine years). The remaining HK$203 million (2014: HK$207 million) tax losses are mainly related to Hong Kong companies which can be carried forward indefinitely.

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS FROM CONTINUING OPERATIONS

Reconciliation of loss before taxation to net cash generated from/(used in) operating activities

HK$ million	**2015**	2014
Loss before taxation	**(268)**	(420)
Adjustments for:		
– interest income	**(12)**	(12)
– finance costs	**—**	83
– depreciation	**16**	16
– provision for impairment of properties held for development	**—**	84
– fair value loss on the derivative financial instrument	**2**	—
– fair value loss/(gain) on the financial assets at fair value through profit or loss	**1**	(2)
– foreign exchange differences	**—**	(1)
Operating loss before changes in working capital	**(261)**	(252)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015 (Amount expressed in Hong Kong dollars unless otherwise stated)

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS FROM CONTINUING OPERATIONS – CONTINUED

Reconciliation of loss before taxation to net cash generated from/(used in) operating activities – Continued

HK$ million	2015	2014
(Increase)/decrease in operating assets:		
– properties under development	(4)	(2)
– properties held for development	(8)	(6)
– other financial assets	(1)	(1)
– non-current prepayments and other receivables	(42)	(39)
– prepayments, deposits and other current assets	(3)	4
– sales proceeds held in stakeholders' accounts	15	13
– restricted cash	926	10
– trade receivables, net	1	2
– amounts due from fellow subsidiaries	—	2
– amount due from a related company	—	8
(Decrease)/increase in operating liabilities:		
– trade payables, accruals, other payables and deferred income	(15)	11
– amounts due to fellow subsidiaries	(1)	(3)
– amount payable to the HKSAR Government under the Cyberport Project Agreement	(200)	1
– other non-current payables	25	5
Cash generated from/(used in) operations	432	(247)
Interest received	12	12
Tax refunded/(paid)		
– in Hong Kong	7	(4)
– outside Hong Kong	(16)	(10)
Net cash generated from/(used in) operating activities	435	(249)

31. COMMITMENTS

a. Capital

An analysis of capital expenditure contracted for at the end of the year but not yet incurred is as follows:

HK$ million	2015	2014
Contracted but not provided for		
Property development projects	**19**	23
Investment properties	**1,254**	1,369
Property, plant and equipment	**7**	39
	1,280	1,431

b. Operating leases

(i) As at December 31, the total future minimum lease payables under non-cancellable operating leases are as follows:

Land and buildings (as lessee)

HK$ million	2015	2014
Within one year	**43**	48
After one year but within five years	**50**	64
After five years	**8**	—
	101	112

The leases typically run for an initial period of three months to ten years (2014: one to six years). One (2014: one) of the leases includes contingent rental with reference to the revenue of the lessee's operation.

One of the lease agreements includes an option that allows the Group to purchase the property at a pre-determined price (subject to annual inflation adjustment) during the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015 (Amount expressed in Hong Kong dollars unless otherwise stated)

31. COMMITMENTS – CONTINUED

b. Operating leases – Continued

(i) As at December 31, the total future minimum lease payables under non-cancellable operating leases are as follows – Continued:

Equipment (as lessee)

HK$ million	2015	2014
Within one year	**1**	1
After one year but within five years	**1**	1
	2	2

The leases typically run for an initial period of three months to six years (2014: three months to five years). None of these leases include contingent rentals (2014: none).

(ii) The Group leases out properties under operating leases. The leases typically run for an initial period of three to ten years (2014: three to ten years). One (2014: One) of the leases includes contingent rentals with reference to the revenue of the lessee's operations.

As at December 31, the total future minimum lease receivables under non-cancellable operating leases are as follows:

Land and buildings (as lessor)

HK$ million	2015	2014
Within one year	**15**	15
After one year but within five years	**13**	29
	28	44

32. GUARANTEES

Save as disclosed elsewhere in the consolidated financial statements, the guarantees provided by the Group are as follows:

On January 21, 2014, the Company and an indirect wholly-owned subsidiary had executed guarantees in favour of the lenders of the USD Facility, in the principal amount of US$200 million granted to the indirect wholly-owned subsidiaries (note 23(d)).

