KERRY PROPERTIES LIMITED
嘉里建設有限公司

ANNUAL REPORT 2016

Stock Code : 683
(Incorporated in Bermuda with limited liability)

ANNUAL REPORT 2016

Kerry Properties Limited (“KPL”) is a world-class property company with significant investments in Asia. The Company is known for its property development activities in the People's Republic of China (the “**PRC**”) and Hong Kong. In both markets, KPL focuses on investing in premium quality property developments in prime locations. The Company has developed a successful business model for doing this over many years and has considerable experience as a developer and manager of quality properties. We act on principles of fairness and integrity, and we value the many relationships we have developed over our long history with staff, suppliers, partners, government agencies, and other key stakeholders.

CORPORATE INFORMATION & KEY DATES

BOARD OF DIRECTORS

Executive Directors

Mr Wong Siu Kong, *Chairman & Chief Executive Officer*
Mr Ho Shut Kan, *President*
Mr Bryan Pallop Gaw

Non-executive Director

Mr Kuok Khoon Hua

Independent Non-executive Directors

Mr Ku Moon Lun
Ms Wong Yu Pok, Marina, JP
Mr Chang Tso Tung, Stephen

AUDIT AND CORPORATE GOVERNANCE COMMITTEE

Ms Wong Yu Pok, Marina, JP, *Chairman*
Mr Ku Moon Lun
Mr Chang Tso Tung, Stephen

REMUNERATION COMMITTEE

Ms Wong Yu Pok, Marina, JP, *Chairman*
Mr Wong Siu Kong
Mr Ku Moon Lun
Mr Chang Tso Tung, Stephen

NOMINATION COMMITTEE

Mr Wong Siu Kong, *Chairman*
Mr Ku Moon Lun
Ms Wong Yu Pok, Marina, JP
Mr Chang Tso Tung, Stephen

FINANCE COMMITTEE

Mr Wong Siu Kong
Mr Ho Shut Kan

EXECUTIVE COMMITTEE

Mr Wong Siu Kong
Mr Ho Shut Kan
Mr Bryan Pallop Gaw

COMPANY SECRETARY

Ms Li Siu Ching, Liz

AUDITOR

PricewaterhouseCoopers

REGISTERED OFFICE

Canon's Court, 22 Victoria Street
Hamilton HM12, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

25/F, Kerry Centre, 683 King's Road
Quarry Bay, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building, 69 Pitts Bay Road
Pembroke HM08, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited
Level 22, Hopewell Centre, 183 Queen's Road East
Hong Kong

CORPORATE COMMUNICATION DEPARTMENT

Kerry Properties Limited
25/F, Kerry Centre, 683 King's Road
Quarry Bay, Hong Kong
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INVESTOR RELATIONS DEPARTMENT

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WEBSITE

www.kerryprops.com

STOCK CODES

Stock Exchange of Hong Kong: 683
Bloomberg: 683 HK
Reuters: 683.HK

KEY DATES

Annual General Meeting

12 May 2017

Closure of Registers of Members

11, 12 and 18 May 2017

Proposed Payment of Final Dividend

26 May 2017

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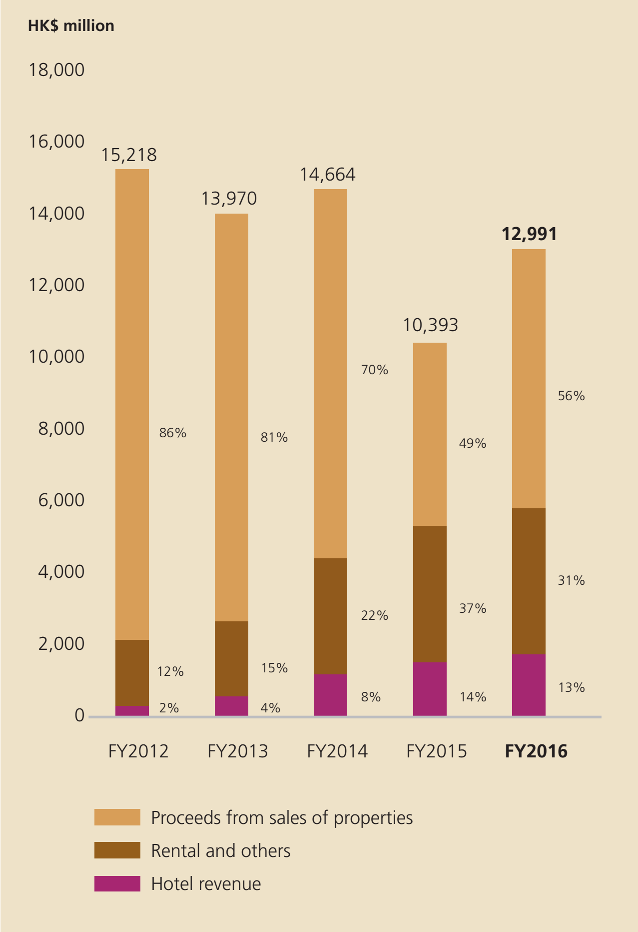
FINANCIAL HIGHLIGHTS

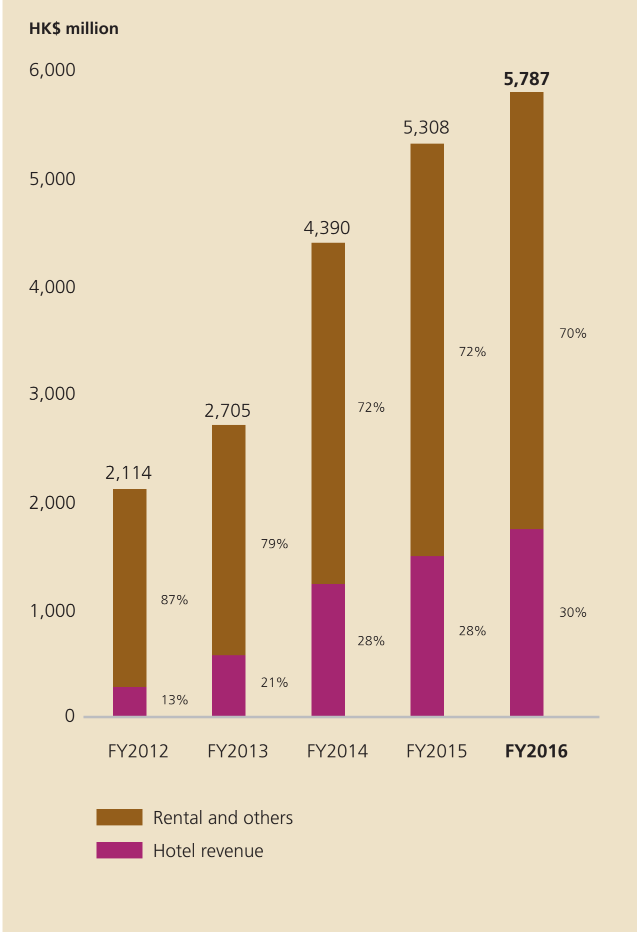
Two-year Overview		FY 2016	FY 2015	% Change
Turnover	(HK$M)	**12,991**	10,393	+25%
Gross profit	(HK$M)	**5,856**	3,911	+50%
Gross profit margin	(%)	**45.1**	37.6	
Operating profit	(HK$M)	**8,529**	5,243	+63%
Operating profit margin	(%)	**65.7**	50.4	
Profit attributable to shareholders	(HK$M)			
– before fair value change of properties		**3,671**	3,481	+5%
– after fair value change of properties		**6,537**	5,530	+18%
Net profit margin	(%)			
– before fair value change of properties		**28.3**	33.5	
– after fair value change of properties		**50.3**	53.2	
Earnings per share	(HK$)			
– before fair value change of properties		**2.54**	2.41	+5%
– after fair value change of properties		**4.53**	3.83	+18%
Shareholders' equity	(HK$M)	**82,744**	81,353	+2%
Net borrowings	(HK$M)	**28,852**	26,181	+10%
Net asset value per share	(HK$)	**57.34**	56.27	+2%
Share price as at 31 December	(HK$)	**21.05**	21.15	
Price earnings ratio#	(times)			
– before fair value change of properties		**8.3**	8.8	
– after fair value change of properties		**4.6**	5.5	
Market capitalization as at 31 December#	(HK$M)	**30,378**	30,580	
Dividend per share	(HK$)	**1.1**	0.9	+22%
Dividend payout ratio	(%)			
– before fair value change of properties		**43.3**	37.3	
– after fair value change of properties		**24.3**	23.5	
Dividend cover	(times)			
– before fair value change of properties		**2.3**	2.7	
– after fair value change of properties		**4.1**	4.3	
Dividend yield#	(%)	**5.2**	4.3	
Return on shareholders' equity	(%)			
– before fair value change of properties		**4.4**	4.3	
– after fair value change of properties		**7.9**	6.8	
Gearing	(%)	**34.9**	32.2	
Interest cover	(times)			
– before fair value change of properties		**8.7**	6.1	
– after fair value change of properties		**13.4**	8.5	
Current ratio	(times)	**1.9**	2.0	
Liquidity ratio	(times)	**0.6**	0.5	
Discount to net asset value#	(%)	**(63.3)**	(62.4)	

Based on share prices as at 31 December 2016 and 31 December 2015, respectively.

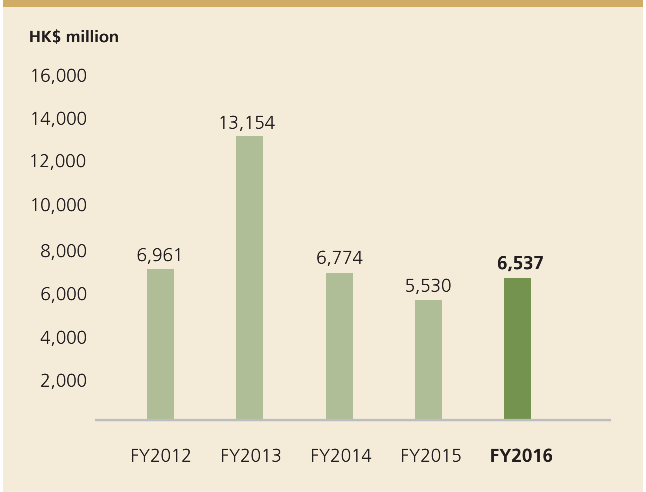
Breakdown of Total Turnover
(excluding discontinued operations)



Breakdown of Recurrent Income
(excluding discontinued operations)

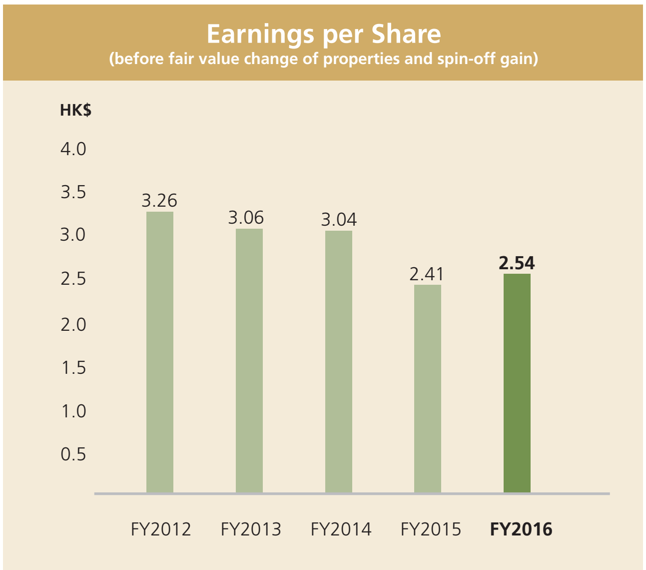


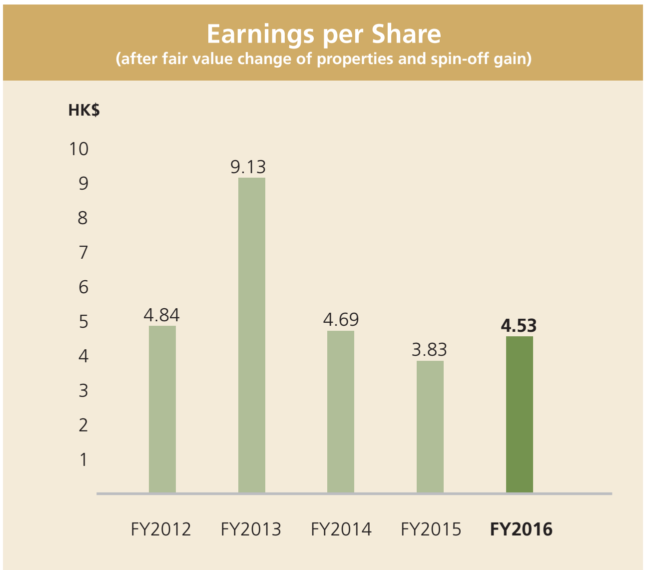
Profit Attributable to Shareholders

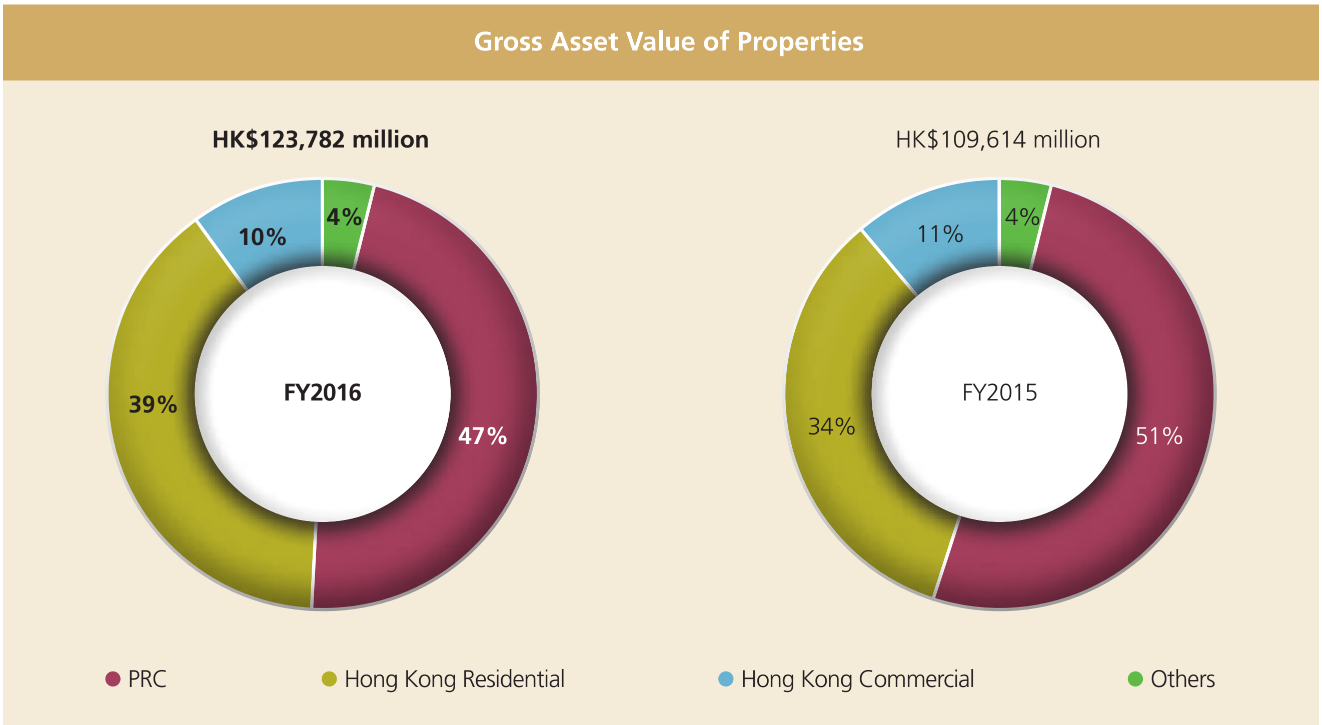


	Total Turnover (excluding discontinued operations) HK$ million	Recurrent Income (excluding discontinued operations) HK$ million	% Weighting	Net Profit before fair value change of properties and spin-off gain HK$ million	Net Profit after fair value change of properties and spin-off gain HK$ million
FY 2012	15,218	2,114	14%	4,696	6,961
FY 2013	13,970	2,705	19%	4,413	13,154
FY 2014	14,664	4,390	30%	4,384	6,774
FY2015	10,393	5,308	51%	3,481	5,530
FY2016	**12,991**	**5,787**	**44%**	**3,671**	**6,537**

FINANCIAL HIGHLIGHTS







CHAIRMAN'S STATEMENT

Mr Wong Siu Kong
Chairman and Chief Executive Officer

Dear Shareholders,

On behalf of the Board, I am delighted to report the annual results of the Group for the year ended 31 December 2016. The Group's consolidated net profit attributable to shareholders for the year ended 31 December 2016, before taking into account the effects of the increase in fair value of investment properties, was HK$3,671 million, representing an increase of 5% compared with HK$3,481 million reported for 2015. Profit attributable to shareholders for the year, after taking into account the effects of the increase in fair value of investment properties, was HK$6,537 million (2015: HK$5,530 million). Earnings per share for the year were HK$4.53, up 18% compared with HK$3.83 per share as recorded in 2015.

The Board has recommended the payment of a final dividend of HK$0.8 per share for the year. Together with the interim dividend of HK$0.3 per share, the total cash dividend for the year will be HK$1.1 per share (2015: HK$0.9 per share).

Meeting Challenges to Deliver Growth

The Group achieved significant growth in 2016, recording the highest property sales in its history. Our portfolio of investment properties also generated its highest rental income to date. This set of outstanding results is attributable to our relentless efforts in building up our prime property portfolio, with a balanced strategy in sales and leasing. We believe this strategy will position the Group well for sustained growth.

A subdued global recovery, slowing trade, and ongoing realignments in the Mainland have continued to weigh on the world economy. As a result, the general economic climate will be weaker than expected last year. Despite these headwinds for development, the Group will proactively face the challenges and seize every opportunity to capitalize on our development and rental properties.

Property Market Demand Remains Resilient

China's ongoing economic growth is projected to follow a "L-shaped" path, as the country is headed for a slow recovery after experiencing a period of contraction. Progress has been made in the country's economic development and its structural reform.

The growth momentum in the Mainland's domestic market remains strong, supported by various energizing alternatives. The real estate sector, as one of the economic pillars and growth engines of the Chinese economy, is still showing solid fundamentals. However, the property market has shown signs of easing after restrictive measures on property purchases were reimposed in October 2016.

Hong Kong also introduced a new round of restrictive measures in November 2016 to address the overheated residential property market, including the raising of the stamp duties. The measures have had a mild cooling effect on property purchases, while the market continues to be driven by solid demand. Overall, the housing market remains undersupplied.

Parallel Development and Stable Progress

The Group will continue with active property sales in the coming year. In Hong Kong, the sales of Mantin Heights and The Bloomsway are underway. Sales momentum in the Mainland also remains robust with the continuing launches in Nanjing, Nanchang, Shenyang and Hangzhou. We expect to achieve solid sale performances in these two markets.

Investment properties also continue to be a steadily growing recurrent income stream. The Group will strive to enhance its asset management so as to add further value to the portfolio.

The coming year will witness the full commissioning of Hangzhou Kerry Centre. Our management team will exert its best efforts to improve the project's tenant mix and to enhance its overall management, aiming to generate a higher rental income from this property.

Pursuing Sound Investment Opportunities

We will continue to explore opportunities to acquire land with a focus on first-tier cities. The Group has acquired two sites in Qianhai, Shenzhen, over the last two years. We would expect a very desirable synergistic effect from their joint development. The projects are advantageously situated in a core seafront location in the Qianhai Special Zone, where we plan to build an innovative mixed-use development incorporating our premier green concepts.

The low-density premium residential project at Beacon Hill will be the highlight of our developments in Hong Kong. The Group acquired an additional site adjacent to our existing Beacon Hill residential project last year. The two adjoining lots are situated in an exclusive locale, where the Group aims to build prestigious residences that deliver ultimate living quality.

An Elite Team to Ensure Continuing Success

The Group's training programme is constantly enhancing the management skill of staff. Following the completion of our major projects, we will maintain an elite team who will continue to ensure improvements in work flow and cost efficiency in the prevailing challenging market conditions.

The Group spares no effort in creating a fulfilling workplace that brings out our staff members' potential, their sense of belonging and high morale. We also encourage our staff to learn, to improve and to innovate.

Creating a Sustainable Future

The Group integrates considerations for the society's sustainable development into all its business decisions. By doing so, we share our responsibility for future generations. Beijing Kerry Centre's LEED (Existing Buildings: Operations & Maintenance) Platinum Certification by the U.S. Green Building Council is a prime example of our green commitments. Building on nearly two decades of the property's presence in the community, the Group is delighted to see the complex become the world's oldest LEED EBOM-certified mixed-use development. To meet the certification requirements, the professional judging panel identified key differentiators including water efficiency, energy and environmental management; use of materials and resources; quality of indoor environment; and innovation in operation to enhance the development's overall performance in sustainability and operational efficiency. We are proud of receiving this esteemed recognition, which reflects our continued efforts in implementing sustainable practices throughout our real estate portfolio.

As part of our commitment to green building and sustainable designs, we look forward to driving the adoption of appropriate environmental standards in ongoing project developments. We pledge to contribute to a sustainable society by embracing sustainable business practices.

The Group will continue to operate with a set of core values that emphasizes ethical governance, pursuit of excellence, and efficient management. With a proven strategy for risk management, we are well positioned to develop and to face all future challenges.

Finally, on behalf of the Board, I would like to express my appreciation to the management team and all staff members for their diligent and passionate work, as well as to all business partners for their steadfast support. In collaboration with them, the Group is able to continually explore new business opportunities and score excellent results.

Sincerely,

Wong Siu Kong
Chairman and Chief Executive Officer
Hong Kong, 17 March 2017

OVERALL RESULTS

The Group's profit attributable to shareholders for the year ended 31 December 2016 was HK$6,537 million, representing an increase of 18% compared with HK$5,530 million reported for 2015.

The Group measured its investment property portfolio on a fair value basis and recorded an increase in fair value of investment properties (net of deferred taxation) attributable to shareholders of HK$2,866 million for the year ended 31 December 2016 (2015: HK$2,049 million). Profit attributable to shareholders for the year ended 31 December 2016 before taking into account the effect of the aforementioned increase in fair value was HK$3,671 million (2015: HK$3,481 million).

Earnings per share for the year ended 31 December 2016 were HK$4.53, representing an increase of 18% compared with HK$3.83 per share in 2015.

The Board has recommended the payment of a final dividend of HK$0.8 per share for the year ended 31 December 2016 (the "**Final Dividend**"). Together with the interim dividend of HK$0.3 per share, the total cash dividend for the year ended 31 December 2016 will be HK$1.1 per share (2015: HK$0.9 per share).

● Kerry Centre, Quarry Bay, Hong Kong

● Mid-Levels Portfolio, Mid-Levels, Hong Kong

● Shenzhen Kerry Plaza, Shenzhen, PRC

● Jing An Kerry Centre, Shanghai, PRC

● Kerry Parkside, Shanghai, PRC

● Beijing Kerry Centre, Beijing, PRC

● Digital Art Installation at Jing An Kerry Centre, Shanghai, PRC

● Show Flat of Residential Project, Hong Kong

● Hangzhou Kerry Centre, Hangzhou, PRC

● Event at MegaBox, Kowloon Bay, Hong Kong

The effect on the Group's profit attributable to shareholders due to the net increase in fair value of the Group's investment properties and related tax effects is as follows:

	Year ended 31 December		
	2016 HK$ million	2015 HK$ million	Change
Profit attributable to shareholders before taking into account the net increase in fair value of investment properties and related tax effects	**3,671**	3,481	5%
Add: Net increase in fair value of investment properties and related tax effects	**2,866**	2,049	
Profit attributable to shareholders after taking into account the net increase in fair value of investment properties and related tax effects	**6,537**	5,530	18%

Jing An Kerry Centre, Shanghai, PRC

REVIEW OF PROPERTY BUSINESS

REVIEW OF PROPERTY BUSINESS

PRESENCE IN THE PRC AND HONG KONG

OVERVIEW

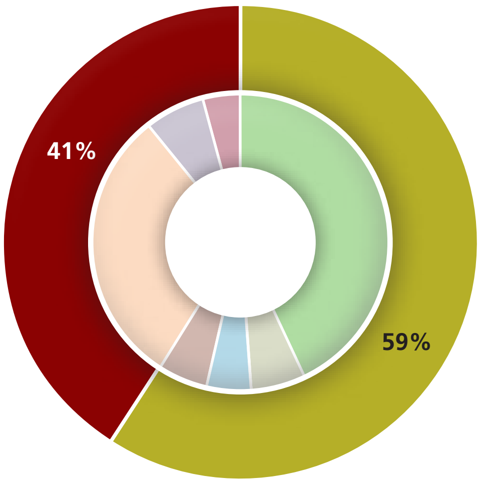
The Group recorded an increase in turnover from the sales of completed properties during the year ended 31 December 2016. Rental income generated on the investment asset base also grew steadily in line with management expectations.

As at 31 December 2016, the Group maintained a property portfolio comprising properties under development with a gross floor area ("**GFA**") of 26.16 million square feet (2015: 36.42 million square feet), completed investment properties of 12.17 million square feet (2015: 11.26 million square feet), hotel properties of 3.77 million square feet (2015: 3.39 million square feet) and properties held for sale of 2.44 million square feet (2015: 3.36 million square feet).

Property Portfolio Composition

44.54 million square feet in attributable GFA

- By Type



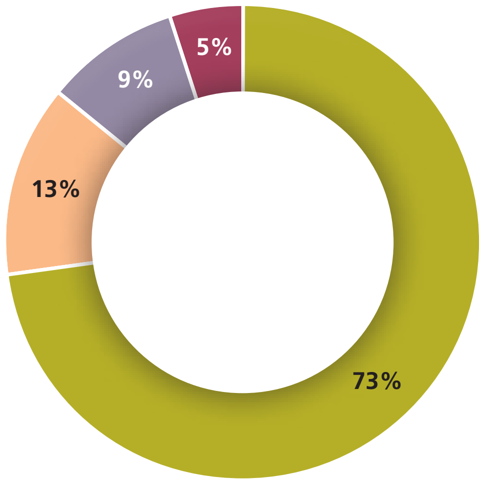
Under development
26.16 million square feet in attributable GFA 59%

PRC	73%
Hong Kong	10%
Overseas	8%
Macau	9%

Completed investment properties/ Hotel properties/ Properties held for sale
18.38 million square feet in attributable GFA 41%

PRC	74%
Hong Kong	16%
Overseas	10%

- By Location



PRC	73%
Hong Kong	13%
Overseas	9%
Macau	5%

Property Portfolio Composition

As at 31 December 2016:	Group's attributable GFA ('000 square feet)				
	The PRC	Hong Kong	Macau(1)	Overseas	Total
Completed Investment Properties	7,525	2,782	–	1,865	12,172
Hotel Properties	3,731	38	–	–	3,769
Properties Under Development	19,038	2,715	2,385	2,022	26,160
Properties Held for Sale	2,383	48	–	13	2,444
Total GFA	**32,677**	**5,583**	**2,385**	**3,900**	**44,545**

Note:

(1) The property portfolio in Macau includes the developable GFA of a site that was surrendered to the Macau SAR Government in September 2009. According to the Macau SAR Government Notice gazetted on 14 October 2009, a piece of land will be granted in exchange for this, with size and location to be identified and agreed upon.

PRC PROPERTY DIVISION

During the year ended 31 December 2016, the PRC Property Division delivered a turnover of HK$11,384 million (2015: HK$7,762 million), representing an increase of 47%. This growth mainly reflected a 98% increase in sales revenue from completed properties and a 3% growth in rental revenue. Gross profit also rose 85% to HK$4,867 million (2015: HK$2,628 million).

Contracted sales of residential properties in the PRC showed strong growth during the year. Performance of the office rental properties remained robust, while the retail portfolio was able to deliver steady results against prevailing market challenges.

INVESTMENT PROPERTIES

The PRC portfolio of completed investment properties generated a turnover, comprising rental and other fees, of HK$2,995 million (2015: HK$2,897 million) during the year. Gross profit increased 5% year on year to HK$2,381 million (2015: HK$2,272 million).