33. BANKING FACILITY

Aggregate banking facilities as at December 31, 2015 were HK$1,550 million (2014: HK$1,552 million) of which the unused facilities amounted to HK$1,550 million (2014: HK$1,552 million). Summary of major borrowings is set out in note 23.

Security pledged for the banking facilities includes:

HK$ million	**2015**	2014
Investment property	**2,084**	1,874
Property, plant and equipment	**2**	—
Other current assets	**143**	182
Cash and cash equivalents	**39**	20
	2,268	2,076

(i) Performance guarantee of approximately HK$161 million in relation to the construction of the Premium Grade A office building in Jakarta, Indonesia was pledged for certain banking facilities as at December 31, 2015 (2014: HK$166 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015 (Amount expressed in Hong Kong dollars unless otherwise stated)

34. MATERIAL RELATED PARTY TRANSACTIONS

The Group is controlled by PCCW which owns 70.80 per cent (2014: 70.80 per cent) of the Company's shares. The remaining 29.20 per cent (2014: 29.20 per cent) of the shares are held by public as at December 31, 2015.

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the following transactions were carried out with related parties:

a. During the year, the Group had the following significant transactions with related companies:

HK$ million	2015	2014
Sales of services:		
– Fellow subsidiaries		
Office leases rental	**4**	14
– Related companies		
Facility management services	**31**	27
Office leases rental	—	1
Other services	**1**	1
Sales of property, plant and equipment:		
– Fellow subsidiary	—	1
Purchases of services:		
– Fellow subsidiaries		
Corporate services	**5**	6
Information technology and other logistic services	**4**	5
Purchases of property, plant and equipment:		
– Fellow subsidiary	**1**	1

The above transactions were carried out after negotiations between the Group and the related parties in the ordinary course of business.

34. MATERIAL RELATED PARTY TRANSACTIONS – CONTINUED

b. Details of key management compensation

HK$ million	2015	2014
Salaries and other short-term employee benefits	**16**	30
Bonuses	**9**	15
Directors' fee	**1**	1
Retirement scheme contribution	**2**	3
	28	49

c. Year-end balances arising from sales/purchases of services

HK$ million	2015	2014
Receivables from related parties:		
– Fellow subsidiaries	**1**	1
– Related company	**3**	3
	4	4
Payables to related parties:		
– Fellow subsidiaries	**1**	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015 (Amount expressed in Hong Kong dollars unless otherwise stated)

34. MATERIAL RELATED PARTY TRANSACTIONS – CONTINUED

d. Loan from a fellow subsidiary

The loan from a fellow subsidiary represented the face value of the 2014 Convertible Note with principal value of HK$2,420 million which was redeemed on May 9, 2014 upon its maturity (note 23(a)). The movements of the face value of the loan from a fellow subsidiary during the year are as follows:

HK$ million	**2015**	2014
At January 1,	—	2,887
Interest expenses	—	8
Interest paid	—	(8)
Provision for redemption premium	—	17
Redemption of 2014 Convertible Note	—	(2,904)
At December 31,	—	—

35. FINANCIAL RISK MANAGEMENT

The Group's investment policy is to prudently invest all surplus funds managed by the Group in a manner which will satisfy liquidity requirements, safeguard financial assets and manage risks while optimising return on investments.

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and fair value interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's performance.

Financial risk management is carried out by a central treasury department ("Group Treasury") under policies approved by the Board. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's business units. The Board provides principal policies for overall financial risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investing excess liquidity.

35. FINANCIAL RISK MANAGEMENT – CONTINUED

a. Foreign exchange risk

At the reporting date, the Group's exposure to foreign currency risk arising from significant recognised financial assets is as follows:

HK$ million	**2015** US dollar	**2015** Japanese yen	2014 US dollar	2014 Japanese yen
Cash and cash equivalents	**994**	**—**	2,170	1

The Group operates in the Asia-Pacific region and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The risk management policy is to have the liquid assets mainly denominated in Hong Kong dollar and US dollar. As US dollar is pegged to Hong Kong dollar, the Group does not expect any significant movements in the US dollar/Hong Kong dollar exchange rate. The Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. In addition, the Group uses derivative financial instruments to hedge the risk exposure.