As at 31 December 2016, the Group maintained a completed investment property portfolio comprising apartment, commercial and office properties in the PRC with an aggregate GFA of 7.53 million square feet (2015: 6.72 million square feet). Their respective composition and occupancy rates were as follows:

As at 31 December 2016:	**Group's attributable GFA ('000 square feet)**							
	Beijing	**Shanghai**	**Shenzhen**	**Tianjin**	**Hangzhou**	**Fuzhou**	**Total**	**Occupancy Rate**
Office	**711**	**1,453**	**1,552**	**–**	**100**	**–**	**3,816**	**97%**
Commercial	**98**	**1,096**	**212**	**428**	**812**	**12**	**2,658**	**93%**
Apartment	**277**	**774**	**–**	**–**	**–**	**–**	**1,051**	**89%**
	1,086	**3,323**	**1,764**	**428**	**912**	**12**	**7,525**	

As at 31 December 2015:	Group's attributable GFA ('000 square feet)							
	Beijing	Shanghai	Shenzhen	Tianjin	Hangzhou	Fuzhou	Total	Occupancy Rate
Office	711	1,503	1,552	–	–	–	3,766	98%
Commercial	98	1,099	212	428	–	64	1,901	98%
Apartment	277	774	–	–	–	–	1,051	87%
	1,086	**3,376**	**1,764**	**428**	**–**	**64**	**6,718**	

PRC Properties

32.68 million square feet in attributable GFA

Under development

19.04 million square feet in attributable GFA 58%

By usage

Residential	63%
Hotel	6%
Apartment	1%
Commercial	12%
Office	18%

By location

Tianjin	5%	Ningbo	2%
Chengdu	6%	Zhengzhou	6%
Hangzhou	15%	Putian	1%
Shenyang	30%	Jinan	3%
Qinhuangdao	9%	Kunming	3%
Nanjing	5%	Shenzhen	13%
Nanchang	2%		

Completed investment properties/ Hotel properties/ Properties held for sale

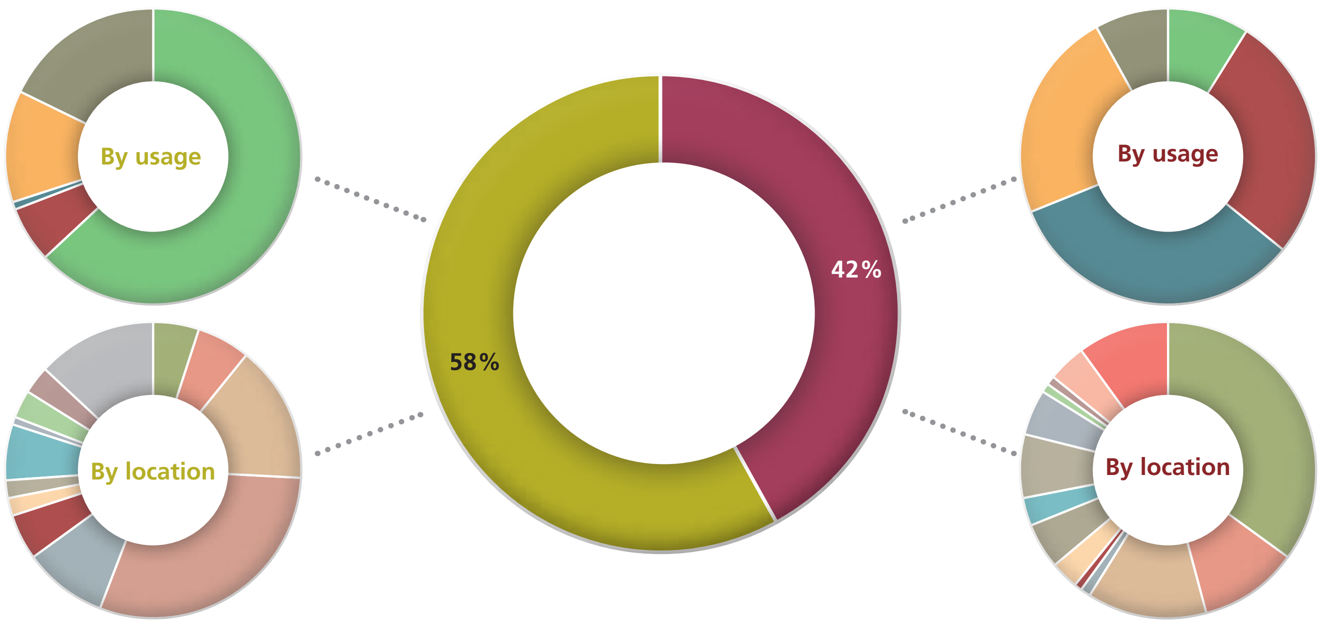
13.64 million square feet in attributable GFA 42%

By usage

Residential	9%
Hotel	27%
Office	33%
Commercial	23%
Apartment	8%

By location

Shanghai	35%	Nanjing	3%
Beijing	11%	Tianjin	7%
Shenzhen	13%	Changsha	5%
Chengdu	1%	Nanchang	1%
Manzhouli	1%	Putian	1%
Tangshan	3%	Qinhuangdao	4%
Shenyang	5%	Hangzhou	10%



Comparative occupancy rates of key investment properties are outlined below:

Property	Occupancy rate as at 31 December 2016	Occupancy rate as at 31 December 2015
Jing An Kerry Centre Phase I	**97%**	96%
Jing An Kerry Centre Phase II[(1)]	**98%**	96%
Kerry Parkside[(1)]	**94%**	97%
Beijing Kerry Centre[(1)]	**98%**	96%
Shenzhen Kerry Plaza Phase I	**91%**	97%
Shenzhen Kerry Plaza Phase II	**100%**	100%

Note:

(1) Excluding hotel.

Hangzhou Kerry Centre, Hangzhou, PRC

MAJOR MIXED-USE DEVELOPMENTS IN PRC

Jing An Kerry Centre, Shanghai

A landmark mixed-use development, Jing An Kerry Centre, is located in the heart of Shanghai's Nanjing Road business district. The Group holds 74.25% and 51% interests in its Phases I and II respectively. With a GFA of 3.74 million square feet, Jing An Kerry Centre integrates hotel, retail, office and residential space overlooking a beautifully landscaped piazza. While the luxurious Shangri-La Hotel is a key feature, the development is also the pre-eminent shopping venue and most exclusive office address in Shanghai. As at 31 December 2016, 99% of the office (2015: 97%) and 96% of the retail space (2015: 95%) were leased. Jing An Shangri-La Hotel achieved an average occupancy rate of 79% during the year (2015: 74%).

GFA **3.74** million square feet | Occupancy Rate **98** %*

Kerry Parkside, Shanghai

Kerry Parkside, located in the Pudong District of Shanghai, is a 40.8%-held mixed-use property comprising a hotel, offices, serviced apartments, a retail mall and related ancillary facilities. As at 31 December 2016, the retail space and offices were 95% and 100% leased respectively (2015: 99% and 100%, respectively). The occupancy rate of the serviced apartments was 78% (2015: 86%). Kerry Hotel Pudong, Shanghai reported an average occupancy rate of 73% (2015: 71%) during the year.

GFA **2.73** million square feet | Occupancy Rate **94** %*

Beijing Kerry Centre

Beijing Kerry Centre, located in the heart of the capital city, combines high-quality office space, a world-class shopping mall, and Kerry Hotel Beijing together with serviced apartments. The Group holds a 71.25% interest in this mixed-use development. As at 31 December 2016, the occupancy rate of the retail portion was 98% (2015: 100%), while the offices were 98% leased (2015: 98%). The serviced apartments were 97% leased as at 31 December 2016 (2015: 91%). Kerry Hotel Beijing delivered an average occupancy rate of 83% (2015: 78%) during the year.

GFA **2.23** million square feet | Occupancy Rate **98** %*

Shenzhen Kerry Plaza

Shenzhen Kerry Plaza, wholly owned by the Group, comprises three Grade-A office towers with a GFA of approximately 1.65 million square feet. Located at the core of the Futian CBD, it is conveniently connected with Futian railway station on the Guangzhou-Shenzhen-Hong Kong Express Rail Link now under construction. As at 31 December 2016, Phases I and II of the development were 91% and 100% leased respectively (2015: 97% and 100%, respectively).

GFA **1.65** million square feet | Occupancy Rate **96** %*

Tianjin Kerry Centre

Tianjin Kerry Centre is located on the east bank of the Haihe CBD in Hedong District, Tianjin, where it enjoys convenient access to a major transportation network. Phase I of this 49%-owned mixed-use project includes a hotel, upscale residences and a shopping mall. The completed Phase I development delivered a GFA of approximately 3.6 million square feet. As at 31 December 2016, the Riverview Place mall was 87% leased (2015: 87%). Shangri-La Hotel, Tianjin reported an average occupancy rate of 65% (2015: 56%) during the year.

GFA **3.6** million square feet | Occupancy Rate **87** %*

Hangzhou Kerry Centre

Hangzhou Kerry Centre is located at the intersection of Yan'an Road and Qingchun Road, adjacent to the Xihu (West Lake). This 2.2 million square-foot mixed-use property comprises a luxury hotel, Grade-A offices, premium apartments and a retail mall complex. Construction has been completed and as at 31 December 2016, the offices were in full operation with 100% leased (2015: N/A). Midtown Shangri-La, Hangzhou has also been opened, and reported an average occupancy rate of 64% (2015: N/A) during the year. The mall was soft opened in November 2016, with 85% (2015: N/A) of the total space leased. The Group holds a 75% stake in the project.

GFA **2.2** million square feet | Occupancy Rate **87** %*

*As at 31 December 2016, excluding hotel.

SALES OF PROPERTIES

Sales of completed properties in the PRC delivered a turnover of HK$6,655 million (2015: HK$3,358 million), mainly from recognized sales of Putian Arcadia Court, Nanchang Arcadia Court, Enterprise Centre in Shanghai, and Shenyang Arcadia Court. A gross profit of HK$2,308 million (2015: HK$602 million) was derived therefrom. The Group also shared a satisfactory contribution from the property sales of two associate investments, Tangshan Arcadia Court and Tianjin Arcadia Court.

Putian Arcadia Court

The delivery of units at Putian Arcadia Court continued during the year. As at 31 December 2016, all 1,820 residential units had been sold. The Group holds a 60% interest in this project.

● Putian Arcadia Court, Putian, PRC

Nanchang Arcadia Court

Three completed towers of Nanchang Arcadia Court have been delivered consecutively from late 2015. Two additional towers were completed during the year with handover commencing in December 2016. As at 31 December 2016, 94% of the total of 436 units had been sold. The Group holds an 80% interest in this project.

Enterprise Centre, Shanghai

Enterprise Centre at Kerry Everbright City Phase III in Jingan District commenced handover in early 2016. This latest phase, comprising three office towers and ancillary retail spaces, adds a GFA of approximately 1.1 million square feet to the overall development. As at 31 December 2016, 93% of the total of 160 Tower 3 (Enterprise Suites) units had been sold. The Group holds a 74.25% interest in this project.

● Kerry Everbright City Phase III, Shanghai, PRC*

Shenyang Arcadia Court and Enterprise Square

Four towers of Shenyang Arcadia Court and Enterprise Square have been completed and delivered for occupation. The construction of two additional towers of Shenyang Arcadia Court is scheduled for completion in 2017. As at 31 December 2016, 78% of all 972 residential units, and 59% of the total of 229 office units had been sold. Phase II had 43 residential units sold, representing 32% of the 136 launched units. The Group holds a 60% interest in this project.

● Shenyang Arcadia Court, Shenyang, PRC

*Artist's Impression

Tangshan Arcadia Court

Tangshan Arcadia Court Phases I to III with 14 towers are available for sale. As at 31 December 2016, 94% of the total of 1,498 units had been sold. The Group holds a 40% interest in this residential project.

Tianjin Arcadia Court

The three residential towers of Tianjin Arcadia Court have been completed. Up to 31 December 2016, 90% of the total of 1,126 units had been sold. The Group holds a 49% interest in this residential project.

● Tianjin Arcadia Court, Tianjin, PRC

PROPERTIES UNDER DEVELOPMENT

The Group continued to develop its PRC property portfolio with a focus on large-scale mixed-use projects in the CBDs of major cities, in parallel with selective residential development activities in cosmopolitan locations.

Qianhai, Shenzhen

The Group holds a 350,000 square-foot commercial site for development in the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone. This site has a total buildable GFA of approximately 2.2 million square feet, with front sea view, and is designated for office, apartment and commercial property development. The project is wholly owned by the Group and represents the first substantial investment in Qianhai by a major Hong Kong corporation. It is expected to be completed in 2019.

On 7 December 2016, the Company, Kerry Holdings Limited and The Bank of East Asia, Limited jointly acquired an adjacent site for a total consideration of RMB3,020 million (approximately HK$3,359 million). The new site has an area of approximately 207,000 square feet, and is planned to yield a GFA of approximately 1.19 million square feet for commercial use. The Group holds a 25% interest in this project.

Qianhai is a special economic zone situated in a key location in the Pearl River Delta. It is slated to be developed as an important financial hub adopting Hong Kong as a model.

Both sites lie conveniently close to the Guangshen Yanjiang Expressway. The Group believes that the development of the two adjacent sites will create a highly synergistic effect.

● Qianhai Kerry Centre, Shenzhen, PRC*

*Artist's Impression

Hangzhou

This residential and commercial development is located in the core area of the Hangzhou Zhijiang National Tourist and Holiday Resort. With an aggregate site area of approximately 1.53 million square feet, it will yield a GFA of approximately 2.27 million square feet to be occupied by residential development Castalia Court, as well as approximately 210,000 square feet of commercial space. With construction works currently underway, the project is targeted for completion in phases from 2017 onwards. As at 31 December 2016, 65% of the total of 1,683 units had been pre-sold.

Castalia Court, Hangzhou, PRC*

Shenyang

The Group's 60%-owned Shenyang Kerry Centre project is located on the east side of Qingnian Street, to the south of Qingnian Park in Shenyang, the provincial capital of Liaoning Province. Lying at the core of the city's landmark Golden Corridor development, the site will yield a GFA of approximately 13 million square feet. This mixed-use project will include a hotel, offices, a shopping mall and residences. Phase I of the development is in the construction stage and has been partially completed. Phase II has also commenced construction, while Phase III of the development is now at the planning stage. Shangri-La Hotel, Shenyang, which was completed as part of the Phase I development, recorded an average occupancy rate of 69% (2015: 67%) during the year.

Shenyang Kerry Centre, Shenyang, PRC*

Nanchang

In Nanchang, the provincial capital of Jiangxi Province, the Group is developing a property through a joint venture with Shangri-La Asia Limited ("**Shangri-La**"). This 80%-held project is situated on the west bank of the Ganjiang River in the heart of Honggutan Central District. Its development includes a hotel, offices, and commercial and high-end residential properties. The hotel and residential portion will deliver a GFA of approximately 1.7 million square feet. Shangri-La Hotel, Nanchang recorded an average occupancy rate of 65% (2015: 59%) during the year. The planning of the remaining office site is in progress.

Nanchang Development, Nanchang, PRC*

*Artist's Impression

Zhengzhou

The Group and Shangri-La are also collaborating in developing a site located on the east side of Huayuan Road and to the south of Weier Road in Zhengzhou City, Henan Province. The site will yield a GFA of approximately 2.3 million square feet for development into hotel, residential, commercial and office properties. The project is expected to be completed in phases from 2021 onwards. The Group holds a 55% interest in this project.

Changsha

In December 2016, the Group divested its entire investment in a wholly-owned residential project in Changsha to two independent third parties. Shares transfer was completed in January 2017.

Chengdu

The Metropolis-Arcadia Court in Chengdu is located in the southern part of the High-Tech Industrial Development Zone. The Phase I residential units have all been sold and delivered. Phase II, with a total GFA of approximately 2.15 million square feet, is due for completion by stages in 2017. As at 31 December 2016, 76% of the total of 1,905 Phase II residential units had been pre-sold. The Group holds a 55% interest in this project.

In July 2016, the Group divested its entire investment in the Phase III development to an independent third party. Shares transfer was completed in October 2016.

The Metropolis – Arcadia Court, Chengdu, PRC

Jinan

With Shangri-La, the Group is co-developing a project located in Lixia District, Jinan City. The Group holds a 55% stake in this project, which has a GFA of approximately 1.1 million square feet. The project will comprise a hotel, offices and commercial space, and is scheduled to be completed in phases from 2017 onwards.

Jinan Development, Jinan, PRC*

Kunming

The Group, together with Shangri-La, is developing two adjoining sites in Kunming City, Yunnan Province. The sites are earmarked for hotel and apartment use, with a GFA of approximately 900,000 square feet. The Group holds a 55% interest in this project, which is scheduled to be completed in 2019.

*Artist's Impression

Nanjing

The Group is developing a residential site located at Da Guang Road in Nanjing's Qin Huai District. This wholly-owned project, Nanjing Jinling Arcadia Court, has a site area of approximately 396,000 square feet and a GFA of approximately 1 million square feet. Project construction is in progress, and is scheduled for completion in 2017. As at 31 December 2016, 73% of the total of 429 units had been pre-sold.

Nanjing Jinling Arcadia Court, Nanjing, PRC*

Ningbo

The site under development in Ningbo is located in the Eastern New Town Core Region and is earmarked for The Berylville, a high-end residential project, in which the Group holds a 50% interest. Construction works for Phase I, with a GFA of approximately 400,000 square feet, have been completed. As at 31 December 2016, 92% of the total of 97 Phase I units had been sold, and 46% of the total of 437 Phase II units had also been pre-sold. Construction works for Phase II are in progress and are expected to be completed in 2018.

The Berylville, Ningbo, PRC*

Putian

The Group and Shangri-La will co-develop a hotel project, as part of the Putian project development, at Jiuhua Road, Putian City, Fujian Province. The Group holds a 60% interest in this project.

Qinhuangdao

Phase I of Habitat, the Group's 60%-owned deluxe seaside residential project close to Beidaihe in Qinhuangdao, Hebei Province, has been completed. As at 31 December 2016, 51% of the total of 780 Phase I residential units had been sold. The Phase I development has a GFA of approximately 1.6 million square feet.

Habitat, Qinhuangdao, PRC

Shanghai

During the year, the Group acquired an indirect equity interest of approximately 24.4% in a project site located in a prime section of Pudong New Area, Shanghai.

The site has a gross area of approximately 4.43 million square feet, currently designated for industrial use. Subject to application to the government authorities for conversion of land use from industrial use to commercial, office and residential use, the project site is capable of being redeveloped into a mixed-use real estate development.

*Artist's Impression

Yingkou

In 2016, the Group signed shares transfer agreements with an independent third party to sell all its investments in Yingkou. Completion of the shares transfer is expected to be in 2017.

Properties under development in the PRC

As at 31 December 2016:	Group's Attributable GFA Upon Completion ('000 square feet)					
	Residential	Apartment	Office	Commercial	Hotel	Total
Tianjin	151	166	360	191	–	868
Hangzhou	2,549	–	–	209	–	2,758
Shenyang	3,254	–	1,069	1,407	–	5,730
Nanjing	1,028	–	–	–	–	1,028
Chengdu	1,084	–	–	77	–	1,161
Nanchang	374	–	–	28	–	402
Qinhuangdao	1,850	–	–	–	–	1,850
Ningbo	308	–	–	–	–	308
Jinan	–	–	205	32	352	589
Zhengzhou	537	–	345	23	211	1,116
Putian	–	–	–	13	202	215
Kunming	249	–	62	27	169	507
Shenzhen	646	–	1,459	293	108	2,506
Total	**12,030**	**166**	**3,500**	**2,300**	**1,042**	**19,038**

HONG KONG PROPERTY DIVISION

During the year ended 31 December 2016, the Hong Kong Property Division reported a turnover of HK$1,607 million (2015: HK$2,631 million) and gross profit of HK$989 million (2015: HK$1,283 million).

The Division's turnover for the year was mainly derived from recognized sales of completed residential properties at 1 & 3 Ede Road and 8 LaSalle. Sales of Dragons Range and pre-sales of The Bloomsway and Mantin Heights were also steady during the year.

The Hong Kong investment property portfolio continued to provide a stable contribution of recurrent income as it benefited from good occupancy levels with stable rental income.

Hong Kong Properties

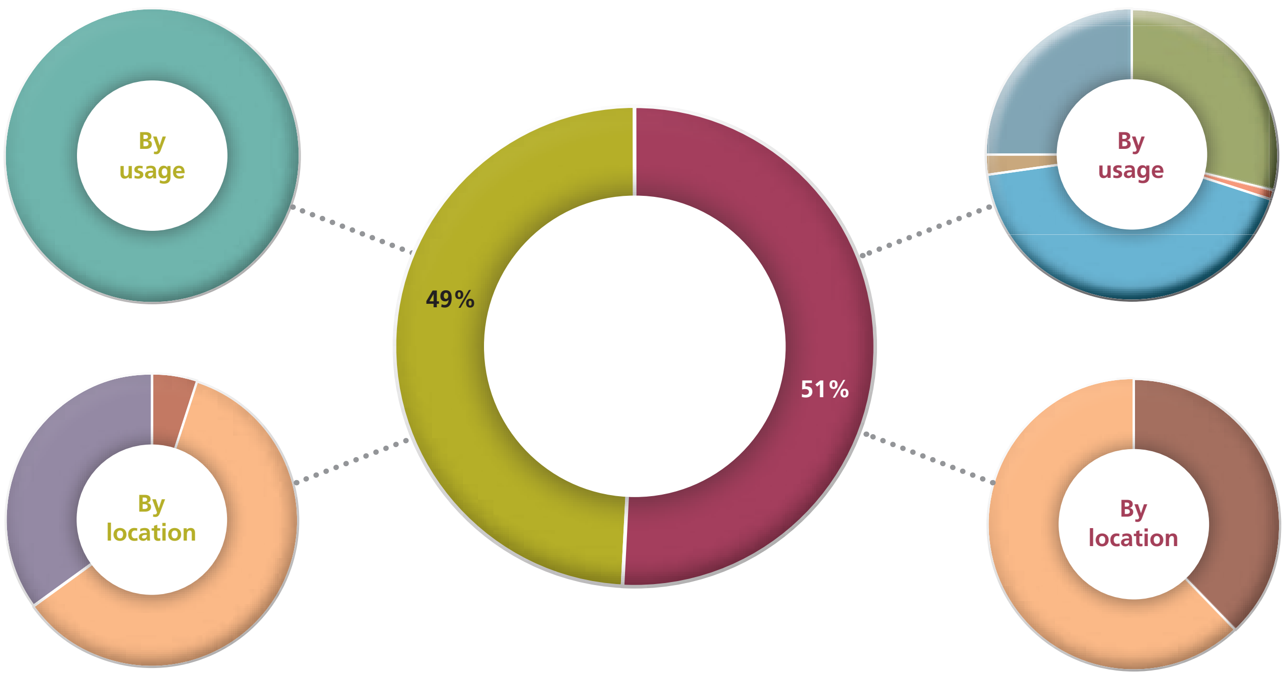
5.58 million square feet in attributable GFA

Under development

2.72 million square feet in attributable GFA 49%

Completed investment properties/ Hotel properties/ Properties held for sale

2.86 million square feet in attributable GFA 51%



By usage

Residential	100%

By location

Hong Kong Island	5%
Kowloon	60%
New Territories	35%

By usage

Office	29%
Residential	1%
Commercial	43%
Hotel	2%
Apartment	25%

By location

Hong Kong Island	38%
Kowloon	62%

INVESTMENT PROPERTIES

The Group's portfolio of prime residential, commercial and office properties in Hong Kong continued to perform well in 2016. Turnover, comprising rental and other fees, generated by the Group's completed investment properties in Hong Kong amounted to HK$1,058 million (2015: HK$904 million), yielding a gross profit of HK$834 million (2015: HK$675 million) for the year.

As at 31 December 2016, the Group's completed investment property portfolio in Hong Kong had an aggregate GFA of 2.78 million square feet (2015: 2.78 million square feet). Set out below are the breakdown of GFA and the respective occupancy rates, together with comparative figures:

Mid-Levels Portfolio, Mid-levels, Hong Kong

	As at 31 December 2016		As at 31 December 2015	
	Group's attributable GFA ('000 square feet)	**Occupancy rate**	Group's attributable GFA ('000 square feet)	Occupancy rate
Apartment	**722**	**98%**	722	85%
Commercial	**1,219**	**99%**	1,223	100%
Office	**841**	**85%**	840	99%
	2,782		2,785	

Enterprise Square Five/MegaBox, Kowloon Bay

MegaBox blends shopping, recreation, dining and sports into one innovatively designed complex in Kowloon East. Housing the largest ice rink in Hong Kong, the venue has helped advance the city's position as a major location for international tournaments in ice sports. This pioneering retail and lifestyle hub offers a GFA of 1.1 million square feet. As at 31 December 2016, the mall had an occupancy rate of nearly 100% (2015: 100%).

The two Grade-A office towers of Enterprise Square Five, with a GFA of 519,000 square feet, were 79% leased (2015: 98%) due to relocation of major tenants. Occupancy is expected to improve as new tenants take up the vacated space in the coming year.

MegaBox, on the other hand, continues to record full occupancy and robust rental rates with a tenant mix designed to serve local families and shoppers.

MegaBox, Kowloon Bay, Hong Kong

REVIEW OF PROPERTY BUSINESS

Kerry Centre, Quarry Bay

Kerry Centre, at No. 683 King's Road, Quarry Bay, is the Group's 40%-held flagship office property in Hong Kong. This Grade-A office tower has a GFA of approximately 511,000 square feet. Office units at Kerry Centre remained in high demand, with 100% of the space leased (2015: 100%) as at 31 December 2016.

● Kerry Centre, Quarry Bay, Hong Kong

SALES OF PROPERTIES

During the year, recognized sales of completed properties in Hong Kong contributed a turnover of HK$549 million (2015: HK$1,727 million) to the Group. A gross profit of HK$155 million (2015: HK$608 million) was derived mainly from recognized sales of completed residential properties at 1 & 3 Ede Road and 8 LaSalle.

The Division also derived a satisfactory profit from the sale of Dragons Range. Pre-sales of The Bloomsway and Mantin Heights recorded steady progress during the year.

1 & 3 Ede Road, Kowloon Tong

The development consists of a single house, One Ede Road, and 40 apartments at Three Ede Road, with a total saleable area of approximately 70,000 square feet. As at 31 December 2016, all apartments and the house had been sold.

8 LaSalle, Ho Man Tin

This redevelopment project of 56 units is situated at No. 8 La Salle Road, Ho Man Tin, a neighbourhood offering a network of quality primary and secondary schools. The project delivers a saleable area of approximately 53,000 square feet. All units from the project had been sold as at 31 December 2016.

Dragons Range, Kau To, Sha Tin

Together with Sino Group and Manhattan Group, the Group has co-developed Dragons Range, a residential project of 973 units at No. 33 Lai Ping Road, Kau To, Sha Tin, with a saleable area of approximately 878,000 square feet. The Group holds a 40% stake in this development, which has already been delivered to purchasers. As at 31 December 2016, 97% of the total units had been sold.

PROPERTIES UNDER DEVELOPMENT

The Bloomsway, So Kwun Wat

The Group is developing The Bloomsway, a residential project at Nos. 18, 28 & 29 Tsing Ying Road, So Kwun Wat, with a buildable GFA of approximately 940,000 square feet. The site is being developed into a large-scale residential property of 1,100 units, scheduled for completion in 2017. As at 31 December 2016, 79% of the total units had been pre-sold.

● Show Flat of Residential Project, Hong Kong

Mantin Heights, Ho Man Tin

The Group is developing a residential site at No. 28 Sheung Shing Street, Ho Man Tin, with superstructure works currently in progress. The site occupies an area of approximately 259,000 square feet with a buildable GFA of approximately 1.14 million square feet. This project of 1,429 units is scheduled for completion in 2017, with pre-sales having commenced in April 2016. As at 31 December 2016, 39% of the total units had been pre-sold.

Shan Kwong Road, Happy Valley

A new residential project is currently under development at No. 7A Shan Kwong Road, Happy Valley. Designed to yield a buildable GFA of approximately 81,000 square feet, the project is scheduled to be completed in 2017.

Lung Cheung Road, Beacon Hill

The Group is developing a site in Beacon Hill with an area of approximately 115,000 square feet and a buildable GFA of approximately 116,000 square feet. The site is planned to be developed into a low-density premium residential project, and is scheduled for completion in 2018.

On 5 October 2016, the Group acquired an adjacent site in Beacon Hill through public tender. This new site, occupying an area of 235,000 square feet, will be developed into a low-density premium residential project with a buildable GFA of approximately 343,000 square feet. Management is highly confident in the potential of this exclusive project, which is situated in a prestigious locale. The new development will be designed to provide an upscale living environment in the district.

Hing Hon Road, Sai Ying Pun

The Group is developing a new residential project at Nos. 5-8 Hing Hon Road, following amalgamation of the original development at Nos. 5-6 with an adjacent development at Nos. 7-8. The joint redevelopment project, in which the Group holds a 71% interest, will deliver a buildable GFA of approximately 68,000 square feet. The project is scheduled to be completed in 2019.

LaSalle Road/Boundary Street, Ho Man Tin

In June 2016, the Group completed the acquisition of the entire building at Nos. 168-168C Boundary Street in Ho Man Tin and will redevelop the site together with an adjacent site at Nos. 10-12A LaSalle Road, which it acquired in 2013. This redevelopment project lies next to 8 LaSalle, will deliver an aggregate developable GFA of 45,000 square feet, and is scheduled for completion in 2019.

Properties under development in Hong Kong

As at 31 December 2016:	Group's attributable GFA upon completion ('000 square feet)
Residential	2,715
	2,715

Macau

Development projects in Macau include a site at Nam Van Lake, designated for luxury apartment development, and a further residential project currently under discussion with the Macau SAR Government on the land exchange issue.

In respect of the Nam Van Lake project, the land concession period ended on 30 July 2016. Up to date, no declaration of the lease expiry has been published in the Official Gazette of Macau or notified to the registered lessee, a wholly-owned subsidiary of the Group. As such, the subsidiary remains as the registered lessee of the land.

The Group has sought advice from a legal advisor in Macau. Based on the fact that the non-development was not attributable to the Group, the Group would have a right to pursue a claim for its damages and loss of profits should the Macau SAR Government repossess the land without any compensation. Considering the above, the Directors are of the opinion that no provision is required for the Nam Van Lake project as at 31 December 2016.

OVERSEAS PROPERTY DIVISION

The Group holds a portfolio of upscale properties in the Philippines. These investments are held through Shang Properties, Inc. ("**SPI**"), in which the Division maintains a 34.61% equity interest and a 30.75% interest in its depository receipts. SPI holds a 100% interest in the Shangri-La Plaza Mall, Manila, and indirect interests in The Enterprise Center, an office and commercial property in Makati, Manila's financial district. As at 31 December 2016, the occupancy rates of Shangri-La Plaza Mall and The Enterprise Center were 90% and 96%, respectively (2015: 88% and 96%, respectively).

SPI currently has three major projects under development:

The first is a project in Makati City to redevelop a site into a high-rise residential building, Shang Salcedo Place, with a GFA of approximately 655,000 square feet. As at 31 December 2016, 77% of the total of 749 residential units had been sold.

Overseas Properties

3.9 million square feet in attributable GFA

Under development
2.02 million square feet in attributable GFA 52%

By usage

Residential	80%
Commercial	3%
Hotel	17%

By location

The Philippines	100%

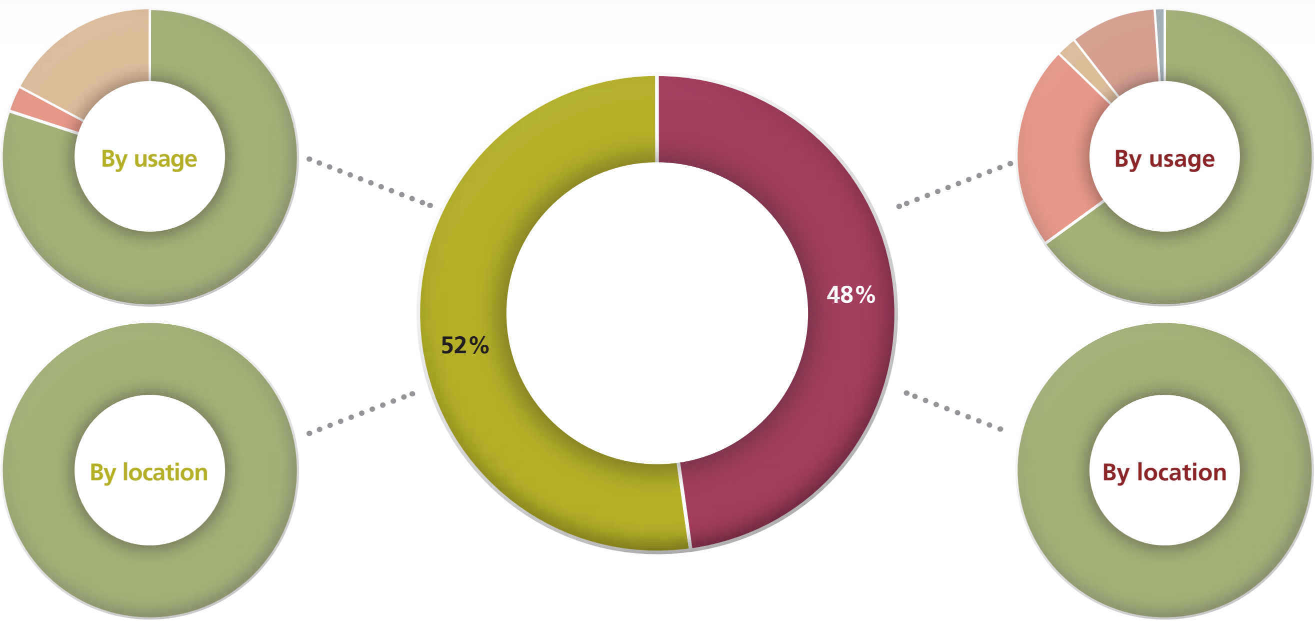
Completed investment properties/ Properties held for sale
1.88 million square feet in attributable GFA 48%

By usage

Shopping centre	67%
Office	21%
Commercial	2%
Hotel lease	9%
Residential	1%

By location

The Philippines	100%



SPI is developing a site of more than 116,000 square feet located in Malugay Street, Makati City. This project, The Rise, will have a GFA of approximately 1.63 million square feet, comprising 3,044 residential units and approximately 96,000 square feet of commercial space. Sales of The Rise have met with a strong market response, with 73% of the total of 3,044 units sold as at 31 December 2016.

In addition, SPI holds a 60% interest in a hotel and luxury residential development in Fort Bonifacio, Taguig, Manila. The development includes a hotel with a total area of more than 850,000 square feet, residential and serviced apartment units covering 593,000 square feet, and commercial spaces with a total area of 47,400 square feet. As at 31 December 2016, 53% of the total of 98 units available for sale had been sold.

Shangri-La Plaza Mall, Manila, The Philippines

Overseas Property Portfolio

As at 31 December 2016:	Group's attributable GFA The Philippines ('000 square feet)
Investment properties	
Hotel lease	170
Shopping centre	1,256
Commercial	33
Office	406
Sub-total	**1,865**
Properties under development	
Residential	1,612
Hotel	335
Commercial	75
Sub-total	**2,022**
Properties held for sale	
Residential	13
Sub-total	**13**
Total	**3,900**

OUTLOOK

PRC PROPERTY DIVISION

The Division's businesses will focus on two main objectives, which are maintaining a steady revenue base and delivering premium developments.

In the Mainland, a number of iconic mixed-use projects have been launched over the past few years. These landmark projects will help to affirm the Group's presence in the CBDs of major cities, and will contribute significantly to the Division's growing recurrent income base.

In the coming year, the Division will continue to develop its investment property portfolio. Management is confident that the rental portfolio, with particular focus on commercial complexes in top-tier cosmopolitan locations, will provide a stable contribution to the Group. The Division will manage and steadily grow this premium asset base, while selectively divesting some developments in the second- and third-tier cities.

Satisfactory progress continues to be achieved with the various projects under development and sales launches. Property sales are expected to remain steady in the months ahead.

The year 2017 will see a set of new challenges, but the Division is competitively positioned to deliver satisfactory results.

HONG KONG PROPERTY DIVISION

The Hong Kong Property Division performed ahead of expectations in 2016. The local property market continues to benefit from a tight supply and solid fundamentals. Management is optimistic about the Division's prospects, but will stay alert to the impact of an interest rate up-cycle and economic fluctuations. Overall, sales activity will likely remain robust on the back of solid demand for the Group's residential projects.

Consistently delivering outstanding quality in its property developments, the Group remains focused and is well positioned in the luxury segment. In 2016, the Division undertook a new development on a prime site adjacent to its existing residential project in Beacon Hill. On these two sites, the Division will construct homes with unique attributes, targeting new levels of quality in the Group's development.

The Division will continue to maintain a balanced strategy in the development of sales and investment properties. The rental portfolio in Hong Kong is expected to generate stable revenue and earnings contribution in the coming year. The Mid-Levels portfolio of premier residences continues to meet with strong demand, and the office property in Island East remains fully occupied. The Kowloon East office portfolio, on the other hand, will come under some pressure from a new influx of supply in the district while the retail segment remains strong.

The year 2017 will be one of economic turbulence. However, with our highly motivated professional team, the Group stands braced for the challenges ahead. The Division will prudently seek to curate its long-term growth strategy amid an unpredictable macroeconomic environment. Management holds an optimistic view of the Division's longer-term development as it builds further upon its solid foundation.

FINANCIAL REVIEW

The Group has centralized funding for all its operations. This policy achieves better control of treasury operations and lower average cost of funds.

The Group closely reviews and monitors its foreign exchange exposure. As at 31 December 2016, total foreign currency borrowings (excluding RMB bank loans) amounted to the equivalence of HK$6,970 million and RMB bank loans amounted to the equivalence of HK$8,059 million. Therefore, non-RMB total foreign currency borrowings and RMB bank loans represented approximately 15% and 18% respectively, of the Group's total borrowings of HK$45,333 million as at 31 December 2016.

The non-RMB total foreign currency borrowings of HK$6,970 million include the Fixed Rate Bonds amounting to US$900 million (net of direct issue costs). The Group has arranged cross currency swap and forward exchange contracts amounting to US$297 million and US$315 million, respectively, to hedge the exchange rate exposure between United States dollars and Hong Kong dollars. Forward exchange contracts amounting to US$165 million have been executed into to hedge the exchange rate exposure between United States dollars and RMB. Besides, the Group has also arranged cross currency swap and forward exchange contracts amounting to RMB900 million and RMB513 million, respectively, to hedge the exchange rate exposure between Renminbi and Hong Kong dollars.

Out of the Group's total borrowings as at 31 December 2016, HK$8,508 million (representing approximately 19%) was repayable within one year, HK$8,889 million (representing approximately 19%) was repayable in the second year, HK$27,048 million (representing approximately 60%) was repayable in the third to fifth years and HK$888 million (representing approximately 2%) was repayable over five years. The Group continued to maintain most of its borrowings on an unsecured basis, with unsecured debt accounting for approximately 89% of total borrowings as at 31 December 2016. The Group will continue to obtain financing on an unsecured basis whenever possible, and supplement such borrowings with secured project financing as and when the need arises.

As at 31 December 2016, the gearing ratio for the Group was 34.9% (2015: 32.2%), calculated based on net debt of HK$28,852 million and shareholders' equity of HK$82,744 million.

As at 31 December 2016, the Group had outstanding interest rate swap contracts which amounted to HK$4,000 million in total, enabling the Group to hedge its interest rate exposure and to have a more stable interest rate profile.

The Group has also arranged forward exchange contracts to sell RMB1,500 million and buy HK$1,651 million for hedging the anticipated RMB dividend distribution from PRC to Hong Kong.

In terms of the Group's available financial resources as at 31 December 2016, the Group had total undrawn bank loan facilities of HK$9,287 million and cash on hand of HK$16,481 million. In addition, the generation of strong recurrent cashflows from the Group's investment property portfolio and hotel operations provides the Group with a strong financial position, and enables the Group to reap the benefits of investment opportunities as and when they arise.

On 25 January 2016, the Group signed a loan agreement for an unsecured HK$10 billion term and revolving loan facility with 19 reputable international and local banks and financial institutions. This facility is for general corporate funding requirements of the Group including refinancing of a previous HK$8.45 billion syndicated loan facility obtained in January 2011.

On 25 August 2016, the Group fully redeemed the 10 years US$420 million fixed rate bonds issued in August 2006.

On 15 February 2017, the Group fully redeemed the 5 years US$600 million fixed rate bonds issued in February 2012.

Details of contingent liabilities and pledge of assets are set out in notes 42 and 43 to the financial statements of the Group.

PARTICULARS OF PROPERTIES HELD

Particulars of major properties held by the Group as at 31 December 2016 are as follows:

	Property name	Location	Type	Group's attributable interest %	Group's attributable interest Approximate gross floor area (square feet)	Group's attributable interest Approximate number of carpark spaces	Lease term
PRC Properties							
A.	**Completed and held for investment**						
1.	Jing An Kerry Centre Phase II	1218, 1228 and 1238 Yanan Zhong Road 1539, 1551 and 1563 Nanjing Xi Road Jing An District Shanghai	Office Commercial	51.00	646,802 444,478 **1,091,280**	557	Medium lease
2.	Beijing Kerry Centre	1 Guang Hua Road Chaoyang District Beijing	Office Apartment Commercial	71.25	711,121 277,330 98,406 **1,086,857**	423	Medium lease
3.	Hangzhou Kerry Centre	385 Yanan Road Xiacheng District Hangzhou	Commercial Office	75.00	812,271 100,306 **912,577**	376	Medium lease
4.	Shenzhen Kerry Plaza Phase II	1 Zhong Xin Si Road Futian CBD Shenzhen	Office Commercial	100.00	745,425 104,110 **849,535**	335	Medium lease
5.	Shenzhen Kerry Plaza Phase I	1 Zhong Xin Si Road Futian CBD Shenzhen	Office	100.00	**804,709**	306	Medium lease
6.	Kerry Parkside	1155 and 1201 Fangdian Road 1378, 1388 and 1398 Hua Mu Road Pudong Shanghai	Office Commercial Apartment	40.80	417,189 216,592 153,300 **787,081**	475	Medium lease
7.	Jing An Kerry Centre Phase I	1515 Nanjing Road West Jing An District Shanghai	Office Apartment Commercial	74.25	308,584 142,355 103,971 **554,910**	180	Medium lease
8.	Shanghai Central Residences Phase II – Towers 1 and 3	166 and 168 Lane 1038 Huashan Road Changning District Shanghai	Apartment	100.00	**478,286**	211	Long lease
9.	Tianjin Kerry Centre Riverview Place	238 Liuwei Road Hedong District Tianjin	Commercial	49.00	**428,485**	387	Medium lease
10.	Kerry Everbright City Phase I	218 Tianmu Road West Jing An District Shanghai	Commercial Office	74.25	330,141 80,060 **410,201**	179	Medium lease
11.	Shenzhen Kerry Centre	2008 Renminnan Road Lowu District Shenzhen	Commercial Office	100.00	107,256 1,641 **108,897**	193	Medium lease
12.	Fuzhou Central Residences	139 Gutian Road Gulou District Fuzhou	Commercial	100.00	**12,112**	–	Long lease
	Total PRC investment properties				**7,524,930**	**3,622**	

Property name	Location	Type	Group's attributable interest %	Approximate gross floor area (square feet)	Approximate number of carpark spaces	Lease term
PRC Properties						
B. Hotel property						
1. Shangri-La Hotel, Nanchang	669 Cui Lin Road Honggutan New District Nanchang	Hotel	80.00	**658,542**	182	Medium lease
2. Kerry Hotel Beijing	1 Guang Hua Road Chaoyang District Beijing	Hotel	71.25	**499,642**	–	Medium lease
3. Jing An Shangri-La Hotel, West Shanghai	1218 Yanan Zhong Road Jing An District Shanghai	Hotel	51.00	**433,566**	–	Medium lease
4. Shangri-La Hotel, Nanjing	329 Zhong Yang Road Gulou District Nanjing	Hotel	45.00	**412,798**	187	Medium lease
5. Shangri-La Hotel, Shenyang	115 Qingnian Avenue Shenhe District Shenyang	Hotel	60.00	**394,524**	259	Medium lease
6. Midtown Shangri-La Hotel, Hangzhou	6 Changshou Road Xiacheng District Hangzhou	Hotel	75.00	**386,734**	12	Medium lease
7. Shangri-La Hotel, Tianjin	328 Haihe East Road Hedong District Tianjin	Hotel	49.00	**381,726**	96	Medium lease
8. Kerry Hotel Pudong, Shanghai	1388 Hua Mu Road Pudong Shanghai	Hotel	40.80	**325,853**	–	Medium lease
9. Shangri-La Hotel, Tangshan	889 Changhong West Road Lubei District Tangshan	Hotel	40.00	**237,881**	77	Medium lease
Total PRC hotel property				**3,731,266**	**813**	

Property name	Location	Type	Group's attributable interest %	Approximate gross floor area (square feet)	Approximate site area (square feet)	Stage of completion	Scheduled completion
PRC Properties							
C. Under development							
1. Nanjing Jinling Arcadia Court	Site no. 2012G05 South of Daguang Road Qinhuai District Nanjing	Residential	100.00	**1,028,802**	395,641	Mechanical and engineering work in progress	First half of 2017
2. Hangzhou Kerry Centre	385 Yanan Road Xiacheng District Hangzhou	Residential	75.00	**275,005**	107,143	Completion verification in progress	First half of 2017
Sub-total				**1,303,807**	**502,784**		

PARTICULARS OF PROPERTIES HELD

	Property name	Location	Type	%	Approximate gross floor area (square feet)	Approximate site area (square feet)	Stage of completion	Scheduled completion
				Group's attributable interest				
PRC Properties								
C.	**Under development (continued)**							
3.	Shenyang Kerry Centre[1]	Lot No. 2007-053 8 Golden Corridor East of Qingnian Avenue Shenhe District Shenyang	Residential Commercial Office	60.00	3,253,858 1,407,193 1,068,762 **5,729,813**	916,129	Phase I Residential Mechanical and engineering and landscape work in progress Phase II Residential Superstructure topped up Commercial and office Mechanical and engineering and curtain wall installation work in progress	Phase I First half of 2017 Phase II In phases from 2018 onwards
4.	The Metropolis – Arcadia Court Phase II	Junction of middle of Jiannan Da Street and Desai San Street Hi-Tech Industrial Development Zone Chengdu	Residential Commercial	55.00	1,083,817 77,253 **1,161,070**	228,625	External work, internal work and mechanical and engineering work in progress	Second half of 2017
5.	Jinan Development	South of Luoyuan Main Street East of Nanjuanmen Lane Lixia District Jinan	Hotel Office Commercial	55.00	351,820 204,649 32,437 **588,906**	131,979	External work, internal work and mechanical and engineering work in progress	Second half of 2017
6.	Hangzhou Zhijiang Castalia Court	East of Planned Vertical Road 2 South of Planned Horizontal Road 3 West of Shanhusha River North of Planned Horizontal Road 1 West Lake District Hangzhou	Residential Commercial	100.00	2,273,927 208,677 **2,482,604**	1,534,828	Phase I Interior decoration work in progress Phase II Internal work and mechanical and engineering work in progress Phase III Structural work in progress	In phases from 2017 onwards
7.	The Berylville, Ningbo Phase II	Xingning Road Jiangcheng Road Jiangdong District Ningbo	Residential	50.00	**308,351**	179,441	Superstructure topped up	2018
8.	Shenzhen Qianhai Development[1]	Site no. T102-0255 Qianhai District Shenzhen	Office Residential Commercial	100.00	1,291,680 645,840 236,324 **2,173,844**	349,670	Piling and basement structural work in progress Residential tower superstructure work in progress	2019
9.	Kunming Development	88-96 Dong Feng Road Panlong District Kunming	Residential Hotel Office Commercial	55.00	248,607 169,075 62,328 26,641 **506,651**	91,443	Trail piling work in progress	2019
	Sub-total				**12,951,239**	**3,432,115**		

Property name	Location	Type	Group's attributable interest %	Approximate gross floor area (square feet)	Approximate site area (square feet)	Stage of completion	Scheduled completion
PRC Properties							
C. Under development (continued)							
10. Nanchang Development Phase II	667 Cui Lin Road Honggutan New District Nanchang	Residential Commercial	80.00	373,666 28,391 **402,057**	56,556	Schematic design in progress	2019
11. Putian Hotel Development	666 Jiuhua Road Chengxiang District Putian	Hotel Commercial	60.00	202,464 12,917 **215,381**	324,589	Schematic design in progress	2019
12. Shenzhen Qianhai Development[(1)(2)]	Site no. T102-0260 Land Parcel 2 & 4, Unit 7 Qianwan Area Qianhai District Shenzhen	Office Hotel Commercial	25.00	166,842 107,640 56,690 **331,172**	51,835	Schematic design in progress	2020
13. Zhengzhou Development	East of Huayuan Road South of Weier Road Zhengzhou	Residential Office Hotel Commercial	55.00	536,903 345,296 210,771 23,142 **1,116,112**	263,881	Schematic design in progress	In phases from 2021 onwards
Sub-total				**2,064,722**	**696,861**		
Total PRC properties under development				**16,319,768**	**4,631,760**		

Property name	Location	Type	Group's attributable interest %	Approximate gross floor area (square feet)	Approximate number of carpark spaces	Lease term
PRC Properties						
D. Held for sale						
1. Enterprise Centre	128 Tian Mu Road West 277 Mei Yuan Road 209 and 219 Gong He Road Jing An District Shanghai	Office Commercial Residential	74.25	494,092 90,424 30,774 **615,290**	362	Medium lease
2. Qinhuangdao Habitat Phase I	160 Hebin Road Haigang District Qinhuangdao	Residential Commercial	60.00	483,369 34,933 **518,302**	473	Long lease
3. Shenyang Kerry Centre Enterprise Square	121 Qingnian Avenue Shenhe District Shenyang	Office	60.00	**177,008**	–	Medium lease
4. Nanchang Arcadia Court	667 Cui Lin Road Honggutan New District Nanchang	Residential	80.00	**173,668**	–	Long lease
Sub-total				**1,484,268**	**835**	

PARTICULARS OF PROPERTIES HELD

	Property name	Location	Type	Group's attributable interest %	Group's attributable interest Approximate gross floor area (square feet)	Group's attributable interest Approximate number of carpark spaces	Lease term
PRC Properties							
D.	**Held for sale (continued)**						
5.	Putian Arcadia Court	666 Jiuhua Road Chengxiang District Putian	Residential Commercial	60.00	97,749 46,533 **144,282**	634	Long lease
6.	Tianjin Arcadia Court Phase I	238 Liuwei Road Hedong District Tianjin	Residential	49.00	**133,101**	376	Long lease
7.	Tangshan Arcadia Court	368 Dali Road Lubei District Tangshan	Residential Commercial	40.00	112,056 16,977 **129,033**	277	Long lease
8.	The Metropolis – Arcadia Court Phase I	299 Ronghua North Road Hi-tech Industrial Development Zone Chengdu	Commercial Residential	55.00	116,693 1,129 **117,822**	204	Long lease
9.	Manzhouli Watch Lake Phase II	99 Liu Dao Street Manzhouli City Inner Mongolia	Residential Commercial	100.00	65,218 28,491 **93,709**	43	Long lease
10.	Tangshan Parkside Place	889 Changhong West Road Lubei District Tangshan	Commercial	40.00	**89,987**	–	Medium lease
11.	Shenyang Kerry Centre Arcadia Court Phase I Towers 11, 13 to 15	70 Wenhua Road Shenhe District Shenyang	Residential	60.00	**63,950**	58	Medium lease
12.	The Berylville, Ningbo Phase I	Xingning Road Jiangcheng Road Jiangdong District Ningbo	Residential	50.00	**46,231**	68	Long lease
13.	Enterprise Square	216 and 228 Meiyuan Road Jing An District Shanghai	Commercial Office	74.25	26,992 1,507 **28,499**	47	Medium lease
14.	Parkview Residence Phase I	756 Hangbo Street Xiacheng District Hangzhou	Commercial	100.00	**23,896**	–	Long lease
15.	Parkview Residence Phase II	751 Hangbo Street Xiacheng District Hangzhou	Commercial	100.00	**18,653**	8	Long lease
16.	Shanghai Central Residences Phase II Tower 2	170 Lane 1038 Huashan Road Changning District Shanghai	Residential	100.00	**5,200**	53	Long lease
17.	Shenzhen Arcadia Court	1008 Haitian Road Futian District Shenzhen	Commercial	100.00	**4,608**	551	Long lease
	Sub-total				**898,971**	**2,319**	
	Total PRC properties held for sale				**2,383,239**	**3,154**	
	TOTAL PRC PROPERTY PORTFOLIO				**29,959,203**		

	Property name	Location	Type	%	Group's attributable interest: Approximate gross floor area (square feet)	Group's attributable interest: Approximate number of carpark spaces	Lease term
Hong Kong Properties							
A.	**Completed and held for investment**						
I.	**Residential**						
1.	Branksome Grande	3 Tregunter Path Mid-Levels Hong Kong	Apartment	100.00	**257,372**	73	Long lease
2.	Aigburth	12 Tregunter Path Mid-Levels Hong Kong	Apartment	100.00	**204,940**	63	Long lease
3.	Branksome Crest	3A Tregunter Path Mid-Levels Hong Kong	Apartment	100.00	**153,375**	126	Long lease
4.	Tavistock	10 Tregunter Path Mid-Levels Hong Kong	Apartment	100.00	**104,460**	24	Long lease
5.	Gladdon	3 May Road Mid-Levels Hong Kong	Apartment	100.00	**2,300**	14	Long lease
Sub-total					**722,447**	**300**	
II.	**Commercial/office**						
1.	Enterprise Square Five/ MegaBox	38 Wang Chiu Road Kowloon Bay Kowloon	Commercial Office	100.00	1,145,537 [3] 519,316 **1,664,853**	748	Medium lease
2.	Kerry Centre	683 King's Road Quarry Bay Hong Kong	Office Commercial	40.00	193,252 10,952 **204,204**	74	Medium lease
3.	Enterprise Square	9 Sheung Yuet Road Kowloon Bay Kowloon	Office	100.00	**56,730**	26	Medium lease
4.	Hollywood Centre	233 Hollywood Road Sheung Wan Hong Kong	Office Commercial	47.37	36,461 11,182 **47,643**	–	Long lease
5.	Harbour Centre	25 Harbour Road Wanchai Hong Kong	Office Commercial	15.83	34,767 [4] 6,475 [5] **41,242**	45	Long lease
6.	Enterprise Square Three	39 Wang Chiu Road Kowloon Bay Kowloon	Commercial	100.00	**19,800**	–	Medium lease
7.	Island Crest	8 First Street Hong Kong	Commercial	100.00	**15,891**	6	Medium lease
8.	South Seas Centre – various portions	75 Mody Road Tsimshatsui Kowloon	Commercial	100.00	**6,341**	–	Long lease
9.	Wing On Plaza	62 Mody Road Tsimshatsui Kowloon	Commercial	10.00	**2,896**	–	Long lease
10.	Sherwood Court Public Carpark	12-20 Kwai Sing Lane Happy Valley Hong Kong	Carpark	100.00	**–**	200	Long lease
Sub-total					**2,059,600**	**1,099**	
Total Hong Kong completed investment properties					**2,782,047**	**1,399**	

	Property name	Location	Type	Group's attributable interest %	Approximate gross floor area (square feet)	Approximate number of carpark spaces	Lease term
Hong Kong Properties							
B.	**Hotel property**						
1.	Hotel Jen Hong Kong	508 Queen's Road West Hong Kong	Hotel	30.00	**37,517**	–	Long lease
	Total Hong Kong hotel property				**37,517**	**–**	

	Property name	Location	Type	Group's attributable interest %	Approximate gross floor area(6) (square feet)	Approximate site area (square feet)	Stage of completion	Scheduled completion
Hong Kong Properties								
C.	**Under development**							
1.	Mantin Heights	28 Sheung Shing Street Ho Man Tin Kowloon	Residential	100.00	**1,142,168**	259,165	Superstructure work in progress	First half of 2017
2.	The Bloomsway	18, 28 and 29 Tsing Ying Road So Kwun Wat New Territories	Residential	100.00	**939,600**	722,770	Superstructure work in progress	First half of 2017
3.	Shan Kwong Road Project	7A Shan Kwong Road Happy Valley Hong Kong	Residential	100.00	**81,217**	8,122	Superstructure work in progress	First half of 2017
4.	Beacon Hill Project (NKIL6532)	Lung Kui Road Beacon Hill Kowloon	Residential	100.00	**116,380**	114,550	Foundation work completed	First half of 2018
5.	Hing Hon Road Project	5-8 Hing Hon Road Sai Ying Pun Hong Kong	Residential	71.00	**47,962**	5,329	Demolition work completed	First half of 2019
6.	LaSalle Road/Boundary Street Project	10-12A LaSalle Road/ 168-168C Boundary Street Ho Man Tin Kowloon	Residential	100.00	**45,180**	9,036	Demolition work completed	Second half of 2019
7.	Beacon Hill Project (NKIL6533)	Lung Kui Road Beacon Hill Kowloon	Residential	100.00	**342,769**	235,183	Ground investigation work in progress	Second half of 2019
	Total Hong Kong properties under development				**2,715,276**	**1,354,155**		

	Property name	Location	Type	Group's attributable interest %	Approximate gross floor area (square feet)	Approximate number of carpark spaces	Lease term
Hong Kong Properties							
D.	**Held for sale**						
1.	Dragons Range	33 Lai Ping Road Kau To, Shatin New Territories	Residential	40.00	**19,136** [(5)]	35	Medium lease
2.	Primrose Hill	168 Kwok Shui Road Tsuen Wan New Territories	Commercial	100.00	**10,318**	5	Medium lease
3.	Richwood Park	33 Lo Fai Road Tai Po New Territories	Commercial	50.00	**7,893**	–	Medium lease
4.	Bayview	9 Yuk Yat Street Ma Tau Kok Kowloon	Commercial	100.00	**6,836**	9	Medium lease
5.	Larvotto	8 Ap Lei Chau Praya Road Aberdeen and Ap Lei Chau Hong Kong	Residential/ Commercial	35.00	**3,768**	26	Medium lease
	Total Hong Kong properties held for sale				**47,951**	**75**	
	TOTAL HONG KONG PROPERTY PORTFOLIO				**5,582,791**		

	Property name	Location	Type	Group's attributable interest %	Approximate gross floor area (square feet)	Approximate site area (square feet)	Stage of completion	Scheduled completion
Macau Properties								
A.	**Under development**							
1.	Nam Van Project	Lot C12 Nam Van Lake Macau	Residential	100.00	**397,190**	39,719	(note)	(note)
	TOTAL MACAU PROPERTY PORTFOLIO				**397,190** [(7)]	**39,719**		

Note: The concession of the Land was of a lease term of 25 years which ended on 30 July 2016.

PARTICULARS OF PROPERTIES HELD

			Group's attributable interest			
Property name	Location	Type	%	Approximate gross floor area (square feet)	Approximate number of carpark spaces	Lease term
Overseas Properties						
A. Completed and held for investment						
1. Shangri-La Plaza Mall	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Shopping centre	65.36 [8]	**1,256,926**	786	Freehold
2. The Enterprise Center	Ayala Avenue Cor. Paseo de Roxas Makati City Philippines	Office Commercial	45.78 [9]	405,908 15,836 **421,744**	462	Freehold
3. Carpark Building	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Carpark building	65.36 [8]	**–**	324	Freehold
4. Land leased to EDSA Shangri-La Hotel	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Hotel lease	65.36 [8]	**169,733** [10]	–	Freehold
5. The St. Francis Shangri-La Place	St. Francis St. corner Internal Road Shangri-La Place Mandaluyong City Philippines	Commercial	65.36 [8]	**16,937**	–	Freehold
Total overseas completed investment properties				**1,865,340**	**1,572**	

			Group's attributable interest				
Property name	Location	Type	%	Approximate gross floor area (square feet)	Approximate site area (square feet)	Stage of completion	Scheduled completion
Overseas Properties							
B. Under development							
1. Fort Bonifacio Shangri-La Hotel	Fort Bonifacio Taguig Philippines	Residential Hotel Commercial	39.22 [11]	232,504 334,715 18,596 **585,815**	42,553	Finishing work in progress	First half of 2017
2. Shang Salcedo Place	Sen. Gil Puyat Ave. Cor. Tordesillas St. and HV Dela Costa St., Makati City, Philippines	Residential	65.36 [8]	**428,486**	21,423	Interior design work in progress	First half of 2018
3. The Rise	Malugay Street Makati City, Philippines	Residential Commercial	58.18 [12]	951,235 56,013 **1,007,248**	67,785	Superstructure work in progress	Second half of 2020
Total overseas properties under development				**2,021,549**	**131,761**		

Property name	Location	Type	Group's attributable interest %	Group's attributable interest Approximate gross floor area (square feet)	Group's attributable interest Approximate number of carpark spaces	Lease term
Overseas Properties						
C. Held for sale						
1. One Shangri-La Place	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Residential	65.36 [8]	**8,830**	27	Freehold
2. The St. Francis Shangri-La Place	St. Francis St. corner Internal Road Shangri-La Place Mandaluyong City Philippines	Residential	65.36 [8]	**4,506**	–	Freehold
Total overseas properties held for sale				**13,336**	**27**	
TOTAL OVERSEAS PROPERTY PORTFOLIO				**3,900,225**		

Notes:

(1) Application for land certificate in progress.