The Group has certain investments in foreign operations, where the net assets are exposed to foreign currency translation risk. The Group's currency exposures with respect to these operations are mainly from Thai baht, Japanese yen and Indonesian rupiah. In current year, the Group entered into an Indonesian rupiah/US dollar currency option for a notion amount of US$200 million to manage the risk of foreign currency exposure arising from the Group's net investment in foreign operation in Indonesia (note 20).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015 (Amount expressed in Hong Kong dollars unless otherwise stated)

35. FINANCIAL RISK MANAGEMENT – CONTINUED

a. Foreign exchange risk – Continued

Sensitivity analysis for foreign currency exposure

The table below summaries the impact on profit after tax and equity if Hong Kong dollar had appreciated by, one (1) per cent against US dollar or five (5) per cent against other currencies including Thai baht, Japanese yen and Indonesian rupiah at December 31, 2015. This represents the translation of financial assets and liabilities at the end of the reporting period. It assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2014.

HK$ million	**2015** Decrease in profit after tax	**2015** Decrease in other comprehensive income for currency translation	2014 Decrease in profit after tax	2014 Decrease in other comprehensive income for currency translation
US dollar	**(10)**	**—**	(22)	—
Thai baht	**—**	**(26)**	—	(32)
Japanese yen	**—**	**(25)**	—	(24)
Indonesian rupiah	**—**	**(97)**	—	(78)

b. Credit risk

The Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay outstanding amounts in full when due. For the property investment and other business segments, the Group obtained rental deposits from the tenants while for other businesses, certain customers are fellow subsidiaries and related parties which the credit risk is relatively low and other individual customers are with good repayment history.

Transaction involving derivative financial instrument is with counterparty of sound credit standing and with whom the Group has a signed netting agreement. Given their high credit standing, management does not expect any investment counterparty to fail in meeting its obligation.

As at December 31, 2015, the Group has a certain concentration of credit risk as 70 per cent (2014: 70 per cent) of the total trade receivables was due from three customers.

35. FINANCIAL RISK MANAGEMENT – CONTINUED

b. Credit risk – Continued

The credit quality of cash and cash equivalents, short-term deposits and restricted cash balances can be assessed by reference to Moody's ratings (if available) as follows:

Cash and cash equivalents

HK$ million	**2015**	2014
Aa1	—	982
Aa2	**65**	22
Aa3	**54**	25
A1	**784**	259
A2	**426**	946
A3	**441**	194
Baa1	**8**	4
Unrated	**37**	34
	1,815	2,466

Short-term deposits

HK$ million	**2015**	2014
Baa1	**1**	—

Restricted cash

HK$ million	**2015**	2014
Aa2	**96**	1,022

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015 (Amount expressed in Hong Kong dollars unless otherwise stated)

35. FINANCIAL RISK MANAGEMENT – CONTINUED

c. Liquidity risk

Due to the dynamic nature of the Group's underlying businesses, prudent liquidity risk management implies maintaining sufficient cash and cash equivalents to meet operational needs and possible investment opportunities.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

HK$ million	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	More than 5 years	Total contractual undiscounted cash flow	Carrying Amount
At December 31, 2015						
Trade payables	**14**	**—**	**—**	**—**	**14**	**14**
Accruals and other payables	**423**	**—**	**—**	**—**	**423**	**423**
Amounts due to fellow subsidiaries	**1**	**—**	**—**	**—**	**1**	**1**
Amount payable to the HKSAR Government under the Cyberport Project Agreement	**322**	**—**	**—**	**—**	**322**	**322**
Other non-current payables	**—**	**13**	**20**	**178**	**211**	**189**
At December 31, 2014						
Trade payables	17	—	—	—	17	17
Accruals and other payables	547	—	—	—	547	547
Amounts due to fellow subsidiaries	2	—	—	—	2	2
Amount payable to the HKSAR Government under the Cyberport Project Agreement	522	—	—	—	522	522
Other non-current payables	—	4	178	—	182	161

35. FINANCIAL RISK MANAGEMENT – CONTINUED

d. Interest rate risks

Apart from the cash and cash equivalents which are for working capital, the Group has no significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group has an undrawn loan facility of US$200 million (note 23(d)) as at December 31, 2015.

36. CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as the loan from a fellow subsidiary and bank loan less cash and cash equivalents. Adjusted capital comprises the issued equity and retained earnings. The debt-to-adjusted capital ratio is not applicable at both December 31, 2015 and December 31, 2014 after all the borrowings are redeemed or repaid in 2014 (note 23).