(2) Payment for land use right in progress.

(3) Included other facility with gross floor area of approximately 65,000 square feet.

(4) Being lettable floor area.

(5) Being net floor area.

(6) Subject to final Hong Kong SAR Government approval plans and documentations.

(7) As regards the reclamation project in Macau, according to the Macau SAR Government Notice which was gazetted on 14 October 2009, a piece of land will be granted in exchange with location and size to be identified and agreed.

(8) Including attributable interest of 30.75% held through Philippine Deposit Receipts.

(9) Including attributable interest of 21.54% held through Philippine Deposit Receipts.

(10) Being site area.

(11) Including attributable interest of 18.45% held through Philippine Deposit Receipts.

(12) Including attributable interest of 27.37% held through Philippine Deposit Receipts.

(13) Gross floor areas exclude carpark spaces.

(14) The Group signed Shares Transfer Agreements with independent third parties to sell all its investments in Yingkou and Changsha projects. Gross floor areas exclude areas of these projects.

CARING FOR THE ENVIRONMENT

"Green Every Day", earth-friendly practices incorporated into our everyday work life

"Environmental Movement" launched to engage all tenants and residents of Group-managed properties

Green Procurement Manual now covering 50 items of products and services used in property management and head office

In 2016, we made solid progress towards our environmental goals. Environmental sustainability continues to be a pillar of our Group's business strategy and long-term success.

POLICY AND MANAGEMENT

Our Sustainability Committee, which guides the company-wide commitment to sustainability, is responsible for formulating and implementing the Group's green policy. On the committee are staff representatives from our Hong Kong head office and five major properties in the Mainland: Beijing Kerry Centre, Jing An Kerry Centre, Kerry Parkside, Hangzhou Kerry Centre and Shenzhen Kerry Plaza.

An Environmental Policy for property development and management has been established, with environmental performance targets formally adopted by top management as our organizational goals.

The policy is implemented and constantly enhanced through our Environmental Management System ("**EMS**"), which was established in 2009. Today, this ISO 14001-accredited system has been adopted by Kerry Properties Limited ("**KPL**"), Kerry Property Management Services Limited ("**KPMSL**") and MegaBox Management Services Limited ("**MMSL**"). Our Kerry Properties Development Management (Shanghai) Co., Ltd. in the PRC has also obtained the same ISO 14001 accreditation.

We have set annual objectives and targets for our headquarters, all development projects, and properties managed by KPMSL. As at 31 December 2016, we have successfully exceeded most of the targets.

Specifically, we have set a long-term carbon reduction target for headquarters and all managed properties in Hong Kong, including a 23% reduction in electricity usage and 23% reduction in carbon emissions for 2020 compared to the base year of 2011. After this target was achieved in 2015, a more aggressive target is being adopted for 2017 onwards.

A Green Procurement Manual was launched in 2015. It was compiled by a task force of representatives from our different departments and includes a list of product requirements specifying the environmental credentials of 50 items of products and services commonly used in property management and throughout our offices. Using these guidelines, purchase of products is evaluated based on such qualities as durability, recyclability, toxicity, energy consumption, use of clean technology and emission levels. This manual governs the procurement process for headquarters and properties managed by KPMSL in Hong Kong.

We believe the best way to promote green practices in the workplace is to encourage staff ownership through a bottom-up approach. Regular informal Green Lunches were therefore organized during 2016 to encourage the exchange of green ideas among staff members from different departments and levels. Some staff suggestions have been adopted by the Group as part of our "Green Every Day" programme.

GREEN PROPERTY DEVELOPMENT AND MANAGEMENT

Environmental Movement

In a key development, the Group's property management arm launched an "Environmental Movement" in 2016 to engage the occupants of all its managed properties. This new green initiative aims to raise environmental awareness among residents and tenants and encourage them to nurture green habits. Under this programme, each property draws up an annual activity and incentive plan.

Effective recycling is a major theme of the "Environmental Movement". Residents and tenants are now engaged in a wide variety of recycling (of used clothes, books, fluorescent lamps, electronic appliances, and festive plants and materials, etc.) and food and other waste collection initiatives. The past year's activities included a food waste recycling pilot campaign where food waste was collected from Enterprise Square Five and converted to organic fertilizer for gardening at MegaBox and our Mid-Levels residences.

To drive home the environmental message, green tips have been formulated and presented in a creative way to the residents. Other educational activities included DIY workshops and green-theme fun days. Tours to country parks and interactive environmental expeditions were also organized for residents over the year to nurture their love for nature and allow them to learn about the latest eco-friendly technologies.

Joining Hands with Green Groups

The property management teams in the Mainland and Hong Kong are also active participants in local and worldwide green campaigns. For example, Shenzhen Kerry Plaza has taken part in a voluntary clean production reporting scheme to help local environmental authorities devise solutions to reduce energy consumption and pollution. Meanwhile KPMSL and MMSL have both participated in the "Power Smart" Energy Saving Contest organized by Friends of the Earth (HK). Kerry Residence at Jing An Kerry Centre has echoed the cause of "World Environment Day", while MegaBox, Beijing Kerry Centre, Shenzhen Kerry Centre, Jing An Kerry Centre, Kerry Parkside, Tianjin Arcadia Court and Putian Arcadia Court have all supported the "Earth Hour" 2016 lights-off activity. KPMSL has also backed the "Hong Kong No Air Con Night" activity of Green Sense.

It is also possible to make festive celebrations with tenants more eco-friendly and community caring. MMSL thus engaged a social enterprise as caterer for its Christmas party for tenants, who were encouraged to bring their own utensils for the occasion.

Greener Construction

With regard to property development, the Group continues to promote and commend green and healthy construction practices at all its sites through the in-house "Green Construction Site Award". The judging process includes the evaluation of each construction site against a set of criteria, including law abidance, site management structure, consideration towards the neighbourhood and passers-by, environmental performance, and innovation in green measures.

GREEN IN EVERYDAY OPERATIONS

To truly incorporate environmental considerations into our daily operations, we have embarked on a "Green Every Day" initiative in all our Mainland and Hong Kong operations. Through the provision of easily accessible waste separation facilities and staff barter platforms, smart use of resources, encouraging waste paper reuse, control of indoor temperatures and procurement of energy-saving appliances, green practices are being made easy for everyone. Some of these green practices, such as the use of recycled paper towels, were extended to our managed office premises and have received a positive response from tenants.

Taking on an inclusive approach, "Green Every Day" involves sharing of green news or information during staff morning briefings. Green can be fun too, and our staff activities often embrace a range of green concepts. Upcycling workshops were hosted during the year for staff and their families to make handcrafted works of art from used materials. Residents have joined in some of these workshops, such as one to 'reconstruct' old T-shirts. We have also mobilized our employees and their families to take part in tree planting programmes in Beijing and Shenzhen.

In another effort to put green concepts into practice, we partnered with CarbonCare Asia to host a sustainability seminar for management and suppliers of our major developments in the Mainland and Hong Kong. Participants were able to gain a deeper understanding of their own roles in the Group's pursuit of sustainability.

SUPPORT OF GREEN ORGANIZATIONS

We continued to support the work of various green organizations in Hong Kong over the past year.

The Hong Kong Green Building Council ("**HKGBC**") is the leading body driving the standards and development of sustainable buildings in Hong Kong. The Group has been a Gold Patron of HKGBC since 2013.

We have also been a Council Member of the Business Environment Council ("**BEC**") since 2013. An independent, charitable organization established by the business sector in Hong Kong, BEC has been at the forefront of promoting environmental excellence and contributing to the city's transition to a low-carbon economy.

The Group is also delighted to support the "GREEN^PLUS Programme" as a participant. This programme is a collaborative platform enabling government, local chambers and trade associations, green groups, professional and academic bodies, and energy consumers to share energy efficiency and conservation knowledge.

CARING FOR THE COMMUNITY

Our role as a corporate citizen guides us towards creating positive change in society. Through caring and taking appropriate action, we build meaningful relationships with the community.

VOLUNTEERING

Volunteering lies at the heart of our corporate culture. Our various business units and property developments in Hong Kong and the Mainland have formed several volunteer teams to reach out to their respective communities. Some of these teams, including that of Shenzhen Kerry Plaza, are officially registered with local authorities.

Over the past year, our staff volunteers could be found on Mount Tianma, Putian, helping clean the countryside, in the kitchen of the Food Angel preparing meals for those in need, staging magic and golden oldies shows at elderly centres, visiting senior citizens who live alone, at a camp helping families with special needs children, and indeed wherever they could lend a helping hand.

OPPORTUNITIES FOR YOUNG PEOPLE AND THE UNDERPRIVILEGED

As a business operator, the Group is under an obligation to provide work and training opportunities for underprivileged and aspiring young people. For the third consecutive year, we offered trainee positions for young people with an associate degree or similar qualification, under a "Customer Services Trainee Programme" co-organized by the Labour Department and the Hong Kong Federation of Youth Groups. This half-year programme included courses and on-the-job training. Trainees who performed well were offered permanent posts upon completion of the programme.

The Group also continued to engage the lettershopping service of Hong Chi Association, which serves people with intellectual disabilities. In addition, KPMSL helped stage the association's two-week charity sales in the common area of Kerry Centre in Hong Kong. Sales revenue generated from cookies and craft items made by Hong Chi trainees would be used to fund their educational and training programmes.

COMMUNITY HEALTH AND SAFETY

Our developments are part of the communities they belong to. To connect ourselves with the local neighbourhoods, we mobilize our staff and tenants to take part in activities designed to enhance the welfare of the community.

These activities included anti-drug and fire safety campaigns held in Hangzhou and Shenzhen in conjunction with neighbourhood communities. The fire safety campaigns helped identify and prevent fire hazards, while promoting fire protection and knowledge of emergency evacuation among local residents and tenants.

DONATIONS AND SPONSORSHIPS

The Group, together with its subsidiaries, staff members and tenants, has supported a broad range of worthy social causes through donations or sponsorships. "The Green WALK Hong Kong 2016", in particular, reflected the combined contributions of our Group as a sponsor with MegaBox as a checkpoint for the walking campaign. The event was organized by World Green Organisation to encourage Hong Kong people to walk more, thereby minimizing our carbon footprint.

In another collaborative move in support of RoadShow and The Salvation Army's "Circle of Goodness" campaign, the Group initiated the joint efforts of KPMSL in motivating residents and tenants of its managed properties to make in-kind donations to the needy. The Group also acted as the event's corporate sponsor.

Many of our residents have participated in our other community caring work, such as contributing Chinese New Year gifts and food for the underprivileged.

Our PRC teams are also keen on contributing via in-kind donations. Colleagues from Habitat in Qinhuangdao, for example, initiated a book donation campaign and succeeded in collecting 1,000 books from staff members and property owners for donation to an orphanage. Our people's affectionate hearts and active participation are behind these donations and sponsorships. Our staff, together with the owners of Habitat, Qinhuangdao, arranged a visit to personally deliver the books converting their caring thoughts to action.

In response to another call of the "owecn" charity website, Shenyang Kerry Centre mobilized its staff teams to collect winter clothes, shoes and quilts for poverty aid groups and students in need.

As the owner and operator of commercial and office spaces, we sponsored venues for hosting charity sales, blood donations, concerts and many other events. To express their caring for animals, Kerry Parkside offered a venue for free for Best Friends China to host their stray cats and dogs adoption campaign.

ACTIVE PARTICIPATION IN CHARITY EVENTS

Kerry Group Kuok Foundation and Jigsaw are charitable entities established by our parent company. The foundation's goal is to change lives by cultivating advancement through opportunity for all. Both entities focus on addressing issues related to poverty. Over the past year, our various business units have participated in their philanthropic initiatives.

Colleagues from Beijing Kerry Centre, for instance, took part in the "Big Buddy Programme" and acted as mentors to children of migrant workers. Through letter-writing, cultural activities and games, migrant students communicate with their big buddies and seek guidance in their educational and career pursuits.

Our colleagues in Hong Kong all demonstrate active support of Jigsaw's activities in caring for our senior citizens. Together with other volunteers from our parent and member companies, we have helped the elderly clean their homes and paid them regular visits, especially during the festive seasons. To better understand the issue of poverty among the elderly population, an expert seminar was hosted for our colleagues.

Meanwhile, Jigsaw aims to cultivate social mobility and inclusion by engaging children and teenagers from less privileged families in different mainstream events, such as traditional dragon boat racing, musical jam sessions and cooking classes.

In another joint effort co-ordinated by Habitat, our northern PRC business units in Beijing, Tianjin, Qinhuangdao, Shenyang, Manzhouli and Tangshan collected and donated winter clothes for three primary schools located in poverty-stricken Youyu County, Shuo Zhou, Shanxi Province. Shenzhen Kerry Plaza initiated a series of book sharing activities among tenants, and donated selected books to children in need.

CARING FOR OUR PEOPLE

Health and Safety Committee, Corporate Safety & Health Policy Statement

24-Hour Counselling Hotline

"Make Work Fun" Programme

"Kerry WeChat Academy"

We train our people, create opportunities to help them advance in their careers, and care about their overall well-being. In 2017, we will further our nurturing programme by exploring new engagement and staff support initiatives.

A HEALTHY WORKPLACE AND WORK-LIFE BALANCE

Health and Safety

We endeavour to safeguard the health of employees, the general public and those who may come into contact with our business units' activities. This commitment is outlined and endorsed in a Corporate Safety & Health Policy Statement adopted by KPMSL for its property management operations. Under this policy statement, annual health and safety objectives and targets are set.

Our Safety Committee, formed by members from management to working level, supervises our efforts to integrate all reasonably practical safety measures into planning and operations, and reviews the policy periodically. Safety performance is measured and audited in order to benchmark progressive improvements.

In a proactive and caring move, the Kerry Group of Companies launched a 24-hour counselling hotline service in December 2016. The service aims to promote employees' mental and physical well-being by listening to their concerns and worries on personal matters, or family or work-related issues. The hotline is managed by professional counsellors, and is available to employees and their immediate families. Conversations are kept in strict confidence. Should the counsellors identify cases that need follow-up, face-to-face meetings would be scheduled.

Various business units have also come up with ideas to help staff relieve work pressure. Putian Arcadia Court, for instance, has set up communication sessions for this purpose. To equip staff with the capacity to cope with work stress and maintain optimum mental health, MMSL has engaged an occupational health management consultancy to host a training course.

Workplace Well-being

Employee happiness and a healthy lifestyle are also major priorities. These are the main objectives behind the "We Care" programme designed for the members of our property management team, who are all invited to join monthly activities. A theme is adopted for every month, ranging from fun and sport, hobbies and health, to festive celebrations.

We take pleasure in sharing precious moments together. All staff working at the Group's Hong Kong Mid-Levels properties celebrate their birthdays at monthly parties. During festivals, our different business units also give out gifts to staff.

Our various business units in Hong Kong and the Mainland also offer a variety of sports activities or exercises for staff. To enable staff to build their social network, inter-company and inter-departmental tournaments have been organized throughout the year. Our staff and their family members also had fun playing mass game during "The Kerry Group Sports and Fun Day".

We encourage our staff to pursue different interests to unwind and unleash their talent through hosting different interest classes such as calligraphy, the art of tea and floral arrangements. The Group also showed support to various sports groups voluntarily formed by staff.

Family Friendly

Some of our frontline property management staff of the PRC Property Division come to work in the city while their families remain in their home towns. To facilitate family visits, Shenzhen Kerry Plaza provides accommodation for staff members so that they can spend time with their loved ones.

The business unit also arranged for the children of its staff to visit their parents' work place on National Children's Day. We encourage staff to bring their families to our various outings and fun activities.

Returning home for Chinese New Year can be very difficult for some staff members who travel huge distances to work. Our Hangzhou team has arranged to give complimentary transport tickets to some frontline staff. We are also proud of our colleagues who have generously reached out to help their team members in need of other kinds of support.

TALENT DEVELOPMENT

Professional Training

Environmental considerations form one of the core principles of our business operations. This is made possible by having every member of our company observe and adhere to our green practices. Awareness of our EMS continues to be a mandatory training for all employees, while EMS implementation training is provided to project management and property services teams. The Group has also sponsored staff to attend external professional training including BEAM Professionals training.

To ensure strict compliance with our fundamental values of integrity and fairness, staff members have been invited to attend a series of talks given by the Independent Commission Against Corruption and the Equal Opportunities Commission.

A variety of seminars and workshops are also regularly organized to keep our staff members updated on professional skill sets to prepare them for personal and career development. In 2016, these professional training sessions covered technological advances, the enterprise resource planning system, regulatory issues, PRC tax reform, government policies, energy efficiency installations and

consumer psychology. Practical skills such as the safe use of electrical devices, tree risk assessment and slope maintenance may also be acquired through some other staff courses.

At Shenzhen Kerry Plaza, regular lunch talks were also hosted over the year to encourage sharing and learning among staff. Topics included exchange of professional skills, environmental protection, culture, physical and mental self-maintenance, and uplifting messages.

Leadership Development

Two rounds of leadership skills training sessions have been organized to equip newly promoted property services officers and managers to face new challenges. This four-module programme helps them motivate and manage a workforce with a wide age range.

For newly recruited assistant property management officers, an officer trainee programme has been developed to provide them with intensive training on customer service, personal effectiveness, supervisory skills and language.

We believe that our coaching culture plays a key role in unleashing the full potential of our valuable human capital. To nurture our staff's coaching skills, we have arranged a number of Train the Trainer and soft skills sessions for them.

Training for Customer Services Enhancement

Through a "7Ups Development" programme comprising seven modules, our frontline customer services staff receive training in communication, problem solving, creative thinking and language proficiency.

The "Service Excellence Programme" is for both new hires and existing staff as refresher course on delivering first-class experience to the customers. This programme is extended to contractors' teams to ensure service excellence. With cross-company training, our staff also get the opportunity to share and learn best service practices from the Shangri-La teams.

Our customer services staff may also choose from a wide range of courses and talks, on topics such as automated external defibrillation, serving customers with disabilities and visually impaired persons with guide dogs, fire safety, playground safety, anti-terrorist drills, inspection of renovation works, professional make-up, etiquette, broadcasting, English conversation skills, and risk prevention.

A "Make Work Fun" programme is in place for property management team members to learn useful handicrafts and party tricks. The aim is to help staff in organizing clubhouse activities for residents. Trainers are from the team and the programme therefore also provides a platform for staff to showcase their individual talents.

TEAM BUILDING AND COMMUNICATION

The "Buddy Programme" aims to foster team spirit among members of the property management division. This staff care programme identifies and trains enthusiastic staff members to be new hires' buddies, helping them to better adapt to and establish connections in the new environment.

As a learning organization, we make knowledge readily accessible to all staff. Our PRC property management operation, for example, has set up a "Kerry WeChat Academy" to enable the sharing of work knowledge, everyday experiences and other useful messages via a mobile online platform. Our Hong Kong team members also get updated on company news, and communicate and share their views on our Intranet platform. Shenzhen Kerry Plaza also has an online sharing platform "Jia Yuan" for staff.

Staff often provide creative ideas to improve customer service and to optimize work processes via the "i-Suggest" programme. Their creative and useful ideas are rewarded and shared with all staff through our internal publication, the *Art of Service*, and Intranet.

Team building is also achieved through a range of activities, from outdoor training and staff day excursions to experiential learning.

AWARDS AND CITATIONS

The Group is honoured to have received numerous awards during the past year. In this section, we are delighted to share some of our works that were celebrated for bringing positive changes to people's lives, the industry, and local communities. Importantly, the Group did not make these accomplishments alone. Our passionately engaged staff members have supported our aspirations along the way. Together, we give our best.

GREEN

We make continuous efforts to create and manage our developments in a sustainable way. Acknowledging the added responsibilities which the awards entail, we pledge to uphold our role in creating a greener environment.

Environmental Management System – ISO 14001

The Group has established an Environmental Management System ("**EMS**") to drive and govern the implementation of its Environmental Policy. In an effort to expand and align the EMS throughout our operating territories, we have achieved ISO 14001 certification for the Company's system since 2011. The certification has also been expanded to include Kerry Property Management Services Limited ("**KPMSL**") and MegaBox Management Services Limited ("**MMSL**"). The EMS of Kerry Properties Development Management (Shanghai) Co., Ltd., one of our member companies in the Mainland, has been accredited under ISO 14001 since 2010.

CarbonCare® Label 2016

Kerry Properties was once again awarded the "CarbonCare® Label" in 2016 by Carbon Care Asia and CarbonCare InnoLab. This year, the Group received a 20% reduction label which indicates our achievement of 20% carbon reduction comparing with the base year 2011. This unique scheme has awarded over 200 labels to companies and organizations in Hong Kong since its launch in 2011. The label requires substantive effort from the awarded company, and is a recognition of excellence in our journey to sustainability.

Hong Kong Green Awards 2016 – Green Management Award (Corporate) – Silver Award and Sustained Performance (7 Years+)

Hong Kong Green Awards, led by the Green Council, is a prominent annual award programme in Hong Kong. The Group was conferred a Silver Award under the "Green Management Award (Corporate)" category and the "Sustained Performance (7 Years+)" label for the strong environmental performance, continuous improvement and leadership in our operations. Managed by KPMSL, Branksome Crest and Branksome Grande also received a merit under the "Service Provider – Large Corporation" category.

LEED for Existing Buildings – Platinum Certification

In August 2016, Beijing Kerry Centre ("**BKC**") achieved Platinum Certification by the U.S. Green Building Council's "Leadership in Energy and Environmental Design for Existing Buildings: Operations & Maintenance" ("**LEED EBOM**"). Building on almost two decades of BKC's presence in the community, we are delighted to see the complex become the first mixed-use development to receive Platinum LEED EBOM certification in Asia Pacific. BKC is also the oldest LEED EBOM-certified mixed-use building in the world, validating the high quality of indoor environment and efficient operation of the development. This esteemed recognition reflects our continued efforts in implementing sustainable practices and reducing environmental impact throughout our real estate portfolio.

BEAM Plus New Buildings – Silver and Provisional Silver Rating

The "Building Environmental Assessment Method Plus" ("**BEAM Plus**") New Buildings certification by Hong Kong Green Building Council ("**HKGBC**") covers the demolition, planning, design, construction and commissioning of a new building project. Dragons Range was awarded a Silver Rating of "BEAM Plus Version 1.1 for New Buildings" in December 2016. The Group's proposed residential project at NKIL No. 6532, Lung Cheung Road, Beacon Hill, Kowloon, was also granted a Provisional Silver Rating of "BEAM Plus Version 1.2 for New Buildings" in April 2016. By adopting a range of best practices, the project seeks to reduce its development impacts while also improving environmental quality and user satisfaction.

AWARDS AND CITATIONS

Award/Citation	Issuing Authority
Hong Kong Green Organisation • Kerry Properties Limited	Environmental Campaign Committee, Environmental Protection Department and nine leading trade associations and professional bodies
Wastewi$e Certificate • Excellence Level – Kerry Properties Limited and 1 & 3 Ede Road, 15 Homantin Hill, Bayview, Belgravia, Branksome Grande, Branksome Crest, Camellia Court, Century Towers, Constellation Cove, Elm Tree Towers, Enterprise Square, Enterprise Square Two, Enterprise Square Three, Heng Fa Villa, Island Crest, Jupiter Terrace, Larvotto, Lions Rise, May Towers, Ocean Pointe, Primrose Hill, Regency Park, SOHO 38, SOHO 189, Tavistock, Tavistock II, Aigburth, The Altitude, The Summa and Valverde, Hong Kong	Environmental Campaign Committee
Certificate of Green Building Design Label • Putian Arcadia Court	China Urban Science Research Association
2015 Hong Kong Awards for Environmental Excellence • Kerry Centre and Enterprise Square Five, Hong Kong	Environmental Campaign Committee
IAQwi$e Certificate • Excellence Level – Head Office of Kerry Properties Limited, Hong Kong	Environmental Campaign Committee
Indoor Air Quality Certificate • Excellence Class – Common areas of Kerry Centre and Head Office of Kerry Properties Limited, Hong Kong • Good Class – Common areas of Enterprise Square, Hong Kong	Environmental Protection Department
Commendation Scheme on Source Separation of Domestic Waste 2015/2016 • Award for Promotion – Ocean Pointe, Hong Kong • Bronze – Regency Park, Hong Kong • Certificate of Merit – Ocean Pointe, 15 Homantin Hill and Lions Rise, Hong Kong	Environmental Protection Department
Eastern Community Green Station • Estate with Highest Recyclable Volume – Heng Fa Villa, Hong Kong	Environmental Protection Department

CORPORATE GOVERNANCE AND CITIZENSHIP

We weave stakeholder accountability into our every business strategy and process in order to stay true to our commitment to excellence, integrity and inclusiveness. These awards reflect our efforts and performance in this area.

Caring Company

Kerry Properties received the "10 Years Plus Caring Company" logo from the Hong Kong Council of Social Service for the third time in 2016. In addition, the Group maintained its Coral membership of the Caring Company Patron's Club as a supporter of the scheme. MegaBox Development Company Limited ("**MDCL**") and MMSL have devoted long-term efforts to building a more cohesive society, and were also granted the "5 Years Plus Caring Company" logos.

Hang Seng Corporate Sustainability Benchmark Index – Constituent

The Group remains a constituent member of the "Hang Seng Corporate Sustainability Benchmark Index", which covers corporate sustainability leaders in Hong Kong. Being a constituent member reflects high environmental, social and corporate governance standards in Kerry Properties. Hang Seng Indexes Company Limited selects the constituents based on an objective sustainability assessment undertaken by the Hong Kong Quality Assurance Agency ("**HKQAA**").

Sustainable Business Award 2016

Kerry Properties was one of the 11 awardees of the "Sustainable Business Award 2016" presented by World Green Organisation ("**WGO**") in September. WGO introduced the award to commend corporations that apply good sustainable business practices. Many corporations participated in the award this year, and we are delighted to have been selected by the professional judging panel.

Touching CSR Award 2015

Organized by The Association of Distinguished Corporation, the "Touching CSR Award 2015" assessed the candidates on the basis of ISO 26000 (Clause 6). This international and standardized review mechanism ensures that awardees are objectively judged for their performance in different aspects of corporate social responsibility. We are delighted to have scored well on all seven core principles under this standard, including corporate governance, community participation and development, human rights, environmental protection, fair operating practices, labour practices and consumer rights.

ERB Manpower Developer Award Scheme – Manpower Developer 1st 2010-2018 and Certificate of Appreciation 2014-2016

This scheme, organized by the Employees Retraining Board ("**ERB**"), aims to assess the maturity of manpower training and development strategies and practices of organizations in Hong Kong. As a "Manpower Developer", we review and evaluate the effectiveness of our manpower strategies in accordance with a set of objective and stringent criteria. The Group has been acknowledged with this recognition since 2010.

AWARDS AND CITATIONS

Award/Citation	Issuing Authority
5th Outstanding Corporate Social Responsibility Award • Kerry Properties Limited	*Mirror Post*
HKQAA CSR Index Plus • Participant – Kerry Properties Limited	Hong Kong Quality Assurance Agency
2015/2016 Family-Friendly Employers Award Scheme • Family-Friendly Employers – Kerry Properties Limited • Awards for Breastfeeding Support – Kerry Properties Limited	Home Affairs Bureau and Family Council
Credible Enterprise of Guangdong Province 2015 • Shenzhen Kerry Plaza	Guangdong Administration Bureau for Industry and Commerce
The 7th Hong Kong Outstanding Corporate Citizenship Awards • Corporate Citizenship Logos (Enterprise and Volunteer Categories) – MegaBox Management Services Limited	Hong Kong Productivity Council and Committee on the Promotion of Civic Education
Caring for Community Award 2016 • MegaBox Management Services Limited	Hong Kong Children & Youth Services
"Hong Kong Citizen Hong Kong Heart" Volunteer Ambassador Programme and DIY Suggestion Scheme • Certificates of Appreciation – MegaBox Management Services Limited	Steering Committee on Promotion of Volunteer Services, Social Welfare Department
2014-2016 Best Corporate Volunteer Service Project Competition • Certificate of Recognition – MegaBox Management Services Limited	Steering Committee on Promotion of Volunteer Services, Social Welfare Department

PROPERTY DEVELOPMENT AND MANAGEMENT

At Kerry Properties, we go beyond building. These awards stand testimony to our commitment to elevating the business and residential environment, and redefining the shopping and lifestyle experience.

BCI Asia Awards 2016 – Top 10 Developers Award – Hong Kong

Through its annual award programme, BCI Media Group distinguishes the leaders in the property development sector in Asia. The Group was presented with a "Top 10 Developers Award – Hong Kong" for achieving the greatest aggregate value of projects under construction during the calendar year, as weighted by the extent of their sustainability and confirmed green building ratings.

China Tall Building Awards – China Urban Habitat Award

Jing An Kerry Centre, Shanghai was awarded on the merit of a brilliantly executed master plan and urban design which has led to a quality environment where the interface between the building and the urban realm is exemplary. The project has demonstrated a positive contribution to the surrounding environment, and has added to the social sustainability of both its immediate and wider settings. The award is a joint initiative of the China International Exchange Committee for Tall Buildings and the Council on Tall Buildings and Urban Habitat.

Business Traveller China Awards 2016 – Best Serviced Residence in China

Beijing Kerry Residence was named the "Best Serviced Residence in China" in the award programme hosted by *Business Traveller* China as the recognition of its outstanding quality. The award results were based on votes by the highly discerning readership of *Business Traveller* China, representing crucial customer feedback.

Award/Citation	Issuing Authority
The 6th Annual China Hotel Awards • Best Serviced Apartments – Beijing Kerry Residence	*Lifestyle Magazine*
That's Beijing 2016 Lifestyle Awards • Outstanding Serviced Apartment – Hospitality – Beijing Kerry Residence	*That's Beijing*
2016 Luxury Homes of China Awards • Outstanding Lifestyle – Beijing Kerry Residence	*City Weekend*
2015 Outstanding Safety Unit in Shanghai • Jing An Kerry Centre, Shanghai	The Shanghai Municipality Committee of Comprehensive Treatment of Public Security
2016 Best Managed Buildings in Shanghai • Kerry Parkside and Jing An Kerry Centre, Shanghai	The Trade Association of Shanghai Property Management
Outstanding Property Management in Shenyang 2015 • Shenyang Arcadia Court	Liaoning Province Real Estate Industry Association and *Liaoning Daily*
Excellence in Tangshan Urban Construction Medal 2016 • Hengyun Real Estate (Tangshan) Co., Ltd.	Fang.com Beijing
3rd Qianhai Top Enterprises Award • Top 10 Hong Kong Enterprises – Kerry Development (Shenzhen) Co., Ltd.	*Shenzhen Special Zone Daily*
Top 10 Most Valuable Real Estate Brands in Shenzhen • Kerry Development (Shenzhen) Co., Ltd.	Shenzhen Real Estate Association

AWARDS AND CITATIONS

Award/Citation	Issuing Authority
Luban Prize (National Quality Project Award) • Habitat, Qinhuangdao	China Construction Industry Association
Third Conference for Fujian Real Estate Enterprises • Top 20 Real Estate Enterprises – Full Fortune Real Estate (Putian) Co., Ltd. • Landmark Project in Fujian – Putian Arcadia Court	Fujian Mainstream Media Real Estate Alliance
12th China Property Network Popularity Rankings • 2016 Potential Property Project in Ningbo – The Berylville II, Ningbo	Fang.com
22nd Considerate Contractors Site Award Scheme • Gold Award – Kerry Project Management (H.K.) Limited (The Bloomsway)	Development Bureau and Construction Industry Council
Best Landscape Award for Private Property Development 2016 • Merit Award – 1 & 3 Ede Road, Hong Kong	Leisure and Cultural Services Department
Quality Water Supply Scheme for Buildings – Fresh Water and Fresh Water (Plus) • 1 & 3 Ede Road, The Summa, Bayview, Valverde, Belgravia, Island Crest, Enterprise Square Three, SOHO 189, The Altitude, 15 Homantin Hill, Constellation Cove, Lions Rise, Ocean Pointe, Primrose Hill, Branksome Crest, Tavistock, Tavistock II, Aigburth, Kerry Centre and MegaBox, Hong Kong	Water Supplies Department
Quality Water Supply Scheme for Buildings – Flushing Water • 1 & 3 Ede Road, Belgravia, Island Crest, Larvotto, The Altitude, The Summa, Bayview, Primrose Hill and Kerry Centre, Hong Kong	Water Supplies Department
Best Property Safety Management Award 2015-2016 • Best Property Management Award in Occupational Safety & Health – Kerry Centre, Hong Kong	Occupational Safety and Health Council, Labour Department and The Hong Kong Association of Property Management Companies
6th Hong Kong Property Management and First-Aid Competition • Multiple Awards – Kerry Centre, Hong Kong	Hong Kong Institute of Registered Security Trainers
2015-2016 Kowloon East Best Security Services Awards • Outstanding Partner – MegaBox, Hong Kong	Hong Kong Police Force Kowloon East Regional Crime Prevention Office
2015-2016 Hong Kong Island Best Security Services Awards • Outstanding Security Services – Residential Property Award – Tavistock, Tavistock II, Aigburth and May Towers, Hong Kong	Hong Kong Police Force Hong Kong Island Regional Crime Prevention Office
Quality Lift Service Recognition Scheme • Silver Award – Kerry Centre, Hong Kong	Electrical and Mechanical Services Department
Security Services Best Training Awards 2015 • Licensed Security Company – Type I (Award of Gold) – Larvotto, Hong Kong	Vocational Training Council and The Crime Prevention Bureau of Hong Kong Police Force
Promotion of Fire Safety Appreciation Scheme for Buildings • Certificate of Appreciation – MegaBox, Hong Kong	District Fire Safety Committee (Kwun Tong District)

COMMUNICATIONS AND PROMOTIONS

We build and maintain productive relationships with different stakeholders through open, genuine and creative communication. Our greatest reward, apart from recognition from professionals of this highly competitive field, is the positive encounters we have with the community.

Hong Kong Investor Relations Association 2nd IR Awards – Overall Best IR Company and Other Awards

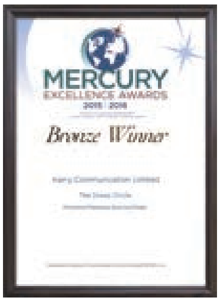
This award scheme aims to honour excellence and best practices in investor relations ("**IR**") among Hong Kong listed companies. The Group is pleased to have received multiple awards, including "Overall Best IR Company – Mid Cap", "Best IR Company – Mid Cap", and "Best IR Presentation Collaterals – Mid Cap", from the Hong Kong Investor Relations Association. Competition was intense with more than 780 nominations coming in for various award categories. We have been chosen as winners of these three awards based on online voting by buy-side and sell-side analysts.

ASTRID Awards 2015 – Gold Awards and Grand Award Winners

The Group has won a series of awards in this international commendation programme held by MerComm, Inc. The Bloomsway's promotional booklet received a Gold Award under the category of "Brochure: Promotion", while MDCL claimed another Gold Award under "Special Projects: Anniversary/History" for its MegaBox Anniversary x LEGO Wonderland event. Both were named Grand Award Winners in their respective categories.

LACP 2015 Vision Awards Annual Report Competition – Gold Award

In this exceptionally tough competition organized by the League of American Communications Professionals ("**LACP**"), our 2015 Annual Report scored 98 out of a total 100 points, winning a Gold Award and placing it in the Top 50 Chinese Annual Reports and Top 80 Annual Reports in the Asia-Pacific Region rankings. This year, some 1,000 entities from 25 countries participated in this global annual report competition.



Award/Citation	Issuing Authority
MERCURY Excellence Awards 2015-2016 • Bronze Award (Promotion/Marketing – Brochure/Mailer) – The Dress Circle, mid-levels promotional booklet by Kerry Properties Limited	MerComm, Inc.
Smart Parents' Choice – Brand Awards 2016 • Shopping Mall – Cartoon Characters Events Award – MegaBox, Hong Kong	*Smart Parents Magazine*
Parents' Choice Award 2016 • Best Loved Kids-Friendly Mall – MegaBox, Hong Kong	*Whiz-kids Express Weekly* and *Mommy's Express Weekly*
PR Awards 2016 • Best Engagement (Targeted Community) – Gold Award – MegaBox Anniversary x LEGO Wonderland by MegaBox Development Company Limited	*Marketing Magazine*
GALAXY Awards 2016 • Bronze Award (Special Events: Anniversary Show/Production) – MegaBox Anniversary x LEGO Wonderland by MegaBox Development Company Limited	MerComm, Inc.
QUESTAR Awards 2016 • Bronze Award (Mobile Media: Social Media) – MegaBox Anniversary x LEGO Wonderland by MegaBox Development Company Limited	MerComm, Inc.

During the financial year ended 31 December 2016, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") except that Mr Wong Siu Kong is both the Chairman and the Chief Executive Officer ("**CEO**") of the Company. This is a deviation from A.2.1 of the code provisions which requires that the roles of chairman and chief executive should be separated and should not be performed by the same individual. The reason for the deviation is set out under section "A.2 Division of Responsibilities" below.

The following sections set out how the principles of good governance and code provisions under the Listing Rules have been complied with by the Company during the financial year ended 31 December 2016.

A. DIRECTORS

A.1 The Board of Directors of the Company (the "Board")

1. The Board is responsible for:
   (i) the leadership and control of the Company;
   (ii) overseeing the Group's businesses, strategic directions and financial performance;
   (iii) setting the Company's values and standards;
   (iv) ensuring that its obligations to the Company's shareholders (the "**Shareholders**") are understood and met; and
   (v) strategy formulation, corporate governance and performance monitoring.

2. Proposed Board meeting dates for a financial year are agreed in the final Board meeting of the preceding year. The Board has four scheduled meetings a year at approximately quarterly interval and meets more frequently as and when required. Notice of more than 14 days was given to all Directors to attend a regular Board meeting. For all other Board meetings, reasonable notice will be given to the Directors. During the financial year ended 31 December 2016, the Board held four meetings and the attendance record, on a named basis, is set out in the table below.

Directors		Attendance/Number of Board Meetings during the Directors' tenure of office
Executive Directors:	Wong Siu Kong	4/4
	Ho Shut Kan	4/4
	Bryan Pallop Gaw	4/4
	Chin Siu Wa, Alfred *(resigned on 1 February 2017)*	4/4
Non-executive Director:	Kuok Khoon Hua	3/4
Independent Non-executive Directors:	Ku Moon Lun	4/4
	Wong Yu Pok, Marina, JP	4/4
	Chang Tso Tung, Stephen	3/4

3. Board and Board Committees minutes kept by the Company Secretary are sent to the Directors of the Company (the "**Directors**") for records and are open for inspection by the Directors.

4. The Company has arranged appropriate insurance cover for the Directors.

A.2 Division of Responsibilities

1. Mr Wong Siu Kong, the Chairman and CEO of the Company, is responsible for providing leadership to the Board in terms of establishing policies and business directions. He ensures that the Board discharges its responsibilities effectively and all key issues are discussed by the Board timely. Mr Wong is also responsible for the overall operation and the executive responsibilities of the Group and the full implementation of the directions and policies established by the Board. Although Mr Wong serving as both the Chairman and CEO of the Company is a deviation from A.2.1 of the code provisions, given Mr Wong's extensive experience in the business of the Group, it is more efficient for Mr Wong to perform both roles. It is also more favorable to the development and management of the Group's business. Moreover, Mr Ho Shut Kan, the President of the Company, is responsible for the day-to-day management of the business of the Group and all other members of the Board have the experience and expertise to ensure balance of power and authority so that the power is not concentrated in any one individual.

2. The other Executive Directors ("**ED**") of the Company are delegated with responsibility to oversee and monitor the operations of specific business areas and to implement the strategies and policies set by the Board. The Independent Non-executive Directors of the Company ("**INED**") bring strong independent judgement, knowledge and experience to the Board. Apart from their appointments as INED, none of them has any form of service contract with the Company or any of its subsidiaries. The Non-executive Director of the Company brings business knowledge and experience to the Board.

3. The Chairman and CEO has encouraged all Directors to make a full and active contributions to the Board's affairs and takes the lead to ensure that the Board acts in the best interest of the Company. He has promoted a culture of openness and debate by facilitating the effective contribution of the Non-executive Directors of the Company ("**NED**") and ensuring constructive relations between ED and NED. Accordingly, the Board operates in a functional manner with clearly defined objectives, strategies and responsibilities.

4. During the financial year ended 31 December 2016, the Chairman and CEO has held two meetings with the INED without the other ED present.

A.3 Board Composition

1. The composition of the Board is stated in the section headed "Corporate Information & Key Dates" of this annual report. The Board has a balanced composition and strong independent element. The biographies of the Directors are set out in the section headed "Directors and Senior Management" of this annual report, which demonstrate a diversity of skills, expertise, experience and qualifications.

2. The Company has complied with Rules 3.10 and 3.10A of the Listing Rules in the following manner:
   (i) the Board includes three INED;
   (ii) two of the INED have appropriate professional qualifications, accounting and related financial management expertise; and
   (iii) INED represent more than one-third of the Board.

3. The Company has received annual confirmation of independence from all the INED in accordance with Rule 3.13 of the Listing Rules. The Nomination Committee has assessed their independence and concluded that all the INED are independent within the definition of the Listing Rules.

4. A list of all the Directors identifying their roles, functions and titles is available on the websites of the Stock Exchange and the Company.

A.4 Directors' Appointment, Re-election and Removal

1. Pursuant to the Company's bye-laws (the "**Bye-laws**") and the code provisions of the Listing Rules, each Director shall retire from office no later than the third annual general meeting of the Company after he/she was last elected or re-elected (i.e. the term of appointment of all Directors, including the NED, is effectively three years) and each Director appointed to fill a casual vacancy or as an additional Director is subject to re-election at the next general meeting following his/her appointment.

2. For INED who has served the Company for more than nine years, his/her further appointment will be subject to a separate resolution to be approved by the Shareholders at the general meeting and the papers to the Shareholders accompanying that resolution will include the reasons why the Board believes he/she is still independent and should be re-elected.

A.5 Nomination Committee

The Company established a Nomination Committee ("**NC**") in 2012. Details of the NC and the work performed by it during the year are set out in the section headed "Nomination Committee Report" of this annual report. During the financial year ended 31 December 2016, a NC meeting was held on 15 January 2016 and the attendance record, on a named basis, is set out in the table below.

Directors		Attendance/Number of NC Meeting during the NC members' tenure of office
ED:	Wong Siu Kong	1/1
INED:	Ku Moon Lun	1/1
	Wong Yu Pok, Marina, JP	1/1
	Chang Tso Tung, Stephen	1/1

A summary of the board diversity policy adopted by the Board is set out in the section headed "Nomination Committee Report" of this annual report.

A.6 Responsibilities of Directors

1. Every newly appointed Director will be given a comprehensive, formal and tailored induction on appointment and continually updated with legal and regulatory requirements, business and market changes and development of the Company to facilitate him/her in discharging his/her responsibilities.

2. The NED take an active role in Board meetings, contribute to the development of strategies and policies and make sound judgement in various aspects. They will take lead when potential conflicts of interest arise. Independent Board Committee comprising all INED will be formed to advise the independent Shareholders on those connected transactions to be approved by the independent Shareholders at the special general meeting of the Company. The INED are also members of various Board committees and devote sufficient amount of time and attention to the affairs of the Company.

3. The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the code for securities transactions by Directors of the Company (the "**Model Code**"). The Directors have confirmed compliance with the required standards set out in the Model Code throughout the financial year ended 31 December 2016. Employees of the Company, who are likely to be in possession of unpublished inside information, have been requested to comply with provisions similar to those terms in the Model Code.

4. In order to ensure the Directors' contribution to the Board remains informed and relevant and to develop and refresh knowledge and skills of the Directors, the Company has encouraged and funded suitable trainings for Directors to participate in continuous professional developments. During the financial year ended 31 December 2016, the record of the trainings of the Directors, on a named basis, is set out in the table below.

Directors		Reading journals, written training materials and/or updates	Attending courses, seminars, conferences and/or forums	Receiving briefings from Chief Financial Officer, Company Secretary and/or other executives
ED:	Wong Siu Kong	✓	✓	✓
	Ho Shut Kan	✓	✓	✓
	Bryan Pallop Gaw	✓	✓	✓
	Chin Siu Wa, Alfred *(resigned on 1 February 2017)*	✓	✓	✓
NED:	Kuok Khoon Hua	✓	✓	✓
INED:	Ku Moon Lun	✓	✓	✓
	Wong Yu Pok, Marina, JP	✓	✓	✓
	Chang Tso Tung, Stephen	✓	✓	✓

Note: All of the abovementioned trainings are relevant to the Group's business, the economy, corporate governance, rules and regulations, accounting, financial or professional skills and/or directors' duties and responsibilities.

A.7 Supply of and Access to Information

1. The Board members are supplied with comprehensive board papers and relevant materials within a reasonable period of time in advance of the intended meeting date (in any event no less than 3 days before the date of the meeting). All Directors are given opportunity to include matters in the agenda for regular Board meetings. To facilitate the decision-making process, the Directors are free to have access to the management for enquiries and to obtain further information, when required.

2. All Directors have unrestricted access to the advice and services of the Company Secretary, who ensures that the Board receives appropriate and timely information for its decision-making and that Board procedures, and all applicable rules and regulations, are being followed. The Directors can obtain independent professional advice at the Company's expense.

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND BOARD EVALUATION

B.1 Remuneration Committee

Details of the Remuneration Committee ("**RC**") and the work performed by it during the year are set out in the section headed "Remuneration Committee Report" of this annual report. During the financial year ended 31 December 2016, a RC meeting was held on 15 January 2016 and the attendance record, on a named basis, is set out in the table below.

Directors		Attendance/Number of RC Meeting during the RC members' tenure of office
ED:	Wong Siu Kong	1/1
INED:	Ku Moon Lun	1/1
	Wong Yu Pok, Marina, JP	1/1
	Chang Tso Tung, Stephen	1/1

B.2 Remuneration of Directors and Senior Management

Details of the amount of the Directors' emoluments (including the ED who are members of senior management of the Group) during the financial year ended 31 December 2016 are set out in notes 13(a) and 13(b) to the financial statements of this annual report. Details of the Company's share option scheme are set out in the Directors' Report and note 36 to the financial statements of this annual report.

B.3 Board Evaluation

During the year, the Board has regularly reviewed the contributions from the Directors and confirmed that they have spent sufficient time performing their responsibilities.

C. ACCOUNTABILITY AND AUDIT

C.1 Financial Reporting

1. The Board is responsible for the preparation of the financial statements. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. The external auditor has a primary responsibility for auditing and reporting on the financial statements and the Auditor's Report to the Shareholders is included in this annual report.

2. Towards the end of 2016, the Board has reviewed the financial projections of the Group in respect of the five financial years ending 31 December 2021. On the basis of this review, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

3. During the financial year ended 31 December 2016, all members of the Board have been provided with monthly updates to enable them to discharge their duties.

C.2 Risk Management and Internal Controls

Details on the Group's risk management and internal controls framework and the Board's process to evaluate the Group's system of risk management and internal controls are set out in the section headed "Risk Management and Internal Controls Report" of this annual report.

C.3 Audit and Corporate Governance Committee

Details of the ACGC and the works performed by it during the year are set out in the section headed "Audit and Corporate Governance Committee Report" of this annual report. The ACGC met four times during the financial year ended 31 December 2016 and the attendance record, on a named basis, is set out in the table below.

Directors		**Attendance/Number of ACGC Meeting during the ACGC members' tenure of office**
INED:	Ku Moon Lun	4/4
	Wong Yu Pok, Marina, JP	4/4
	Chang Tso Tung, Stephen	4/4

The Board has delegated duties regarding the corporate governance to the ACGC as set out in the code provisions of the Listing Rules.

With effect from 1 January 2016, the Board has approved and adopted a revised terms of reference of the ACGC to incorporate the amendments required under the new Listing Rules in relation to risk management and internal control systems.

C.4 Auditors' Remuneration

The Company's external auditor is PricewaterhouseCoopers, Hong Kong ("**PwC**"). During the financial year ended 31 December 2016, the fees paid/payable to PwC and other firms of the worldwide network of PricewaterhouseCoopers in respect of the audit of Group's consolidated financial statements and non-audit services provided to the Group were as follows:–

Nature of services	HK$'000
Audit services	9,066
Non-audit services: Tax and other services	2,990

The ACGC had developed and implemented policy on engaging PwC to supply non-audit services. During the year, the ACGC had reviewed PwC's independence and objectivity in relation to both audit and non-audit services provided to the Group by PwC.

D. DELEGATION BY THE BOARD

D.1 Management Functions

The responsibilities, accountabilities and contributions of the Chairman and CEO, the President and ED of the Company are set out in A.2 of this Corporate Governance Report. The day-to-day running of the Company is delegated to the management, with divisional heads responsible for different aspects of the Group's businesses.

D.2 Finance Committee

In addition to delegating specific responsibilities to the ACGC, the NC and the RC, the Board has established a Finance Committee with delegated authority for reviewing and approving certain financial matters of the Group. Currently, the Finance Committee comprises the Chairman and CEO and the President of the Company. The Board has approved and adopted a written terms of reference of the Finance Committee for it to deal with matters such as the investment of surplus funds, undertakings, determination and approval of investment acquisitions and disposals with amounts not exceeding HK$2.5 billion, arrangement of banking facilities and approval of guarantees and indemnities within designated limits. The decisions or recommendations of the Finance Committee were reported back to the Board at the Board meetings.

D.3 Executive Committee

The Executive Committee of the Board meets from time to time as determined by the Executive Committee members and operates as a general management committee. The Board has approved and adopted a written terms of reference of the Executive Committee for it to (i) discuss the corporate and development strategies of the Company; (ii) evaluate and determine the nature and extent of the risks the Company is willing to take in achieving its strategic objectives; and (iii) consider and assess the potential adverse impact on the Company's business caused by prevailing internal and external risks and formulate corrective or mitigating actions required. The decisions or recommendations of the Executive Committee will be reported back to the Board. The members of the Executive Committee comprise all the Executive Directors of the Company.

E. INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

E.1 Communication Channels

In order to develop and maintain a continuing investors' relationship programme, the Company has established various channels of communication with the Shareholders and the investor community:–

(i) Shareholders can raise any comments on the performance and future directions of the Company with the Directors at the annual general meeting of the Company ("**AGM**").

(ii) Press and analysts' conferences are held twice a year in relation to the interim and final results announcements, at which the Executive Directors are available to answer questions regarding the Group's operational and financial performances.

(iii) The Company also avails itself of opportunities to communicate and explain its strategies to Shareholders and the investor community, through active participation in investors' conferences and regular meetings with financial analysts, fund managers and potential investors. The Group had participated in a number of roadshows and investors' conferences during the year ended 31 December 2016 and some of them are set out below:–

Event	Venue
BNP Paribas Asia Pacific Financials, Property & Logistics Conference	Hong Kong
Credit Suisse 19th Annual Asian Investment Conference	Hong Kong
DBS Vickers Pulse of Asia Conference	Hong Kong
HSBC 6th Annual Greater China Property Conference	Hong Kong
Macquarie Greater China Conference	Hong Kong
Citi Asia Pacific Property Conference	Hong Kong
J.P. Morgan Global China Summit 2016	Beijing
Jefferies 6th Annual Greater China Summit	Hong Kong
Nomura's HK China Property Corporate Day	Hong Kong
Morgan Stanley Fifteenth Annual Asia Pacific Summit	Singapore

The Group plans to enhance its investors' relationship by participating in future roadshows and conferences.

(iv) The Company's website at www.kerryprops.com contains important corporate information, annual and interim reports, as well as announcements and circulars issued by the Company to enable the Shareholders and the investor community to have timely access to updated information about the Group.

(v) The Board has established a shareholders' communication policy since 2012 and will review it on a regular basis to ensure its effectiveness.

E.2 Shareholders' Rights

1. Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch registrar and transfer office, namely, Tricor Abacus Limited, whose contact details are stated in the section headed "Corporate Information & Key Dates" of this annual report.

2. Shareholders and members of the investor community are welcome to send their enquiries to the Company's Corporate Communication and Investor Relations Departments, whose contact details are stated in the section headed "Corporate Information & Key Dates" of this annual report.

3. Shareholders who wish to put enquiries to the Board can send their enquiries to the Company Secretary at the Company's Head Office and Principal Place of Business as stated in the section headed "Corporate Information & Key Dates" of this annual report. The Company Secretary will ensure these enquiries to be properly directed to the Board.

4. Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.

5. Corporate communication of the Company will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding. Shareholders have the right to choose the language (either English or Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means).

6. Shareholders holding not less than one-tenth of the paid-up capital of the Company may deposit a requisition to convene a special general meeting and state the purpose therefor at the Company's registered office in Bermuda at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

7. Shareholders who wish to put forward proposals for the Company's consideration at the general meetings can send their proposals to the Company Secretary.

E.3 General Meetings

1. The general meeting provides a forum for the Board to communicate with the Shareholders. To facilitate enforcement of Shareholders' rights, significant issues, including the election of Directors, are dealt with under separate resolutions at general meetings.

2. The members of the Board, including the chairman of the Board Committees and any other committees of the Company or their duly appointed delegates, are available at AGM to answer questions raised by the Shareholders. The chairman of the independent board committee is also present to answer questions at any general meeting which is convened to approve a connected transaction or any other transaction that requires independent Shareholders' approval.

3. The Board will ensure the external auditor attends the AGM to answer questions relating to the conduct of the audit, the preparation and content of the auditor's report, the accounting policy and auditor independence.

4. Relevant resolutions were passed by way of poll at the AGM held in 2016. Shareholders who are unable to attend the AGM can appoint proxies to attend and vote at the AGM. The chairman of the AGM had provided explanation of the detailed procedures for conducting a poll and then answered questions (if any) from the Shareholders regarding voting by way of poll. The Company had sent the AGM notice to Shareholders more than 20 clear business days before the AGM.

5. During the financial year ended 31 December 2016, the Company held an AGM on 9 May 2016 and the attendance record of the Directors, on a named basis, is set out in the table below.

Directors		Attendance/Number of General Meeting during the Directors' tenure of office
ED:	Wong Siu Kong	1/1
	Ho Shut Kan	1/1
	Bryan Pallop Gaw	1/1
	Chin Siu Wa, Alfred *(resigned on 1 February 2017)*	1/1
NED:	Kuok Khoon Hua	1/1
INED:	Ku Moon Lun	1/1
	Wong Yu Pok, Marina, JP	1/1
	Chang Tso Tung, Stephen	1/1

F. COMPANY SECRETARY

1. The Company Secretary is a full-time employee of the Company and have day-to-day knowledge of the Company's affairs. She is reporting to the Chairman and CEO.

2. All Directors have access to the advice and services of the Company Secretary to ensure the Board procedures, and all applicable law, rules and regulations, are followed.

3. For the financial year ended 31 December 2016, the Company Secretary has complied with paragraph 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.

AUDIT AND CORPORATE GOVERNANCE COMMITTEE REPORT

The Audit Committee of the Board was established in 1998. In 2012, the Audit Committee was renamed as Audit and Corporate Governance Committee ("**ACGC**") to also monitor and carry out the corporate governance duties as set out in the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Currently, the ACGC comprises three Independent Non-executive Directors of the Company, who among themselves possess a wealth of experience in the accounting profession, finance and commercial sectors.

The ACGC operates pursuant to written terms of reference which are available on the websites of the Stock Exchange and the Company. Set out below is a summary of the audit work and related tasks performed by the ACGC during the financial year ended 31 December 2016:–

(i) The ACGC reviewed the draft annual and interim financial statements and the draft results announcements of the Company, focusing on main areas of judgement, consistency of and changes in accounting policies and adequacy of information disclosure prior to recommending them to the Board for approval.

(ii) The ACGC reviewed, in conjunction with the external auditor, the developments of accounting standards and assessed their potential impacts on the Group's financial statements.

(iii) The ACGC reviewed and monitored the external auditor's independence and objectivity and the effectiveness of audit process in accordance with applicable standards.

(iv) The ACGC assessed the independence of the Company's external auditor, prior to formally engaging the external auditor to carry out the audit for the Company's financial statements for the year ended 31 December 2016.

(v) Prior to the actual commencement of the audit, the ACGC discussed the proposed scope of work and approach of the audit with the external auditor. Upon completion of the audit, the ACGC reviewed the results of the external audit, and discussed with the external auditor on any significant findings and audit issues.

(vi) The ACGC recommended to the Board regarding the appointment and remuneration of the external auditor.

(vii) The ACGC reviewed and approved the internal audit programme, reviewed the internal audit reports and discussed any significant issues with the Company's Internal Audit Department and the Group's senior management.

(viii) The ACGC reviewed the independence of the internal audit function and the level of support and co-operation given by the Group's management to the Internal Audit Department, as well as the resources of the Internal Audit Department when undertaking its duties and responsibilities.

(ix) The ACGC reviewed the adequacy and effectiveness of the Group's systems of risk management and internal controls through a review of the work undertaken by the Group's internal and external auditor, written representations by the senior management of each of the Group's business divisions and discussions with the Board.

(x) The ACGC reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions through a review of the work undertaken by the Group's senior financial management and internal audit, as well as the questionnaire report by the financial head of each of the Group's business divisions and discussions with the Board.

Set out below is a summary of the corporate governance work performed by the ACGC during the financial year ended 31 December 2016:–

(a) The ACGC reviewed the Company's policies and practices on corporate governance and made recommendations to the Board.

(b) The ACGC reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements.

(c) The ACGC reviewed the Company's compliance with the code provisions of the Corporate Governance Code and Corporate Governance Report issued by the Stock Exchange.

(d) The ACGC reviewed reports on the Company's continuing connected transactions and connected transactions with the connected persons.

(e) The ACGC ensured that good corporate governance practices and procedures are established.

During the financial year ended 31 December 2016, the ACGC met four times and the ACGC also conducted meetings with the Group's senior management, the external auditor and the Internal Audit Department from time to time. Minutes of the ACGC Meetings were documented and circulated to the Board for information. The ACGC also reported and presented its findings and made recommendations for consideration and discussion at Board Meetings.

On 8 March 2017, the ACGC also reviewed the financial statements of the Group for the year ended 31 December 2016 prior to recommending them to the Board for approval.

MEMBERS OF THE AUDIT AND CORPORATE GOVERNANCE COMMITTEE
Wong Yu Pok, Marina, JP (Chairman)
Ku Moon Lun
Chang Tso Tung, Stephen

Hong Kong, 17 March 2017

REMUNERATION COMMITTEE REPORT

The Company established the Remuneration Committee ("**RC**") in 1997 with the Independent Non-executive Directors of the Company ("**INEDs**") constituting the majority of the RC. The chairman of the RC is an INED and the other members comprise the Chairman and Chief Executive Officer of the Company and two INEDs.