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements, except for the financial covenant requirements under the loan facilities agreements with external parties (note 23).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015 (Amount expressed in Hong Kong dollars unless otherwise stated)

37. FAIR VALUE ESTIMATION

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices that are observable either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for asset or liability that are not based on observable market data (level 3).

The following tables analyse the Group's financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value treatment is categorised. See note 15 for disclosure of the investment properties that are measured at fair value.

	2015			
HK$ million	**Level 1**	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements				
Assets				
Derivative financial instrument	**—**	**60**	**—**	**60**
Other financial assets	**6**	**—**	**—**	**6**
	6	**60**	**—**	**66**

	2014			
HK$ million	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Assets				
Other financial assets	6	—	—	6

During the years ended December 31, 2015 and December 31, 2014, there were no transfers of financial instruments between different levels. There were no changes in valuation techniques during the year.

37. FAIR VALUE ESTIMATION – CONTINUED

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily listed equity investments classified as other financial assets.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Instrument included in level 2 comprises option classified as derivative financial instrument.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

– Quoted market prices or dealer quotes for similar instruments;
– Dealer quoted price, taking into account of the spot and forward exchange rates that are quoted in an active market and the observable yield curves and the implied volatility; and
– Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

FIVE-YEAR FINANCIAL SUMMARY

(Expressed in Hong Kong dollars)

Results

HK$ million	2015	2014	2013	2012	2011
Revenue by Principal Activities					
Property development	—	—	283	791	1,710
Property investment	2	151	237	240	262
All-season recreational activities	78	77	72	78	84
Other businesses	85	87	82	75	70
	165	315	674	1,184	2,126
Operating (loss)/profit	(280)	381	490	399	328
Gain on disposal of subsidiaries, net of tax	—	1,390	—	—	—
Finance income/(costs), net	12	(65)	(197)	(167)	(135)
(Loss)/profit before taxation	(268)	1,706	293	232	193
Income tax	187	(215)	(216)	(165)	(131)
(Loss)/profit attributable to equity holders of the Company	(81)	1,491	77	67	62

Assets and Liabilities, as at December 31,

HK$ million	2015	2014	2013	2012	2011
Total non-current assets	3,375	3,129	9,773	7,317	6,897
Total current assets	2,890	4,368	2,564	3,208	4,789
Total current liabilities	(777)	(1,748)	(3,906)	(1,377)	(1,345)
Net current assets/(liabilities)	2,113	2,620	(1,342)	1,831	3,444
Total assets less current liabilities	5,488	5,749	8,431	9,148	10,341
Total non-current liabilities	(233)	(187)	(2,932)	(3,454)	(3,174)
Net assets	5,255	5,562	5,499	5,694	7,167

SCHEDULE OF PRINCIPAL PROPERTIES

	Address	Intended use	Stage of completion	Expected date of completion	Gross site area (sq.m.)	Gross floor area (sq.m.)
1	Major properties under development					
	Japan					
	328-1 Aza Iwaobetsu, Kutchan-cho, Abuta-gun, Hokkaido, Japan	Commercial and residential	Design phase	N/A	772,391	593,738

	Address	Gross site area (sq.m.)	Category of the lease*
2	Major properties held for development		
	Thailand		
	Moo 3 & 9, Thai Muang Subdistrict, Thai Muang District Phang-nga, 82120 Thailand	1,700,465	Long

	Address	Intended use	Stage of completion	Expected date of completion	Gross site area (sq.m.)	Approximate gross floor area (sq.m.)	Percentage held by the Group
3	Major properties held for investment						
	Indonesia						
	Jenderal Sudirman Kav. No. 52-53 Lot 10 Senayan, Kebayoran Baru South Jakarta, Indonesia	Commercial	Superstructure	2017	9,277	90,500	100%

* Lease term:
Long term: Lease not less than 50 years

INVESTOR RELATIONS

LISTING

The Company's ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited and the stock code is 00432.

Any enquiries regarding the Company should be addressed to Investor Relations at the address provided on this page.

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Lee Chi Hong, Robert *(Deputy Chairman and Chief Executive Officer)*
James Chan

Independent Non-Executive Directors

Prof Wong Yue Chim, Richard, SBS, JP
Dr Allan Zeman, GBM, GBS, JP
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