The RC operates pursuant to the written terms of reference which are available on the websites of the Stock Exchange and the Company. The primary responsibilities of the RC are, *inter alia*, the recommendations on the Company's policy and structure for the remuneration of all Directors and the determination, with delegated responsibility, the remuneration packages of Executive Directors of the Company ("**ED**"). The RC also administers and makes determinations with respect to the Company's share option scheme. When the remuneration package of an individual Director is under review, such Director will abstain from voting.

The RC adopted a Directors' Remuneration Policy (the "**Policy**") for the Company in 2012. The Policy aims to provide remuneration levels which shall be sufficient to attract and retain Directors to run the Company successfully. Pursuant to the Policy, the following key principles have been established for the ED remuneration and non-executive directors' ("**NED**") fees:–

(a) ED's salaries shall be reviewed annually by the RC;

(b) revision to the ED's salaries shall be made to reflect the performance, contribution and responsibilities of each ED and/or by reference to market/sector trends;

(c) ED shall be eligible to receive a discretionary bonus taking into consideration factors such as market conditions as well as corporate and individual performances;

(d) the RC shall annually review and recommend (if appropriate) to the Board for approval the grant of share options to the ED under the Company's share option scheme;

(e) the NED's fees shall be reviewed annually by the Board; and

(f) recommendations shall be made by the Board to the Company's shareholders (the "**Shareholders**") to approve at the Shareholders' meeting any revision (if appropriate) to the NED's fees according to their responsibilities and/or by reference to market/sector trends.

During the financial year ended 31 December 2016, the RC held a meeting on 15 January 2016 and the following matters were reviewed and approved at the meeting:–

(i) the salaries and pension contributions of the ED for the financial year ended 31 December 2016; and

(ii) the payment of bonuses to the ED, which amounted to HK$57,500,000 in respect of the financial year ended 31 December 2015.

MEMBERS OF THE REMUNERATION COMMITTEE
Wong Yu Pok, Marina, JP (Chairman)
Wong Siu Kong
Ku Moon Lun
Chang Tso Tung, Stephen

Hong Kong, 17 March 2017

NOMINATION COMMITTEE REPORT

The Company established the Nomination Committee ("**NC**") in 2012 with the Independent Non-executive Directors ("**INEDs**") constituting the majority of the NC. The chairman of the NC is the Chairman and Chief Executive Officer of the Company and the other members comprise the three INEDs.

The NC operates pursuant to written terms of reference which are available on the websites of the Stock Exchange and the Company. The primary responsibilities of the NC are, *inter alia*, the review of the structure, size and composition of the Board, the recommendation to the Board on any proposed changes to the Board, the identification of individuals suitably qualified to become Board members and the assessment of the independence of the INEDs.

The Company adopted a board diversity policy ("**Policy**") in 2013 which sets out the approach to achieve diversity of the Board. The Policy is summarized as below:–

(a) In reviewing the Board's composition, the NC will consider a number of aspects of the Board diversity, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services (the "**Board Diversity Criteria**") and consider the appropriate balance of skills, experience and knowledge of the Board members that are required to complement the Company's corporate strategy.

(b) In identifying qualified individuals to become Board members, the NC will consider the Board Diversity Criteria and take into account factors based on the Company's own business needs.

(c) Selection of Board members to ensure diversity will be, in part, dependent on the pool of such candidates with the necessary skills, knowledge and experience. All Board appointments will be based on merit and contribution that the chosen candidate will bring to the Board.

(d) The ultimate decision on the appointment of the Board members will be made by the Board after consideration of the recommendation made by the NC.

(e) The NC will consider measurable objectives (if any) for implementing Board diversity and recommend them to the Board for adoption.

During the financial year ended 31 December 2016, the NC held a meeting and the following matters were reviewed and approved: -

(i) after review of the structure, size and composition of the Board, it was agreed that the Board has a strong independent element and balanced composition of skills, expertise, experience and qualifications to contribute to the corporate strategy and the development of the businesses of the Company; and

(ii) after taking into consideration of the fact that the INEDs have not been engaged in any executive management positions of the Group since their appointment and each of them has confirmed his/her independence by issuing an annual confirmation to the Company pursuant to the requirements of the Listing Rules, it was agreed that each of the INEDs is considered to be independent under the Listing Rules.

MEMBERS OF THE NOMINATION COMMITTEE
Wong Siu Kong (Chairman)
Ku Moon Lun
Wong Yu Pok, Marina, JP
Chang Tso Tung, Stephen

Hong Kong, 17 March 2017

RISK MANAGEMENT AND INTERNAL CONTROLS REPORT

The Board is responsible for maintaining and reviewing the effectiveness of the Group's systems of risk management and internal controls (the "**Systems**"). The Systems are designed to meet the Group's particular needs and to minimize the risks to which the Group is exposed, and are designed to manage rather than eliminate the risks of failure to achieve business objective, and can only provide reasonable and not absolute assurance against material misstatements or losses.

Each business unit of the Group ("**BU**") is responsible for managing and maintenance of its own appropriate and effective Systems.

The Board has authorized the Audit and Corporate Governance Committee ("**ACGC**") to review the Systems annually with the assistance of the Company's Internal Audit ("**IA**") Department and/or delegated party.

Main Features of the Systems

The framework of the Systems covers (i) the setting of objectives, budgets and targets; (ii) the establishment of regular reporting of financial information, in particular, the tracking of deviations between actual performances and budgets/targets; (iii) the delegation of authority and the establishment of clear lines of accountability; and (iv) the review, evaluation and disclosure of the Systems annually.

(i) Setting of Objectives, Budgets and Targets

Strategies and objectives of the Group as a whole are determined by the Board. Budgets are prepared annually and financial projections of the Group for the next five years are also prepared and reviewed by the Board. In implementing these strategies and achieving these objectives, each Executive Director has specific responsibilities for monitoring the conduct and operations of individual BU. This includes the review and approval of business strategies and plans, the setting of business-related performance targets as well as the design and implementation of internal controls and risk management.

(ii) Establishment of Regular Reporting of Financial Information

Monthly financial information is provided to the Directors. Variance analysis between actual performances and targets are prepared and documented in the Board paper, for discussions at Board Meetings with explanations noted for any material variances and deviations between actual performances and budgets/targets. This helps the Board and the Group's management (the "**Management**") to monitor the Group's business operations and to plan on a prudent and timely basis. Other regular and ad hoc reports will also be prepared for the Board and its various committees, to ensure that the Directors are supplied with all the requested information in a timely and appropriate manner.

(iii) Delegation of Authority and Establishment of Clear Lines of Accountability

To allow for delegation of authority as well as to enhance segregation of duties and accountability, a clear organizational structure exists which details different levels of authority and control responsibilities within each BU. Certain specific matters are reserved for the Board's decision and are not delegated. These include, amongst others, the approval of annual and interim results, annual budgets, capital structure, declaration of dividends, material acquisitions, disposals and capital expenditure, Board structure and its composition and succession.

(iv) Review and Evaluation of the Systems

In order to better review and evaluate the adequacy and effectiveness of the Group's existing Systems, an internal self-assessment process was formulated during the financial year ended 31 December 2016. Under this process, individual BU was requested to assess the effectiveness of its operations including financial controls, operating controls, risk management and other contingency measures. Each BU then submitted to the Board the confirmation of the internal self-assessment questionnaires on the adequacy and effectiveness of its risk management and controls system, which were discussed at the ACGC Meeting on 17 November 2016.

Process Used to Identify, Evaluate and Manage Risks

The Board monitors the Group's business risks, operating risk management and internal controls. The Group has established an IA function. The IA Department assists to review the major operational, financial and risk management controls of the Group's businesses on a continuing basis. The scope of review and the audit programme of the IA Department, which are formulated based on a risk assessment approach and focuses on areas with relatively higher perceived risks, are approved by the ACGC at the end of the preceding financial year in conjunction with the Management.

The IA function reports directly to the ACGC. Accordingly, IA reports are quarterly circulated to the Chairman and Chief Executive Officer, the ACGC members and the Chief Financial Officer (the "**CFO**") for their review in accordance with the approved IA programme. Such reports are also circulated to the external auditor on a quarterly basis.

Procedures and Internal Controls for Handling and Dissemination of Inside Information

The Board has approved and adopted an Inside Information Disclosure Policy (the "**Policy**") for the Company since 2013 for monitoring inside information to ensure compliance with the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Exchange**") and the Securities and Futures Ordinance ("**SFO**"). The procedures and internal controls for handling and dissemination of inside information as set out in the Policy are summarized below:–

(i) Handling of Inside Information

(a) Inside information shall be announced as soon as reasonably practicable after it becomes known to the Board and/or is the subject of a decision by the Board. In cases where a decision by the Board is pending or in cases of incomplete negotiations, the Group shall implement the procedures set out in the Policy to maintain the confidentiality of information. Until an announcement is made, the Directors and the Management should ensure that such information is kept strictly confidential. If the confidentiality cannot be maintained, an announcement shall be made as soon as practicable.

(b) BU shall keep inside information on transactions confidential. If there is a leakage of inside information, they shall inform the Directors, the CFO and/or the Company Secretary immediately so that remedial actions, including making an inside information announcement, can be taken at the earliest opportunity.

(c) The Group's Finance Department shall keep track of the Group's threshold levels for disclosure pursuant to the size tests under the Listing Rules, so that an announcement can be made as soon as practicable should a notifiable transaction arise.

(ii) Dissemination of Inside Information

(a) Inside information is announced promptly through the websites of the Exchange and the Company. The electronic publication system of the Exchange is the first channel of dissemination of the Group's information before any other channel.

(b) Briefing sessions on the Group's performance and results are organised for the analysts and the media in the afternoon on the same day after the interim/final results have been announced. Presentation materials shall be reviewed in advance before they are released at the briefing sessions.

Annual Review

A review of the adequacy of resources, qualifications and experience of staff of the Group's accounting, IA and financial reporting functions and their training programmes and budget was conducted during the financial year ended 31 December 2016. Under this review process, each of the Group's IA and Divisional Finance Head was requested to assess such adequacy at its own level by submission of an internal questionnaire report to the Group, which was discussed at the ACGC Meeting on 17 November 2016.

During the year, the Board has received a written confirmation of the internal self-assessment questionnaires on the adequacy and effectiveness of the Systems from each BU. An annual review of the effectiveness of the Systems (including business, operational and functional risks) and material controls of the Group (including financial, operational and compliance controls) has been conducted by the IA which was also discussed at the ACGC meeting on 17 November 2016. Based on the results of the annual review by the ACGC and IA, the Board considered that the Systems are effective and adequate. There is no significant change in the nature and extent of risks and the Company's ability to respond to changes in its business and the external environment since the last annual review.

Based on the quarterly financial reporting by the CFO, the quarterly Listing Rules compliance reporting by the Company Secretary and the quarterly IA reports submitted by the IA Director to the ACGC, the Group's processes for financial reporting and Listing Rules compliance and the Group's IA function are considered by the ACGC and the Board as effective.

During the financial year ended 31 December 2016, there were no significant control failings or weaknesses identified which might have a material impact on the Company's financial performance or condition.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr Wong Siu Kong

Aged 65, is the Chairman and Chief Executive Officer of the Company, the chairman of the Nomination Committee of the Company and a member of the Remuneration Committee, the Finance Committee and the Executive Committee of the Company. Mr Wong joined the Kuok Group in 1991 with responsibilities for the Group's developments in the PRC. He has been an Executive Director of the Company since 1996 and the Chairman of the Board of the Company since 2013. Mr Wong was a Joint Managing Director of the Company from 1999 to 2003, the Deputy Chairman of the Board and the Managing Director of the Company from 2003 to 2008 and the President & Chief Executive Officer of the Company from 2008 to 2013. In 2015, he was appointed as the Chairman and Chief Executive Officer of the Company. Mr Wong is also a director of Kerry Holdings Limited (the controlling shareholder of the Company) and a director of China World Trade Center Co., Ltd. (a listed company in Shanghai). Mr Wong graduated from the South China Normal University in the PRC.

Mr Ho Shut Kan

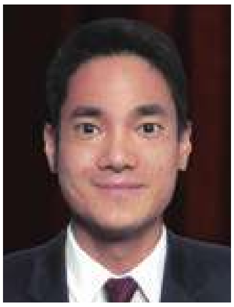
Aged 68, is the President of the Company and a member of the Finance Committee and the Executive Committee of the Company. Mr Ho has been an Executive Director of the Company since 1998. He was a Co-Managing Director of the Company from 2013 to 2015 and appointed as the President of the Company in 2015. Mr Ho is also an executive director of Kerry Properties (H.K.) Limited (the principal Hong Kong property company of the Group), an independent non-executive director of Eagle Asset Management (CP) Limited (the manager of the Hong Kong listed Champion Real Estate Investment Trust) and a director of Shang Properties, Inc. (a listed company in the Philippines).

Mr Bryan Pallop Gaw

Aged 40, has been an Executive Director of the Company since 2012 and is a member of the Executive Committee of the Company. Mr Gaw has previous experience in private equity, management consulting, strategic planning and business development. He holds a Bachelor of Arts in Political Science from Princeton University and a Master of Business Administration from Stanford's Graduate School of Business. Mr Gaw is the brother-in-law of Mr Kuok Khoon Hua, the Non-executive Director of the Company.

DIRECTORS (Continued)

Non-executive Director



Mr Kuok Khoon Hua

Aged 38, has been a Non-executive Director of the Company since 2015. Mr Kuok is the chairman of Kerry Holdings Limited ("KHL"), and a director of Kerry Group Limited ("KGL"), Kuok (Singapore) Limited and Kerry Wines Limited. Both KHL and KGL are the controlling shareholders of the Company. Mr Kuok is also an executive director of Kerry Logistics Network Limited (a listed company in Hong Kong), and a non-executive director of Wilmar International Limited (a listed company in Singapore). Mr Kuok holds a Bachelor's degree in Economics from Harvard University. He is the brother-in-law of Mr Bryan Pallop Gaw, an Executive Director of the Company.

Independent Non-executive Directors

Mr Ku Moon Lun

Aged 66, has been an Independent Non-executive Director of the Company since 2007. He is now a member of the Audit and Corporate Governance Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr Ku has over 35 years of experience in the real estate industry. He was the executive director of Davis Langdon and Seah International and chairman of Davis Langdon and Seah Hong Kong Limited, Premas Hong Kong Limited and icFox International. Mr Ku is now an independent non-executive director of Lai Fung Holdings Limited (a listed company in Hong Kong) and a non-executive director of Surbana Jurong Pte Ltd in Singapore. He is a member of the Hospital Governing Committee of Queen Elizabeth Hospital, Hong Kong Hospital Authority. Mr Ku is a Fellow of the Hong Kong Institute of Surveyors.

Ms Wong Yu Pok, Marina, JP

Aged 68, has been an Independent Non-executive Director of the Company since 2008. She is now the chairman of the Audit and Corporate Governance Committee and the Remuneration Committee of the Company and also a member of the Nomination Committee of the Company. She had been with PricewaterhouseCoopers for over 30 years specializing in the PRC tax and business advisory services, and has extensive experience in advising both Hong Kong and foreign investors in the structuring of their businesses and investments in the PRC. Ms Wong joined Tricor Services Limited as a director from 2004 to 2006 after her retirement as a partner from PricewaterhouseCoopers in 2004. Ms Wong is now an independent non-executive director of Kerry Logistics Network Limited, Hong Kong Ferry (Holdings) Company Limited and Luk Fook Holdings (International) Limited (all of which are listed companies in Hong Kong). She was formerly an independent director of China World Trade Center Co., Ltd. (a listed company in Shanghai). She is a Fellow Member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

DIRECTORS (Continued)

Independent Non-executive Directors (Continued)

Mr Chang Tso Tung, Stephen

Aged 68, has been an independent Non-executive Director of the Company since 2012. He is now a member of the Audit and Corporate Governance Committee, the Remuneration Committee and the Nomination Committee of the Company. He has been practising as a certified public accountant in Hong Kong for around 30 years and has extensive experience in accounting, auditing and financial management. He was the deputy chairman of Ernst & Young Hong Kong and China until his retirement in 2004. He is a member of the Investment Committee of Shanghai Fudan University Education Development Foundation and Shanghai Fudan University Overseas Education Development Foundation. Mr Chang is an independent non-executive director of China Cinda Asset Management Co., Ltd., Hua Hong Semiconductor Limited (both are listed companies in Hong Kong) and China Life Insurance Company Limited (a listed company in Hong Kong and Shanghai). Mr Chang holds a Bachelor of Science degree from the University of London.

SENIOR MANAGEMENT

The abovementioned Executive Directors of the Company are members of senior management of the Group.

REPORT OF DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2016.

Principal Activities and Segmental Analysis of Operations

The principal activity of the Company is investment holding.

The principal activities of the Company's subsidiaries and associates comprise the following:

(i) property development, investment and management in Hong Kong, the People's Republic of China (the "**PRC**") and the Asia Pacific region;

(ii) hotel ownership in Hong Kong, and hotel ownership and operations in the PRC; and

(iii) integrated logistics and international freight forwarding.

An analysis of the Group's turnover and contribution to gross profit for the year by principal activity and market is set out in note 5 to the financial statements.

Business Review

A business review of the Group and an analysis of the Group's performance using financial key performance indicators during the year are provided in the Chairman's Statement, Management Discussion & Analysis and Financial Highlights of this Annual Report. In addition, discussions on the Group's environmental policies and performance and an account of the Group's key relationships with its employees, customers, suppliers and others that have a significant impact on the Group and on which the Group's success depends are provided in the Corporate Social Responsibility Report of this Annual Report.

During the financial year ended 31 December 2016, the Company has complied with the requirements under The Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Securities and Futures Ordinance (the "**SFO**") and the Bermuda Companies Act. Details of the Company's compliance with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in the Listing Rules are provided in the Corporate Governance Report of this Annual Report.

The Group has also complied with the Residential Properties (First-hand Sales) Ordinance through established internal procedures and engagement of external professional advisors including architects, surveyors and solicitors for the checking of the accuracy of the information contained in the relevant documents made available to the public in connection with the sales of first-hand residential properties.

To protect the privacy of its employees, tenants and purchasers of its properties and to safeguard the interests of its employees, the Group has complied with the requirements of the Personal Data (Privacy) Ordinance, the Employment Ordinance, the Minimum Wage Ordinance and ordinances relating to disability, sex, family status, race discrimination and occupational safety.

Results and Appropriations

The results of the Group for the year are set out in the section headed "Consolidated Income Statement" of this annual report.

Particulars of dividends proposed and paid during the year are set out in note 10 to the financial statements.

Donations

Charitable donations made by the Group during the year amounted to HK$18,722,000.

Investment, Hotel and Development Properties

Particulars of investment, hotel and development properties of the Group are set out in the section headed "Particulars of Properties Held" of this annual report.

Distributable Reserves

As at 31 December 2016, the reserves of the Company available for distribution amounted to approximately HK$17,903,717,000 (2015: HK$17,500,934,000).

Share Capital

The movements in the share capital of the Company during the year are set out in note 35 to the financial statements.

Bonds

Details of the bonds of the Group are set out in note 31 to the financial statements.

Subsidiaries and Associates

Particulars of the Company's principal subsidiaries and the Group's principal associates as at 31 December 2016 are set out in note 46 to the financial statements.

Particulars of Bank Loans

Particulars of bank loans of the Group as at 31 December 2016 are set out in notes 30 and 43 to the financial statements.

Five-Year Financial Summary

The results, assets and liabilities of the Group for the last five financial years are summarised in the section headed "Five-Year Financial Summary" of this annual report.

Directors

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

Executive Directors

Mr Wong Siu Kong (Chairman & Chief Executive Officer)
Mr Ho Shut Kan (President)
Mr Bryan Pallop Gaw
Mr Chin Siu Wa, Alfred *(resigned on 1 February 2017)*

Non-executive Director

Mr Kuok Khoon Hua

Independent Non-executive Directors

Mr Ku Moon Lun
Ms Wong Yu Pok, Marina, JP
Mr Chang Tso Tung, Stephen

Mr. Ho Shut Kan, Mr. Bryan Pallop Gaw and Mr. Ku Moon Lun are due to retire from the Board by rotation in accordance with bye-law 99 of the Company's bye-laws ("**Bye-laws**") at the forthcoming Annual General Meeting to be held on 12 May 2017 (the "**2017 AGM**"). All the retiring Directors, being eligible, offer themselves for re-election.

Mr. Chin Siu Wa, Alfred resigned on 1 February 2017 as an Executive Director of the Company and as a member of the Executive Committee of the Board. He intends to commit his time and his experience for the business of the Shangri-La hotel group.

Biography of Directors and Senior Management

Biography of Directors and senior management are set out in the section headed "Directors and Senior Management" of this annual report.

Directors' Interests in Shares, Underlying Shares and Debentures

As at 31 December 2016, the interests of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (the "**Associated Corporations**") as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules were as follows:

(i) Company

	Number of ordinary shares				Approximate
Directors	Personal interests[1]	Family interests[2]	Other interests[4]	Total	% of shareholding[6]
Wong Siu Kong	448,000	–	50,000	498,000	0.03
Ho Shut Kan	360,000	–	50,000	410,000	0.03
Bryan Pallop Gaw	10,000	7,176,897	1,232,048	8,418,945	0.58
Kuok Khoon Hua	59,000	–	7,670,310	7,729,310	0.54
Chin Siu Wa, Alfred *(resigned on 1 February 2017)*	–	–	50,000	50,000	0.00

Directors' Interests in Shares, Underlying Shares and Debentures (Continued)

(ii) Associated Corporations

Associated Corporations	Directors	Number of ordinary shares/Amount of debentures: Personal interests[1]	Family interests[2]	Corporate interests[3]	Other interests[4]	Number of underlying ordinary shares held under equity derivatives[5]	Total	Approximate % of shareholding
Kerry Group Limited	Wong Siu Kong	4,617,263	–	8,504,300	–	3,000,000	16,121,563	1.06[7]
	Ho Shut Kan	2,888,452	–	–	–	–	2,888,452	0.19[7]
	Bryan Pallop Gaw	1,500,000	131,811,189	–	46,399,988	2,000,000	181,711,177	11.92[7]
	Kuok Khoon Hua	5,000	–	–	178,211,176	1,995,000	180,211,176	11.83[7]
	Chin Siu Wa, Alfred *(resigned on 1 February 2017)*	500,000	–	500,000	–	1,000,000	2,000,000	0.13[7]
Kerry Logistics Network Limited	Wong Siu Kong	306,000	–	–	1,300,000	–	1,606,000	0.09[8]
	Ho Shut Kan	200,000	–	–	1,300,000	–	1,500,000	0.09[8]
	Bryan Pallop Gaw	50,000	3,588,449	–	1,891,024	–	5,529,473	0.33[8]
	Kuok Khoon Hua	101,000	–	–	5,110,155	1,000,000	6,211,155	0.37[8]
	Wong Yu Pok, Marina	–	–	–	–	200,000	200,000	0.01[8]
	Chin Siu Wa, Alfred *(resigned on 1 February 2017)*	–	–	–	1,300,000	200,000	1,500,000	0.09[8]
Medallion Corporate Limited	Bryan Pallop Gaw	26	26	–	–	–	52	5.20[9]
	Kuok Khoon Hua	48	–	–	–	–	48	4.80[9]
Rubyhill Global Limited	Kuok Khoon Hua	1	–	–	–	–	1	10.00[10]
Shang Properties, Inc.	Ho Shut Kan	1,570	–	–	–	–	1,570	0.00[11]
	Bryan Pallop Gaw	–	582,532	–	248,482	–	831,014	0.02[11]
	Kuok Khoon Hua	–	–	–	193,482	–	193,482	0.00[11]
Vencedor Investments Limited	Bryan Pallop Gaw	5	5	–	–	–	10	10.00[12]
	Kuok Khoon Hua	5	–	–	–	–	5	5.00[12]
Wiseyear Holdings Limited	Wong Siu Kong	US$4,000,000 5% Notes due 2017	–	–	–	N/A	US$4,000,000 5% Notes due 2017	N/A
	Chin Siu Wa, Alfred *(resigned on 1 February 2017)*	US$1,000,000 5% Notes due 2017	–	–	–	N/A	US$1,000,000 5% Notes due 2017	N/A

Directors' Interests in Shares, Underlying Shares and Debentures (Continued)

Notes:

1. *This represents interests held by the relevant Director as beneficial owner.*

2. *This represents interests held and/or deemed to be held by the spouse of the relevant Director.*

3. *This represents interests deemed to be held by the relevant Director through his controlled corporation(s).*

4. *This represents interests deemed to be held by the relevant Director through discretionary trust(s) of which the relevant Director is a contingent beneficiary.*

5. *This represents interests in options held by the relevant Director and/or his spouse as a beneficial owner to subscribe for the relevant underlying ordinary shares in respect of the option shares granted by Kerry Group Limited ("**KGL**") and Kerry Logistics Network Limited ("**KLN**").*

6. *The percentage has been compiled based on the total number of ordinary shares of the Company in issue as at 31 December 2016 (i.e. 1,443,147,728 ordinary shares).*

7. *The percentage has been compiled based on the total number of ordinary shares of KGL in issue as at 31 December 2016 (i.e. 1,523,942,740 ordinary shares).*

8. *The percentage has been compiled based on the total number of ordinary shares of KLN in issue as at 31 December 2016 (i.e. 1,695,421,112 ordinary shares).*

9. *The percentage has been compiled based on the total number of ordinary shares of Medallion Corporate Limited in issue as at 31 December 2016 (i.e. 1,000 ordinary shares).*

10. *The percentage has been compiled based on the total number of ordinary shares of Rubyhill Global Limited in issue as at 31 December 2016 (i.e. 10 ordinary shares).*

11. *The percentage has been compiled based on the total number of common shares of Shang Properties, Inc. in issue as at 31 December 2016 (i.e. 4,764,056,287 common shares).*

12. *The percentage has been compiled based on the total number of ordinary shares of Vencedor Investments Limited in issue as at 31 December 2016 (i.e. 100 ordinary shares).*

Details of the Share Options, duly granted to the Directors pursuant to the share options schemes, which constitute interests in underlying ordinary shares of equity derivatives of the Company under the SFO are set out in the section headed "Share Options" of this report.

All the interests disclosed in sections (i) and (ii) above represent long positions in the shares of the Company or the Associated Corporations.

Save as aforesaid, as at 31 December 2016, none of the Directors had any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its Associated Corporations which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Permitted Indemnity Provision

Pursuant to the Bye-Laws, the Directors shall be indemnified against all losses and liabilities which they may incur in connection with their duties. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

Directors' Material Interests in Transactions, Arrangements or Contracts

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party or were parties and in which a Director of the Company or any entities connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Rights to Acquire Shares or Debentures

As at 31 December 2016, the number of outstanding Share Options granted by the Company to the Directors to subscribe for shares of the Company (the "**Shares**"), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code is set out in the section headed "Share Options" of this report of Directors.

Apart from the aforesaid, at no time during the year ended 31 December 2016 was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Interests in the Share Capital of the Company

As at 31 December 2016, the interests of those persons (other than the Directors) in the Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity in which ordinary shares were held	Number of ordinary shares	Long position/ Short position/ Lending pool	Approximate % of shareholding[ii]
Kerry Group Limited	Interest of controlled corporations	851,462,458[i]	Long position	59.00
Kerry Holdings Limited	Interest of controlled corporations	745,302,656[i]	Long position	51.64
Caninco Investments Limited	Beneficial owner	312,248,193[i]	Long position	21.64
Darmex Holdings Limited	Beneficial owner	256,899,261[i]	Long position	17.80
Moslane Limited	Beneficial owner	73,821,498[i]	Long position	5.12

Notes:

i. *Caninco Investments Limited ("**Caninco**"), Darmex Holdings Limited ("**Darmex**") and Moslane Limited ("**Moslane**") are wholly-owned subsidiaries of Kerry Holdings Limited ("**KHL**"). KHL itself is a wholly-owned subsidiary of KGL and, accordingly, the shares in which Caninco, Darmex and Moslane are shown to be interested are also included in the shares in which KHL and KGL are shown to be interested.*

ii. *The percentage has been compiled based on the total number of Shares in issue as at 31 December 2016 (i.e. 1,443,147,728 ordinary shares).*

Apart from the aforesaid, as at 31 December 2016, the Company had not been notified of any interests and short positions in the Shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

Public Float

Based on the information that is publicly available to the Company as at the date of this report of Directors and within the knowledge of the Directors, there was a sufficiency of public float of the Company's securities as required under the Listing Rules.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Bye-laws or the laws in Bermuda.

Staff

As at 31 December 2016, the Company and its subsidiaries had approximately 8,400 employees. Salaries of employees are maintained at competitive levels while bonuses are granted on a discretionary basis. Other employee benefits include provident fund, insurance, medical cover, subsidised educational and training programmes as well as share option schemes. Details of employee benefit expense are set out in note 12 to the financial statements.

Share Options

On 5 May 2011, the shareholders of the Company (the "**Shareholders**") approved the adoption of a new share option scheme (the "**2011 Share Option Scheme**") and the termination of a share option scheme adopted in 2002 (the "**2002 Share Option Scheme**") to the effect that no further share options of the Company (the "**Share Options**") shall be offered under the 2002 Share Option Scheme but the Share Options which had been granted during the life of the 2002 Share Option Scheme should continue to be valid and exercisable.

A summary of those terms applicable to the outstanding Share Options of the 2002 Share Option Scheme has been disclosed in the Company's 2010 Annual Report.

The 2011 Share Option Scheme is designed to motivate executives and key employees and other persons who may make a contribution to the Group, and enables the Group to attract and retain individuals with experience and ability and to reward them for their contributions.

The maximum number of Shares which may be issued upon exercise of all Share Options to be granted under the 2011 Share Option Scheme (and under any other scheme of the Company) shall not in aggregate exceed 10% of the Shares in issue as at the date of the adoption of the 2011 Share Option Scheme provided that the Company may seek approval from Shareholders to refresh such limit. Moreover, the maximum number of Shares which may be issued upon exercise of all outstanding Share Options granted and yet to be exercised under the 2011 Share Option Scheme (and under any other scheme of the Company) shall not exceed 30% of the Shares in issue from time to time. As at 17 March 2017 (the date of this Annual Report), a total of 104,000,348 Shares (representing approximately 7.21% of the number of issued shares of the Company as at 17 March 2017) are available for issue under the 2011 Share Option Scheme. The maximum entitlement of each participant under the 2011 Share Option Scheme in any 12-month period is 1% of the Shares in issue from time to time.

The period within which a Share Option may be exercised will be determined by the Board at its absolute discretion but no Share Option may be exercised later than 10 years from the date on which the Share Option is granted. The minimum period for which a Share Option must be held before it can be exercised is determined by the Board upon the grant of a Share Option. The amount payable on acceptance of a Share Option is HK$1.

The subscription price of the Share Option under the 2011 Share Option Scheme shall be determined by the Board at its absolute discretion at the time of grant of the Share Option but it shall not be less than whichever is the highest of (a) the nominal value of a Share; (b) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the Board resolution approving the grant of Share Options; and (c) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of the Board resolution approving the grant of Share Options.

The 2011 Share Option Scheme will expire on 4 May 2021.

Share Options (Continued)

Movement of the Share Options during the year ended 31 December 2016 are listed below in accordance with Rule 17.07 of the Listing Rules:

Category	Date of grant	Tranche	Number of Share Options: As at 01/01/2016	Lapsed	As at 31/12/2016	Exercise Price HK$	Exercise Period
***(i) 2002 Share Option Scheme** (Note a):*							
1. Directors							
Wong Siu Kong	02/04/2008	I	750,000	–	750,000	47.70	02/04/2009 – 01/04/2018
	02/04/2008	II	750,000	–	750,000	47.70	02/04/2010 – 01/04/2018
	02/04/2008	III	1,500,000	–	1,500,000	47.70	02/04/2011 – 01/04/2018
Ho Shut Kan	02/04/2008	I	300,000	–	300,000	47.70	02/04/2009 – 01/04/2018
	02/04/2008	II	300,000	–	300,000	47.70	02/04/2010 – 01/04/2018
	02/04/2008	III	600,000	–	600,000	47.70	02/04/2011 – 01/04/2018
Bryan Pallop Gaw	02/04/2008	I	75,000	–	75,000	47.70	02/04/2009 – 01/04/2018
	02/04/2008	II	75,000	–	75,000	47.70	02/04/2010 – 01/04/2018
	02/04/2008	III	150,000	–	150,000	47.70	02/04/2011 – 01/04/2018
Kuok Khoon Hua	02/04/2008	I	75,000	–	75,000	47.70	02/04/2009 – 01/04/2018
	02/04/2008	II	75,000	–	75,000	47.70	02/04/2010 – 01/04/2018
	02/04/2008	III	150,000	–	150,000	47.70	02/04/2011 – 01/04/2018
Chin Siu Wa, Alfred	02/04/2008	I	200,000	–	200,000	47.70	02/04/2009 – 01/04/2018
(resigned on 1 February 2017)	02/04/2008	II	200,000	–	200,000	47.70	02/04/2010 – 01/04/2018
	02/04/2008	III	400,000	–	400,000	47.70	02/04/2011 – 01/04/2018
2. Continuous Contract Employees	02/04/2008	I	812,500	(75,000)	737,500	47.70	02/04/2009 – 01/04/2018
	02/04/2008	II	812,500	(75,000)	737,500	47.70	02/04/2010 – 01/04/2018
	02/04/2008	III	1,625,000	(150,000)	1,475,000	47.70	02/04/2011 – 01/04/2018
	06/02/2009	I	260,000	–	260,000	17.58	06/02/2010 – 05/02/2019
	06/02/2009	II	345,000	–	345,000	17.58	06/02/2011 – 05/02/2019
3. Others	02/04/2008	I	425,000	(37,500)	387,500	47.70	02/04/2009 – 01/04/2018
	02/04/2008	II	425,000	(37,500)	387,500	47.70	02/04/2010 – 01/04/2018
	02/04/2008	III	850,000	(75,000)	775,000	47.70	02/04/2011 – 01/04/2018
	06/02/2009	I	20,000	–	20,000	17.58	06/02/2010 – 05/02/2019
	06/02/2009	II	50,000	–	50,000	17.58	06/02/2011 – 05/02/2019
Total:			**11,225,000**	**(450,000)**	**10,775,000**		

Share Options (Continued)

Category	Date of grant	Tranche	Number of Share Options As at 01/01/2016	Lapsed	As at 31/12/2016	Exercise Price HK$	Exercise Period
(ii) 2011 Share Option Scheme (Note a):							
1. Directors							
Wong Siu Kong	30/04/2012	I	1,500,000	–	1,500,000	35.45	31/10/2012 – 29/04/2022
	30/04/2012	II	1,500,000	–	1,500,000	35.45	31/10/2013 – 29/04/2022
	08/01/2014	I	1,500,000	–	1,500,000	26.88	08/07/2014 – 07/01/2024
	08/01/2014	II	1,500,000	–	1,500,000	26.88	08/01/2015 – 07/01/2024
Ho Shut Kan	30/04/2012	I	500,000	–	500,000	35.45	31/10/2012 – 29/04/2022
	30/04/2012	II	500,000	–	500,000	35.45	31/10/2013 – 29/04/2022
	08/01/2014	I	750,000	–	750,000	26.88	08/07/2014 – 07/01/2024
	08/01/2014	II	750,000	–	750,000	26.88	08/01/2015 – 07/01/2024
Bryan Pallop Gaw	30/04/2012	I	150,000	–	150,000	35.45	31/10/2012 – 29/04/2022
	30/04/2012	II	150,000	–	150,000	35.45	31/10/2013 – 29/04/2022
	08/01/2014	I	250,000	–	250,000	26.88	08/07/2014 – 07/01/2024
	08/01/2014	II	250,000	–	250,000	26.88	08/01/2015 – 07/01/2024
Chin Siu Wa, Alfred	30/04/2012	I	500,000	–	500,000	35.45	31/10/2012 – 29/04/2022
(resigned on 1 February 2017)	30/04/2012	II	500,000	–	500,000	35.45	31/10/2013 – 29/04/2022
	08/01/2014	I	750,000	–	750,000	26.88	08/07/2014 – 07/01/2024
	08/01/2014	II	750,000	–	750,000	26.88	08/01/2015 – 07/01/2024
2. Continuous Contract Employees	30/04/2012	I	3,615,000	(275,000)	3,340,000	35.45	31/10/2012 – 29/04/2022
	30/04/2012	II	3,675,000	(275,000)	3,400,000	35.45	31/10/2013 – 29/04/2022
	08/01/2014	I	3,582,000	(200,000)	3,382,000	26.88	08/07/2014 – 07/01/2024
	08/01/2014	II	3,855,000	(335,000)	3,520,000	26.88	08/01/2015 – 07/01/2024
3. Others	30/04/2012	I	4,135,000	(600,000)	3,535,000	35.45	31/10/2012 – 29/04/2022
	30/04/2012	II	4,535,000	(1,000,000)	3,535,000	35.45	31/10/2013 – 29/04/2022
Total:			**35,197,000**	**(2,685,000)**	**32,512,000**		

Notes:

a. *During the year, no Share Option was exercised or granted or granted for adjustment or transferred from/to other category or cancelled under both the 2002 Share Option Scheme and the 2011 Share Option Scheme.*

b. *The vesting period of the Share Options is from the date of grant until the commencement of the exercise period.*

Service Contract

There is no service contract, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation), in respect of any Director proposed for re-election at the 2017 AGM.

Management Contract

No contract 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.

Major Customers and Suppliers

The percentages of the five largest customers combined and the five largest suppliers combined are less than 30% of the Group's total turnover and purchases, respectively.

Director's Interests in Competing Business

Pursuant to Rule 8.10 of the Listing Rules, the following Directors have disclosed that during the year ended 31 December 2016, they are considered to have interests in the following businesses ("**Excluded Businesses**"), being businesses which competed or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses in which (a) the Group was interested and (b) the Directors' only interests are as directors appointed to represent the interests of the Group.

Messrs Wong Siu Kong, Chin Siu Wa, Alfred, Bryan Pallop Gaw and Kuok Khoon Hua were directors of subsidiaries of Shangri-La Asia Limited ("**SA**") and Mr Wong, Mr Gaw and Mr. Kuok had interests in shares of SA, the businesses of which consisted of hotel ownership and operation. The Directors believed that as the size of that part of these Excluded Businesses in the PRC, where the Group has hotel businesses, is not insignificant when compared with the hotel business of the Group in the PRC, it is likely that these Excluded Businesses may compete with the hotel business of the Group in the PRC.

Mr Wong Siu Kong was a director of (but he did not have any interests in shares in) the China World Trade Center Co., Ltd. ("**CWTC**") group of companies, the businesses of which consisted of property investment and development and hotel ownership and operation in the PRC. The Directors believed that as the size of these Excluded Businesses is not insignificant when compared with the property and hotel businesses of the Group in the PRC, it is likely that these Excluded Businesses may compete with the property and hotel businesses of the Group in the PRC.

The Excluded Businesses are operated and managed by companies (and in the case of SA and CWTC, by publicly listed companies) with independent management and administration. On this basis, the Directors believed that the Group is capable of carrying on its businesses independently of the Excluded Businesses and at arm's length from the Excluded Businesses.

The Directors, including those interested in the Excluded Businesses, will, as and when required under the Bye-laws, abstain from voting on any resolution of the Board in respect of any contract, arrangement or proposal in which he or any of his associates has a material interest.

Connected Transactions

(i) On 12 August 2016, Wealth Luck Holdings Limited ("**Wealth Luck**"), a wholly-owned subsidiary of the Company, had entered into a share purchase agreement (the "**SPA**") with Armada Property Investment Limited ("**Armada**") whereby Armada agreed to sell to Wealth Luck the entire issued share capital of Coastline International Limited ("**Coastline**") at HK$930,000,000 (the "**Proposed Acquisition**"). Pursuant to the SPA, Armada was permitted to solicit, discuss and negotiate a sale of the entire issued share capital of Coastline with any third party during a go-shop period (the "**Go-Shop Period**").

During the Go-Shop Period, the highest offer received by Armada from a third party purchaser was HK$990,000,000 and Wealth Luck decided not to match such highest offer. On 2 September 2016, Armada had entered into an agreement with the third party purchaser and the SPA was terminated on the same date pursuant to its terms.

KGL is the controlling shareholder of the Company and Armada was an associate of KGL on the date of the SPA. Accordingly, Armada was a connected person of the Company and the Proposed Acquisition constituted a connected transaction of the Company on the date of the SPA.

(ii) On 2 December 2016, the Company, KHL and The Bank of East Asia Limited ("**BEA**") had entered into a bidding agreement (the "**Bidding Agreement**") in respect of the joint bidding of land located at Land Parcel 02 & 04, Unit 7, Qianwan Area, Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Shenzhen, the PRC (the "**Qianhai Site**").

Pursuant to the Bidding Agreement, the Company, KHL and BEA (the "**JV Parties**") had jointly paid the deposit of RMB604,000,000 according to their respective shareholdings of 25%, 50% and 25% in the proposed joint venture company ("**JVCO**") for acquisition, holding and development of the Qianhai Site. Accordingly, the Company had contributed RMB151,000,000 to the payment of the deposit.

KHL is the controlling shareholder of the Company and therefore a connected person of the Company. Accordingly, the payment of the deposit and the entering into of the Bidding Agreement constitute connected transactions for the Company under the Listing Rules.

(iii) Following the successful bidding of the Qianhai Site on 7 December 2016, the JV Parties had entered into a master agreement to set out their agreement together with their respective rights and obligations in connection with the establishment and operation of the JVCO to acquire, hold and develop the Qianhai Site (the "**Transactions**").

The consideration for the acquisition of the Qianhai Site was RMB3,020,000,000 and the maximum funding commitment by the JV Parties in the JVCO was estimated at RMB5,220,000,000. Therefore, the maximum funding commitment to be contributed by the Group to the JVCO is expected to be RMB1,305,000,000.

KHL is the controlling shareholder of the Company and therefore a connected person of the Company. Accordingly, the Transactions constituted connected transactions for the Company under the Listing Rules.

Continuing Connected Transactions

(i) Hotel Management Agreements and Marketing Services Agreement

(a) Shangri-La International Hotel Management Limited ("**SLIM-HK**"), an indirect wholly-owned subsidiary of SA, and its fellow subsidiaries are currently providing hotel management, marketing, communication and reservation services (the "**HM Services**") to Kerry Hotel, Beijing pursuant to the hotel management, marketing and related agreements (the "**Beijing HM Agreements**") entered into between Beijing Kerry Hotel Co., Ltd. ("**BKH**") and SLIM-HK on 30 June 1998 (as modified by an addendum dated 26 January 2004). The Beijing HM Agreements were entered into for 20 years ending on 27 August 2019, with an option to renew for 10 years which is exercisable by mutual agreement of both parties.

BKH is the owner of Kerry Hotel, Beijing. BKH is owned as to 71.25% by the Group, 23.75% by the SA group and 5% by an independent third party. SA and SLIM-HK are connected persons of the Company. Accordingly, the provision of the HM Services by SLIM-HK to BKH is treated as a continuing connected transaction of the Company under the Listing Rules.

The annual aggregate fee payable by the Group pursuant to the Beijing HM Agreements for each of the financial years ending 31 December 2019 is not expected to exceed HK$75,000,000 ("**Cap A**"). The fee paid by the Group under the Beijing HM Agreements for the year ended 31 December 2016 amount to approximately HK$26,105,000 which is within Cap A.

(b) SLIM-HK is also providing the HM Services to Jing An Shangri-La Hotel pursuant to the hotel management agreement (the "**Jing An HM Agreement**") entered into between Shanghai Ji Xiang Properties Co., Ltd. ("**SJXP**") and SLIM-HK on 17 October 2012. The Jing An HM Agreement was entered into for a term of 20 years commencing from the opening date of Jing An Shangri-La Hotel, i.e. 29 June 2013.

SJXP, being the owner of Jing An Shangri-La Hotel, is owned as to 51% by the Group and 49% by the SA group. SA and SLIM-HK are connected persons of the Company. Accordingly, the provision of the HM Services by SLIM-HK to SJXP is treated as a continuing connected transaction of the Company under the Listing Rules.

The annual aggregate fee payable by the Group pursuant to the Jing An HM Agreement for each of the financial years ending 31 December 2033 is not expected to exceed US$14,000,000 ("**Cap B**"). The fee paid by the Group under the Jing An HM Agreement for the year ended 31 December 2016 amount to approximately HK$46,948,000 which is within Cap B.

(c) SLIM-HK is also providing the hotel management and reservation services to Midtown Shangri-La Hotel, Hangzhou (the "**Hangzhou Hotel**") pursuant to the hotel management agreement (the "**Hangzhou HM Agreement**") entered into between Kerry Real Estate (Hangzhou) Co., Ltd. ("**KREH**") and SLIM-HK on 4 March 2016. Shangri-La Hotel Management (Shanghai) Co., Ltd. ("**SLIM-PRC**"), another wholly-owned subsidiary of SA, is providing marketing services to the Hangzhou Hotel pursuant to the marketing services agreement (the "**MS Agreement**") entered into between KREH and SLIM-PRC on 4 March 2016. The Hangzhou HM Agreement was entered into for a term of 20 years commencing from the opening date of the Hangzhou Hotel i.e. 12 March 2016 and the MS Agreement was entered into from 4 March 2016 to the termination date of the Hangzhou HM Agreement.

KREH, being the owner of the Hangzhou Hotel, is owned as to 75% by the Group and 25% by the SA group. SA, SLIM-HK and SLIM-PRC are connected persons of the Company. Accordingly, the provision of the HM services, reservation services and marketing services by SLIM-HK and SLIM-PRC to KREH is treated as a continuing connected transaction of the Company under the Listing Rules.

The annual aggregate fee payable by the Group pursuant to the Hangzhou HM Agreement and the MS Agreement for each of the financial years ending 31 December 2036 is not expected to exceed RMB93,000,000 ("**Cap C**"). The fee paid by the Group under the Hangzhou HM Agreement and the MS Agreement for the year ended 31 December 2016 amount to approximately HK$10,962,000 which is within Cap C.

Continuing Connected Transactions (Continued)

(ii) Tenancy and Licence Agreements

On 25 October 2013, Kerry Properties (H.K.) Limited ("**KPLHK**"), a wholly-owned subsidiary of the Company, had entered into tenancy and licence agreements (the "**Former Agreements**") with Ubagan Limited ("**Ubagan**") (which is owned as to 60% by KHL and 40% by the Company) in respect of the leasing of Unit 1 on Level 3, Units 1 and 2 on Level 5, Level 22, Level 25 and Level 26 of Kerry Centre, 683 King's Road, Quarry Bay, Hong Kong (the "**Premises**") as corporate offices and licensing of 9 fixed carparking spaces and 4 floating carparking spaces on basement of Kerry Centre for the use by the Group in conjunction with such offices.

The Former Agreements were entered into for a fixed term of 3 years from 19 November 2013 to 18 November 2016 with a rental of HK$3,661,849.60 per month, management fee and air-conditioning charges of HK$520,832 per month (subject to revision from time to time by the building manager) for the Premises, HK$3,200 per month for each fixed carparking space and HK$2,500 per month for each floating carparking space.

On 20 October 2016, KPLHK had accepted the offer made by Ubagan to renew the tenancy agreement (the "**Tenancy Agreement**") for the leasing of the Premises and KPLHK had also entered into the licence agreements (the "**Licence Agreements**") on various dates between 1 March 2011 and 5 January 2016 with Ubagan (together with the Tenancy Agreement, the "**New Agreements**") in respect of 12 fixed carparking spaces and 6 floating carparking spaces on basement of Kerry Centre for the use by the Group in conjunction with the Premises.

The Tenancy Agreement was entered into for a fixed term of 3 years from 19 November 2016 to 18 November 2019 with a rental of HK$3,846,144.00 per month and management fee and air-conditioning charges of HK$552,883.20 per month (subject to revision from time to time by the building manager). The Licence Agreements were entered into on monthly basis with a licence fee of not exceeding HK$3,500 per month for each fixed carparking space and a licence fee of not exceeding HK$2,700 per month for each floating carparking space (subject to adjustment by Ubagan from time to time upon giving one month's prior written notice to KPLHK).

KHL is the controlling shareholder of the Company. Ubagan is an associate of KHL and therefore is a connected person of the Company. Accordingly, the entering into of the Former Agreements and the New Agreements is treated as a continuing connected transaction of the Company under the Listing Rules.

The maximum aggregate annual amount payable by the Group under the Former Agreements for each of the financial years ending 31 December 2016 is not expected to exceed HK$55,000,000 ("**Cap D**"). The aggregate amount paid by the Group under the Former Agreements for the year ended 31 December 2016 amount to approximately HK$45,333,000 which is within Cap D.

The maximum aggregate annual amount payable by the Group under the New Agreements for each of the financial years ending 31 December 2019 is not expected to exceed HK$58,000,000 ("**Cap E**"). The aggregate amount paid by the Group under the New Agreements for the year ended 31 December 2016 amount to approximately HK$6,266,000 which is within Cap E.

Continuing Connected Transactions (Continued)

(iii) Framework Agreement

On 28 July 2014, the Company had entered into a framework agreement (the "**Former Framework Agreement**") with Kerry Logistics Network Limited ("**KLN**") in relation to (a) the lease of premises owned by the Group and leased to KLN and its subsidiaries (the "**KLN Group**") pursuant to the Former Framework Agreement, including (i) Units at Phase I Kerry Everbright City, 218 Tianmu Road West, Shanghai, China; (ii) Units at Kerry D.G. Warehouse (Kowloon Bay), 7 Kai Hing Road, Kowloon Bay, Hong Kong; (iii) Unit at Tavistock, 10 Tregunter Path, Hong Kong; and (iv) Unit at Tower III, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Hong Kong ("**Premises (iv)**") (together, the "**Leased Premises**"); and (b) the provision of such services to be provided by the KLN Group to the Group pursuant to the Former Framework Agreement, comprising delivery services, local courier services, freight services, freight agency services, insurance brokerage and related services, and services relating to management and operation of warehouse facilities, including building management, leasing and licensing management, warrant operations, IT support, human resources, administration and related services (the "**KLN Services**"). The Former Framework Agreement was entered into for a term from 1 August 2014 to 31 December 2016.

On 9 December 2016, the Company had entered into a new framework agreement (the "**New Framework Agreement**") with KLN in relation to the renewal of (a) the lease of the Leased Premises (excluding Premises (iv)); and (b) the KLN Services.

The New Framework Agreement was entered into for a term from 1 January 2017 to 31 December 2019 which may be extended for a further term of three years by the parties, subject to compliance by each party with the applicable requirements under the Listing Rules.

KLN is a subsidiary of the controlling shareholder of the Company and is therefore a connected person of the Company. Accordingly, the transactions between the Group and the KLN Group from time to time in relation to the lease of the Leased Premises by the Group to the KLN Group and the provision of the KLN Services by the KLN Group to the Group constitute continuing connected transactions of the Company under the Listing Rules.

The maximum aggregate annual rental income receivable by the Group for the lease of the Leased Premises and the maximum aggregate annual service fees payable by the Group for the KLN Services for the financial year ended 31 December 2016 are not expected to exceed HK$21,700,000 ("**Cap F**") and HK$15,300,000 ("**Cap G**") respectively. The rental income under the Former Framework Agreement for the year ended 31 December 2016 amount to approximately HK$9,050,000 which is within Cap F. The service fees under the Former Framework Agreement for the year ended 31 December 2016 amount to approximately HK$6,806,000 which is within Cap G.

Continuing Connected Transactions (Continued)

(iv) Review by Independent Non-executive Directors and the auditor of the Company

The continuing connected transactions mentioned above have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that the transactions have been entered into:

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

2. either on normal commercial terms or better; and

3. in accordance with the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The auditor of the Company was engaged to report on the Group's continuing connected transactions 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 and has issued his unqualified letter containing his findings and conclusions in respect of the abovementioned continuing connected transactions in accordance with rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 31 December 2016, the Company repurchased 2,708,500 shares on the Stock Exchange at an aggregate consideration of HK$52,227,910 ("**Repurchase**"). The Repurchase was made for the enhancement of shareholders' value. Details of the Repurchase are as follows:

		Price paid per share		
Month	**Number of ordinary shares**	**Highest HK$**	**Lowest HK$**	**Aggregate consideration HK$**
January 2016	2,708,500	19.40	19.08	52,227,910
Total	**2,708,500**			**52,227,910**

All 2,708,500 shares repurchased were cancelled during the year ended 31 December 2016. Apart from the above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

Auditor

The financial statements have been audited by PricewaterhouseCoopers who retires and, being eligible, offers itself for re-appointment.

On behalf of the Board
Wong Siu Kong
Chairman and Chief Executive Officer

Hong Kong, 17 March 2017

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF KERRY PROPERTIES LIMITED
(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of Kerry Properties Limited (the "Company") and its subsidiaries (the "Group") set out on pages 104 to 203, which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Valuation of investment properties;
- Recoverability of properties under development and completed properties held for sale;
- Assessment of carrying amounts of hotels properties in Mainland China; and
- Assessment of carrying amount of land in Macau

Key Audit Matter	How our audit addressed the Key Audit Matter

Valuation of investment properties
 	
Refer to notes 15 and 19 to the consolidated financial statements.
 	
The Group had investment properties held by subsidiaries and associates as at 31 December 2016 for which a revaluation gain/loss was recognised and presented as an "increase in fair value of investment properties" and "share of results of associates" respectively in the consolidated income statement. The Group's investment property portfolio comprises of commercial and residential properties in Hong Kong and Mainland China.
 	
Management has engaged independent valuers, to estimate the fair value of the Group's investment properties as at 31 December 2016 based on the income capitalisation method and wherever appropriate, the direct comparison method.
 	
The valuation of investment properties depends on certain key assumptions that require significant management judgement, including capitalisation rates and prevailing market rents.
 	
As mentioned in note 4(a)(i) to the consolidated financial statements, due to the existence of significant management judgement making assumptions used in the valuation of investment properties, we considered it a key audit matter.
	Our procedures in relation to the key assumptions used in management's valuation of investment properties held by the Group's subsidiaries and associates included:
	
	• Evaluating the independent valuers' competence, capabilities and objectivity;
	
	• Obtaining the valuation reports and meeting with the independent valuers to discuss the valuation methodologies;
	
	• Checking the accuracy of the input data, on sample basis, used by the independent valuers including rental income, and occupancy rates by agreeing them back to management's records, historical actual information or other supporting documentation including:
	
	  • key terms of lease agreements; and
	
	  • rental income schedules;
	
	• Comparing the key assumptions used by the independent valuers against our own expectations using evidence from comparable market transactions by comparing:
	
	  • capitalisation rates to published market yields; and
	
	  • prevailing market rents to leasing transactions of comparable properties.
	
	We found the key assumptions used in management's valuation of investment properties were supported by the available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter

Recoverability of properties under development and completed properties held for sale
 	
Refer to notes 17 and 24 to the consolidated financial statements.
 	
The Group had HK$57,292 million and HK$3,787 million of properties under development and completed properties held for sale respectively as at 31 December 2016.
 	
Management assessed the recoverability of properties under development and completed properties held for sale based on an estimation of the net realisable value of the underlying properties. This involves considerable analyses of estimated costs to completion and committed contracts and expected future sales price or rental value based on prevailing market conditions such as current market prices of comparable standards and locations.
 	
If the actual net realisable values of the underlying stock of properties fluctuates from those values estimated as a result of changes in market condition, material reversal of or provision for impairment losses on properties under development and completed properties held for sale may result.
 	
As mentioned in note 4(a)(ii) to the consolidated financial statements, due to the estimation uncertainty and management judgement, we considered this a key audit matter.
	Our procedures in relation to management's assessment of recoverability of properties under development and completed properties held for sale included:
	
	• Testing the key controls around the property construction cycle with particular focus on, but not limited to, controls over cost budgeting for estimated costs to completion; and
	
	• Assessing the reasonableness of key assumptions and estimates in management's assessment, on a sample of properties selected, including:
	
	    • expected future sales prices which we compared to contracted sales prices of the underlying properties or current market prices of properties of comparable standards and locations, where applicable;
	
	    • expected future rental value which we compared to rental value of properties of comparable standards and locations; and
	
	    • anticipated costs to completion and committed contracts which we compared to latest approved budgets on total construction costs and checked to supporting documentation such as quantity surveyor reports and signed contracts.
	
	We found that management's assessment of recoverability of properties under development and completed properties held for sale is supported by the available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of carrying amounts of hotels properties in Mainland China Refer to notes 14, 16 and 19 to the consolidated financial statements. The Group had property, plant and equipment and leasehold land and land use rights held by subsidiaries and associates which included hotel operations in Mainland China as at 31 December 2016. Given the different economic environments in which the Group's hotels operate and the existence of impairment indicators at some of the hotels, there is a risk that the carrying amounts of these hotels held by subsidiaries and associates are higher than their recoverable amounts. The Group identified certain impairment indicators for the hotel operation in Mainland China. During the year ended 31 December 2016, the Group recorded impairment charges of HK$81 million against its property, plant and equipment in relation to the hotel operations in Mainland China held by the Group's subsidiaries as a result of the impairment assessments carried out by management which involved estimating the recoverable amounts, using the value in use model. The key assumptions and judgements adopted by management in the relevant discounted cash flow model included discount rates, estimated occupancy rates and room rates. As mentioned in note 4(b)(v) to the consolidated financial statements, the initial analysis to identify the hotel properties with indicators of impairment is subject to management judgement. For those subject to a more detailed impairment assessment, the estimation of recoverable amount is dependent on certain key assumptions that require significant management judgement. Due to the estimation uncertainty and management judgement, we considered this a key audit matter.	Our procedures in relation to management's assessment of impairment of property, plant and equipment and leasehold land and land use rights held by the Group's subsidiaries and associates for the hotel operation in Mainland China included: • Testing management's assessment based on respective hotel performance as to which property, plant and equipment and leasehold land and land use rights have indicators of impairment; • Evaluating management's discounted cash flow model to estimate the recoverable amount based on value in use, including testing the underlying calculations and comparing them to the latest approved budgets and the actual results of the prior period; • Checking, on a sample basis, the accuracy of the input data used by management in their discounted cash flow model including occupancy rates and room rates, by agreeing it back to management's records, historical actual information or other supporting documentation; • Testing the discount rates, estimated occupancy rates and room rates with reference to the published industry benchmarks, comparable market transactions and our experience in this industry; and • Performing sensitivity analysis on the key input data and assumptions to understand the impact of reasonable changes in assumptions on the estimated recoverable amounts. We found that management's assessment of impairment of property, plant and equipment and leasehold land and land use rights held by the Group's subsidiaries and associates for the hotel operations in Mainland China are supported by the available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of carrying amount of land in Macau Refer to note 17 to the consolidated financial statements. The Group owns a piece of land (the "Land") amounting to HK$1,200 million included in properties under development as at 31 December 2016 in relation to a development project at Nam Van Lake, Macau. The concession of the Land was of a lease term of 25 years which ended on 30 July 2016. The Group has been in continuous discussion with the government of Macau Special Administrative Region of the People's Republic of China (the "Macau Government") on the development of the Land since its acquisition from an independent third party in 2007. However, the Macau Government has not approved the development plan as the new urban plan of the Nam Van District has to be redrafted. As of the date of this report, the Land is included in an announcement made by the Macau Government of the land plots stating that non-development of this land is not attributable to the concessionaires. In addition, there is no written notice or declaration of the lease expiry in the official gazette of the Macau Government to the Group or other notices to the concessionaires in the Nam Van District. Based on the above-mentioned situation, after taking into consideration the legal advice from an independent legal counsel, together with the current status of the ownership of the Land, management considered that the Group has strong grounds to challenge the Macau Government should it make any attempt to repossess the land. The directors have made an assessment of the value of the Land on the basis that the lease can be renewed for an extended period of time with no significant change to the terms of the original lease and no significant costs to be incurred, and considered that no provision for impairment loss of the Land was necessary as at 31 December 2016. As mentioned in note 4(a)(ii) to the consolidated financial statements, due to the existence of significant management judgement and the assumptions needed in the assessment of the value of the Land, we considered it a key audit matter.	Our procedures in relation to management's impairment assessment of the Land included: • Discussed the nature and status of the Group's exposure with in-house and external legal counsels and obtained letters from the Group's external legal counsel which corroborated management's position; • Collecting publicly available information containing recent updates in respect of land repossession issues in the Nam Van District for other land concession holders in the market which also corroborated management's position; • Assessing the reasonableness of key assumptions and estimates used in the management's assessment of the value of the Land and assessing whether there is any unfavourable evidence which contradicts the basis of the lease renewal; and • Assessing the appropriateness of the accounting treatment and the rationale for not recording an impairment loss, and the adequacy of disclosures in the consolidated financial statements in light of the procedures above. We found that management's impairment assessment of the Land is supported by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT AND CORPORATE GOVERNANCE COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit and Corporate Governance Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Corporate Governance Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Corporate Governance Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Corporate Governance Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ip Koon Wing, Ernest.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 March 2017

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Turnover	5	**12,990,536**	10,392,897
Cost of sales		**(4,266,362)**	(3,809,898)
Direct operating expenses		**(2,868,283)**	(2,671,797)
Gross profit	5	**5,855,891**	3,911,202
Other income and net gains	6	**1,115,592**	487,119
Administrative and other operating expenses		**(1,275,629)**	(1,070,637)
Increase in fair value of investment properties		**3,244,197**	2,466,154
Operating profit before finance costs	7	**8,940,051**	5,793,838
Finance costs	8	**(411,033)**	(551,053)
Operating profit		**8,529,018**	5,242,785
Share of results of associates		**1,800,981**	2,017,565
Profit before taxation		**10,329,999**	7,260,350
Taxation	9	**(2,595,232)**	(1,189,871)
Profit for the year		**7,734,767**	6,070,479
Profit attributable to:			
Company's shareholders		**6,537,258**	5,529,963
Non-controlling interests		**1,197,509**	540,516
		7,734,767	6,070,479
Earnings per share			
– Basic	11	**HK$4.53**	HK$3.83
– Diluted	11	**HK$4.53**	HK$3.82

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	**2016** **HK$'000**	2015 HK$'000
Profit for the year		**7,734,767**	6,070,479
Other comprehensive income			
Items that may be reclassified to profit or loss			
Cash flow hedges	38	**107,278**	(99,646)
Available-for-sale investments			
– Fair value gains	38	**62,517**	168,574
– Release of reserve upon disposal of available-for-sale investments	38	**(264,031)**	–
Release of exchange fluctuation reserve upon disposal of a subsidiary	38	**(22,505)**	–
Share of other comprehensive income of associates	38	**(736,060)**	(353,634)
Net translation differences on foreign operations		**(3,781,952)**	(3,463,547)
Other comprehensive income for the year, net of tax		**(4,634,753)**	(3,748,253)
Total comprehensive income for the year		**3,100,014**	2,322,226
Total comprehensive income attributable to:			
Company's shareholders		**2,742,258**	2,546,335
Non-controlling interests		**357,756**	(224,109)
		3,100,014	2,322,226

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**5,758,321**	5,404,614
Investment properties	15	**56,949,967**	57,064,707
Leasehold land and land use rights	16	**1,893,221**	1,269,770
Properties under development	17	**22,307,035**	13,749,425
Land deposits		**1,085,695**	3,467,542
Associates	19	**18,650,834**	20,007,616
Derivative financial instruments	20	**100,139**	46,837
Available-for-sale investments	21	**4,856,190**	2,134,726
Long-term receivables	22	**1,001,386**	252,128
Intangible assets	23	**122,504**	122,504
		112,725,292	103,519,869
Current assets			
Properties under development	17	**34,984,502**	30,496,298
Completed properties held for sale	24	**3,787,415**	4,698,188
Accounts receivable, prepayments and deposits	22	**2,492,279**	1,135,784
Tax recoverable		**137,434**	112,756
Tax reserve certificates		**189,255**	170,471
Listed securities at fair value through profit or loss	25	**5,709**	190,857
Derivative financial instruments	20	**59,388**	27,918
Restricted bank deposits	26	**206,719**	348,404
Cash and bank balances	26	**16,274,538**	10,516,413
		58,137,239	47,697,089
Non-current assets reclassified as held for sale	27	**385,574**	–
Assets of disposal groups classified as held for sale	28	**1,397,583**	–
		59,920,396	47,697,089
Current liabilities			
Accounts payable, deposits received and accrued charges	29	**6,659,401**	5,876,714
Deposits received on sale of properties		**13,874,666**	4,138,734
Taxation		**1,490,836**	1,167,667
Short-term bank loans and current portion of long-term bank loans	30	**3,856,100**	9,641,826
Fixed rate bonds	31	**4,652,074**	3,253,716
Derivative financial instruments	20	**62,125**	1,317
		30,595,202	24,079,974
Liabilities of disposal groups classified as held for sale	28	**339,245**	–
		30,934,447	24,079,974
Net current assets		**28,985,949**	23,617,115

	Note	2016 HK$'000	2015 HK$'000
Total assets less current liabilities		**141,711,241**	127,136,984
Non-current liabilities			
Long-term bank loans	30	**34,507,291**	17,198,633
Fixed rate bonds	31	**2,317,612**	6,951,344
Amounts due to non-controlling interests	32	**2,590,684**	2,430,386
Derivative financial instruments	20	**150,164**	90,372
Deferred taxation	33	**6,927,118**	6,303,995
		46,492,869	32,974,730
ASSETS LESS LIABILITIES		**95,218,372**	94,162,254
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	35	**1,443,148**	1,445,856
Share premium	37	**12,408,816**	12,426,503
Other reserves	38	**8,179,121**	11,947,898
Retained profits		**60,713,322**	55,533,102
		82,744,407	81,353,359
Non-controlling interests		**12,473,965**	12,808,895
TOTAL EQUITY		**95,218,372**	94,162,254

The financial statements on pages 104 to 203 were approved by the Board of Directors on 17 March 2017 and were signed on its behalf.

Wong Siu Kong
Director

Ho Shut Kan
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Operating activities			
Net cash generated from operations	39(a)	**4,716,575**	5,587,972
Interest paid		**(1,225,625)**	(1,283,753)
Income tax paid		**(1,328,929)**	(1,269,825)
Net cash generated from operating activities		**2,162,021**	3,034,394
Investing activities			
Additions of property, plant and equipment		**(308,790)**	(87,285)
Additions of investment properties		**(603,220)**	(1,171,483)
Additions of properties under development		**(758,162)**	(2,375,884)
Increase in leasehold land and land use rights		**(11,070)**	–
Increase in land deposits		**(2,485,071)**	(2,394,152)
Disposal of a subsidiary	39(b)	**1,320,184**	–
Dividends received from associates		**655,416**	565,787
Return of capital from an associate		**519,628**	–
Repayment of loans from/(additional loans to) associates, net		**919,834**	(72,417)
Additions of available-for-sale investments		**(3,161,775)**	(21,400)
(Increase)/decrease in long-term receivables		**(756,270)**	96,011
Interest received		**313,399**	329,548
Decrease/(increase) in restricted bank deposits		**108,777**	(283,139)
(Increase)/decrease in short-term bank deposits maturing after more than three months		**(349,092)**	957,340
Dividends received from listed and unlisted investments		**105,387**	97,965
Proceeds from sale of property, plant and equipment		**907**	3,493
Proceeds from sale of investment properties		**323,915**	120,838
Proceeds from sale of available-for-sale investments		**544,722**	–
Proceeds from sale of listed securities at fair value through profit or loss		**228,878**	–
Net cash used in investing activities		**(3,392,403)**	(4,234,778)

	Note	2016 HK$'000	2015 HK$'000
Financing activities			
Proceeds from issue of shares		**–**	29,622
Consideration and expenses for shares repurchased for cancellation		**(52,377)**	–
Repayment of bank loans		**(34,635,795)**	(25,855,554)
Drawdown of bank loans		**46,697,442**	29,091,560
Dividends paid		**(1,298,833)**	(1,301,116)
Redemption of fixed rate bonds		**(3,257,814)**	–
Capital injection from non-controlling interests		**–**	67,194
Dividends of subsidiaries paid to non-controlling interests		**(384,044)**	(369,969)
Increase in loans from non-controlling interests		**160,298**	84,611
Net cash generated from financing activities		**7,228,877**	1,746,348
Increase in cash and cash equivalents		**5,998,495**	545,964
Effect of exchange rate changes		**(482,660)**	(391,865)
Cash and cash equivalents at 1 January		**10,498,231**	10,344,132
Cash and cash equivalents at 31 December		**16,014,066**	10,498,231
Analysis of cash and cash equivalents			
Unrestricted cash and cash equivalents	26(b)	**15,908,318**	10,498,231
Unrestricted cash and cash equivalents attributable to disposal groups	28(a)	**105,748**	–
		16,014,066	10,498,231

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

		Attributable to the shareholders of the Company						
	Note	Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2016		**1,445,856**	**12,426,503**	**11,947,898**	**55,533,102**	**81,353,359**	**12,808,895**	**94,162,254**
Profit for the year		–	–	–	6,537,258	6,537,258	1,197,509	7,734,767
Cash flow hedges	38	–	–	107,278	–	107,278	–	107,278
Available-for-sale investments	38							
– Fair value gains		–	–	62,517	–	62,517	–	62,517
– Release of reserve upon disposal of available-for-sale investments		–	–	(264,031)	–	(264,031)	–	(264,031)
Release of exchange fluctuation reserve upon disposal of a subsidiary	38	–	–	(22,505)	–	(22,505)	–	(22,505)
Share of reserves of associates	38	–	–	(736,060)	–	(736,060)	–	(736,060)
Net translation differences on foreign operations	38	–	–	(2,942,199)	–	(2,942,199)	(839,753)	(3,781,952)
Total comprehensive income for the year ended 31 December 2016		–	–	(3,795,000)	6,537,258	2,742,258	357,756	3,100,014
Lapse of share options		–	31,982	(31,982)	–	–	–	–
Repurchase of shares		(2,708)	(49,669)	2,708	(2,708)	(52,377)	–	(52,377)
Dividends paid		–	–	–	(1,298,833)	(1,298,833)	(384,044)	(1,682,877)
Transfer	38	–	–	55,497	(55,497)	–	–	–
Disposal of a subsidiary	39(b)	–	–	–	–	–	(308,642)	(308,642)
Total transactions with owners		(2,708)	(17,687)	26,223	(1,357,038)	(1,351,210)	(692,686)	(2,043,896)
Balance at 31 December 2016		**1,443,148**	**12,408,816**	**8,179,121**	**60,713,322**	**82,744,407**	**12,473,965**	**95,218,372**

	Note	Attributable to the shareholders of the Company						
		Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2015		1,444,653	12,384,496	14,723,124	51,526,245	80,078,518	13,335,779	93,414,297
Profit for the year		–	–	–	5,529,963	5,529,963	540,516	6,070,479
Cash flow hedges	38	–	–	(99,646)	–	(99,646)	–	(99,646)
Available-for-sale investments	38							
– Fair value gains		–	–	168,574	–	168,574	–	168,574
Share of reserves of associates	38	–	–	(353,634)	–	(353,634)	–	(353,634)
Net translation differences on foreign operations	38	–	–	(2,698,922)	–	(2,698,922)	(764,625)	(3,463,547)
Total comprehensive income for the year ended 31 December 2015		–	–	(2,983,628)	5,529,963	2,546,335	(224,109)	2,322,226
Issue of share capital – exercise of share options		1,203	42,007	(13,588)	–	29,622	–	29,622
Dividends paid		–	–	–	(1,301,116)	(1,301,116)	(369,969)	(1,671,085)
Transfer	38	–	–	221,990	(221,990)	–	–	–
Capital injection from non-controlling interests		–	–	–	–	–	67,194	67,194
Total transactions with owners		1,203	42,007	208,402	(1,523,106)	(1,271,494)	(302,775)	(1,574,269)
Balance at 31 December 2015		1,445,856	12,426,503	11,947,898	55,533,102	81,353,359	12,808,895	94,162,254

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Kerry Properties Limited (the "Company") is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange").

The principal activities of the Company's subsidiaries and associates comprise the following:

(i) property development, investment and management in Hong Kong, the People's Republic of China (the "PRC") and the Asia Pacific region;

(ii) hotel ownership in Hong Kong, and hotel ownership and operations in the PRC; and

(iii) integrated logistics and international freight forwarding.

These financial statements have been approved for issue by the Board of Directors on 17 March 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements of the Company and its subsidiaries (together, the "Group") have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") under the historical cost convention, as modified by the revaluation of available-for-sale investments, financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

The preparation of 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 accounting policies of the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

(a) Basis of preparation (Continued)

(i) Adoption of standard and amendments to existing standards

The following standard and amendments to existing standards have been published that are effective for the accounting period of the Group beginning on 1 January 2016:

- HKFRS 14, 'Regulatory deferral accounts'
- Amendments to HKFRS 10, HKFRS 12 and HKAS 28, 'Investment entities: applying the consolidation exception'
- Amendment to HKFRS 11, 'Accounting for acquisitions of interests in joint operations'
- Amendment to HKAS 1, 'Disclosure initiative'
- Amendments to HKAS 16 and HKAS 38, 'Clarification of acceptable methods of depreciation and amortisation'
- Amendment to HKAS 27, 'Equity method in separate financial statements'
- Annual improvements 2012 – 2014 cycle

The new standard and amendments to existing standards had no material financial impact on the consolidated financial statements of the Group.

(ii) Standards and amendments to existing standards which are not yet effective

The following standards and amendments to existing standards, which are relevant to the operations of the Group, have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2017, but the Group has not early adopted them:

	Applicable for accounting periods beginning on/after
Amendments to HKFRS 10 and HKAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined
Amendments to HKAS 7, 'Disclosure initiative'	1 January 2017
Amendments to HKAS 12, 'Recognition of deferred tax assets for unrealised losses'	1 January 2017
Amendments to HKFRS 2, 'Classification and measurement of share-based payment transactions'	1 January 2018
HKFRS 9, 'Financial instruments'	1 January 2018
HKFRS 15, 'Revenue from contracts with customers'	1 January 2018
HKFRS 16, 'Leases'	1 January 2019

The application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue. Certain costs incurred in fulfilling a contract which are currently expensed may need to be recognised as an asset under HKFRS 15.

HKFRS 16 will affect primarily the accounting for Group's operating leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised in the consolidated statement of financial position.

The Group will adopt the above standards and amendments to existing standards as and when they become effective. The Group has already commenced the assessment of the impact to the Group and is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation

The financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(i) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, 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. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies 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 to the former owners of the acquiree 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. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. 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, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(iii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

The Group's share of its associates post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the consolidated income statement.

(iv) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control lost, 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 venture 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 directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Hong Kong dollar (HK$), which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in other comprehensive income.

(iii) Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position of the Group's entities are translated at the closing rate at the end of the reporting period;

- income and expenses for each income statement of the Group's entities are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment

Properties comprise hotel properties, warehouse (including leasehold land classified as finance lease), leasehold buildings and staff quarters. All property, plant and equipment are stated at historical cost less aggregate depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost or re-valued amounts less their residual values over their estimated useful lives as follows:

Leasehold land	Over their remaining lease term ranging from 20 to 50 years
Properties	Shorter of remaining lease term of 20 to 50 years or useful lives
Leasehold improvements	Shorter of remaining lease term of 20 to 50 years or useful lives
Motor vehicles, furniture, fixtures and office equipment	10% to 33%

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss on disposal of all property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets and is recognised in the consolidated income statement.

(f) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies of the Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property comprises land held under finance leases and operating leases.

Land held under operating leases are classified and accounted for as 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 property is measured initially at its cost, including related transaction costs and borrowing costs. Borrowing costs incurred for the purpose of acquiring or constructing a qualifying asset are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and ceased once the asset is substantially complete, or suspended if the development of the asset is suspended.

After initial recognition, investment property is carried at fair value. Fair value is based on valuations carried out by professional valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active continues to be measured at fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investment properties (Continued)

The fair value of investment property 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 property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of leasehold land, if any, classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is capitalised to the carrying amount only when it is probable that future economic benefits associated with the expenditure 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 consolidated income statement during the financial period in which they are incurred.

Changes in fair values of investment property are recognised in the consolidated income statement. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

When an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to completed properties held for sale at its fair value at the date of change in use.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, except that the land portion is reclassified as leasehold land and land use right if it is operating lease in nature, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in the income statement to the extent that it reverses a previous impairment loss, with any remaining increase recognised directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is charged to the consolidated income statement. Upon the subsequent disposal of the investment property, any revaluation reserve balance of the property is transferred to retained profits and is shown as a movement in equity.

(g) Properties under development

Properties under development comprise leasehold land, land use rights, construction costs, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period. Leasehold land and land use rights classified as operating leases are amortised over the lease term in accordance with the pattern of benefit provided or on a straight-line basis over the lease term. The amortisation during the period of construction of the properties is capitalised as the cost of properties under development. Properties under development are stated at cost less accumulated impairment losses where applicable.

Properties under development include land use rights in the PRC of which the development plans of these land use rights are yet to be approved by the relevant PRC government authorities. Upon approval, certain portion of these land use rights, together with the related construction costs and borrowing costs capitalised are classified and accounted for as investment properties if the planned purpose of these properties meet the definition of investment properties.

Upon completion of the properties which are pre-determined for self-use purpose, the leasehold land portion under operating lease are classified as 'Leasehold land and land use rights', while the building and the leasehold land portion under finance leases are classified as 'Property, plant and equipment'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Properties under development (Continued)

Upon the completion of the properties which are pre-determined for sale purpose, the properties are classified as 'Completed properties held for sale' in current assets.

Properties under development are classified as non-current assets unless the construction period of the relevant property development project is expected to be completed within the normal operating cycle and are intended for sale.

(h) Completed properties held for sale

Completed properties held for sale are initially measured at the carrying amount of the property at the date of reclassification from properties under development. Subsequently, the prepaid leasehold land component not classified as finance lease is measured at amortised cost in accordance with the pattern of benefit provided less accumulated impairment losses; the building component and the prepaid leasehold land component classified as finance lease are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less selling expenses.

(i) Intangible assets – goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is recognised separately as a non-current asset. Goodwill on acquisitions of associates is included in investments in associates and is tested for impairment as part of the overall balance. Separately recognised goodwill on acquisitions of subsidiaries is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each operating segment in which it operates.

(j) Non-current assets or disposal groups reclassified as held for sale

Non-current assets or disposal groups are reclassified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. Investment properties classified as non-current assets held for sale are stated at fair value at the end of the reporting period.

(k) Impairment of investments in subsidiaries, associates and non-financial assets

Assets that have an indefinite useful life or have not yet been available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount 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 purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Investments

The Group classifies its financial assets in the following categories: listed securities at fair value through profit or loss, loans and receivables and available-for-sale investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Listed securities at fair value through profit or loss

Listed securities at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and 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 those with maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables include long-term receivables, accounts receivable, restricted bank deposits, cash and bank balances and amounts due from subsidiaries and associates.

(iii) Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period.

(iv) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale investments and listed securities at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the listed securities at fair value through profit or loss are presented in the consolidated income statement within other income and net gains, in the period in which they arise. Dividend income from listed securities at fair value through profit or loss is recognised in the consolidated income statement as part of other income and net gains when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities related to changes in amortised cost are recognised in the consolidated income statement and other changes in the carrying amount are recognised in other comprehensive income. Translation differences and other changes in fair value on non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

(l) Investments (Continued)

(iv) Recognition and measurement *(Continued)*

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement as part of other income and net gains. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income and net gains when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

(m) Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Impairment of financial assets (Continued)

(i) Assets carried at amortised cost (Continued)

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(ii) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (i) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

(n) Long-term receivables, accounts receivable and amounts due from subsidiaries and associates

The 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 receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is 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 consolidated income statement within administrative expenses. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); (2) hedges of a particular risk associated with a recognised asset or liability or highly probable forecast transactions (cash flow hedges); or (3) hedges of net investments in foreign operations (net investment hedges).

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments are disclosed in note 20. Movements on the hedging reserve in shareholders' equity are shown in note 38. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedge item is more than 12 months after the end of the reporting period. Trading derivatives are classified as a current asset or liability.

(i) Fair value hedge

Changes in fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated income statement, with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the consolidated income statement over the period to maturity.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the consolidated income statement within finance costs.

When a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Derivative financial instruments and hedging activities (Continued)

(iii) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement.

Gains and losses accumulated in equity are included in the consolidated income statement when the foreign operation is disposed of or sold.

(iv) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting and are accounted for at fair value through profit or loss. Changes in the fair value of these derivatives instruments that do not qualify for hedge accounting are recognised immediately in the consolidated income statement.

(p) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Restricted bank deposits are not included in cash and cash equivalents.

(q) Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(r) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(s) Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary difference arising on investments in subsidiaries and associates, 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(t) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Defined contribution plan

A defined contribution plan is a pension plan which the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Employee benefits (Continued)

(iii) Share-based payments

The Group has outstanding options granted under two share option schemes. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(iv) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(v) Bonus plans

The Group recognises a liability and an expense for bonuses when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of such obligation can be made.

(u) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(v) Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the original or modified terms of a debt instrument. The Group does not recognise liabilities for financial guarantees at inception, but perform a liability adequacy test at each reporting date by comparing its carrying amount of the net liability regarding the financial guarantee with its present legal or constructive obligation amount. If the carrying amount of the net liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the consolidated income statement immediately.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue, costs incurred or to be incurred in respect of a transaction can be reliably measured, neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold are retained, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Revenue from sales of properties is recognised when the significant risks and rewards of ownership of properties are transferred to the purchasers.

(ii) Rental revenue and other revenues incidental to the letting of properties are recognised on a straight-line basis over the periods of the respective leases.

(iii) Income on development consultancy and project management is recognised on a pro-rata basis according to the progress of the projects.

(iv) Income from property management is recognised when services are rendered.

(v) Hotel revenue from rooms rental, food and beverage sales and other ancillary services is recognised when the services are rendered.

(vi) Dividend income is recognised when the right to receive payment is established.

(vii) Interest income is recognised on a time proportion basis, using the effective interest method.

(x) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) The Group is the lessee

Payments made under operating leases (net of any incentives received from the lessor), including up-front prepayment made for leasehold land and land use rights for development, are charged to the consolidated income statement or capitalised in the properties under development in accordance with the pattern of benefit provided or on a straight-line basis over the lease term.

(ii) The Group is the lessor

When assets are leased out under an operating lease, the assets are included in the consolidated statement of financial position based on the nature of the assets. Lease income from operating lease is recognised over the term of the lease on a straight-line basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Leasehold land and land use rights

The Group made upfront payments to obtain operating leases of leasehold land and land use rights on which properties will be developed. Other than those classified as finance lease, the upfront payments of the leasehold land and land use rights are recorded as separate assets and amortised over the lease term in accordance with the pattern of benefit provided or on a straight-line basis over the lease term. The amortisation during the period of construction of the properties is capitalised as the cost of properties under development. The amortisation during the period before the commencement and after the completion of the construction of the properties (except for investment properties) is expensed in the consolidated income statement.

(z) Borrowing costs

Borrowing costs are accounted for on the accrual basis and charged to the consolidated income statement in the period in which they are incurred, except for costs related to funding of construction or acquisition of qualifying assets which are capitalised as part of the cost of that asset during the construction period and up to the date of completion of construction.

(aa) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are declared by the Directors in the case of interim dividends or approved by the Company's shareholders in the case of final dividends.

(ab) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resource will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's major financial instruments include available-for-sale investments, derivative financial instruments, long-term receivables, accounts receivable, listed securities at fair value through profit or loss, cash and bank balances, restricted bank deposits, accounts payable, bank loans, bonds and amounts with associates and non-controlling interests. Details of these financial instruments are disclosed in respective notes.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity 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 financial performance. The Group uses derivative financial instruments to manage certain risk exposures.

Risk management is carried out by the Group's management under the supervision of the Finance Committee. The Group's management identifies, evaluates and manages significant financial risks in the Group's individual operating units. The Finance Committee provides guidance for overall risk management.

(i) Market risk

(I) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group entities' functional currency.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

During the year, the currencies of certain countries where the Group has foreign operations, including the United States dollar and Renminbi, fluctuated against the Hong Kong dollar. This gave rise to an unrealised loss of approximately HK$3,120,746,000 (2015: HK$2,942,564,000) on translation of these operations' net assets to the Group's Hong Kong dollar reporting currency, including the Group's share of the translation gains and losses of associates. This unrealised loss is reflected as a movement in other reserves under the heading of exchange fluctuation reserve.

The Group's major financial instruments in foreign currencies (other than the functional currencies of the Group's entities), that are exposed to foreign exchange risk, are denominated in United States dollar and Renminbi.

Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to the United States dollar. Furthermore, the Group has entered into cross currency swap and/or forward exchange contracts to manage its exposure to United States dollar and Renminbi from recognised liabilities.

The management considers that there are no significant foreign exchange risks with respect to the United States dollar.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(II) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. The Group's interest bearing assets mainly include deposits at bank and amounts due from associates. The Group's floating rate borrowings will be affected by fluctuation of prevailing market interest rates and will expose the Group to cash flow interest rate risk. The Group's borrowings if issued at fixed rates will expose the Group to fair value interest rate risk.

To mitigate the risk, the Group has maintained fixed and floating rate debts. To match with underlying risk faced by the Group, the level of fixed rate debt for the Group is decided after taking into consideration the potential impact of higher interest rates, interest cover and the cash flow cycles of the Group's businesses and investments.

Furthermore, the Group manages its cash flow interest rate risk on certain bank borrowings by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

At the end of the reporting periods, if interest rates had been increased or decreased by 25 (2015: 25) basis points and all other variables were held constant, the profit of the Group would have decreased or increased by approximately HK$4,364,000 (2015: HK$10,534,000) resulting from the change in interest income on bank deposits and the borrowing costs of bank borrowings after capitalisation of interest expenses.

(III) Price risk

The Group is exposed to equity securities price risk arising from the listed equity investments held by the Group. Gains and losses arising from changes in the fair value of available-for-sale financial assets and financial assets at fair value through profit or loss are dealt with in equity and income statement respectively. The performance of the Group's listed and unlisted equity investments are monitored regularly, together with an assessment of their relevance to the Group's strategic plans. The Group is not exposed to commodity price risk.

The carrying amount of listed portion of available-for-sale investments would be an estimated HK$10,282,000 (2015: HK$99,202,000) lower or higher if the year end share prices of the above-mentioned investments were to differ by 20% (2015: 20%).

The carrying amount of unlisted portion of available-for-sale investments would be an estimated HK$106,288,000 (2015: HK$102,366,000) lower or higher if the year end underlying fair value of the above-mentioned investments were to differ by 20% (2015: 20%).

The carrying amount of listed securities at fair value through profit or loss would be an estimated HK$1,142,000 (2015: HK$38,171,000) lower or higher if the year end share prices of the above-mentioned investments were to differ by 20% (2015: 20%).

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk

The carrying amounts of cash and bank balances, restricted bank deposits, long-term receivables, accounts receivable and amounts due from associates represent the Group's maximum exposure to credit risk in relation to financial assets. The Group reviews the recoverable amount on a regular basis and an allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

In order to minimise the credit risk, management of the Company has delegated a team in each business unit responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each debtor at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is adequately covered.

There is no concentration of credit risk with respect to accounts receivable from third party customers as the Group has a large number of customers which are internationally dispersed.

The credit risk on liquid funds is limited because approximately 97% (2015: 93%) of the funds are placed in banks with high credit rankings, ranging from BBB to AA, and the remaining 3% (2015: 7%) in local banks in different countries with close monitoring by the management and there is no concentration in any particular bank.

In respect of credit exposures to customers for sale of properties and mortgage loans, the Group normally receives deposits or progress payments from individual customers prior to the completion of sale transactions. If a customer defaults on the payment of the sale of properties, the Group is able to forfeit the customer's deposit and re-sell the property to another customer. Therefore, the Group's credit risk is significantly reduced. For mortgage loans receivable, similar to other financial institutions, credit assessments are part of the normal process before approving loans to applicants. Regular review is carried out and stringent monitoring procedures are in place to deal with overdue debts. At the end of each reporting period, the Group reviews the recoverable amount of each individual receivable to ensure that adequate provisions for impairment are made for irrecoverable amounts, if any.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

The Group measures and monitors its liquidity through the maintenance of prudent ratio regarding to the liquidity structure of the overall assets, liabilities, loans and commitments of the Group.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group Treasury. Group Treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

The following tables detail the contractual maturity of the Group for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2016					
Amounts due to associates	–	63,241	–	–	63,241
Bank loans	4,739,297	9,578,115	25,688,781	920,093	40,926,286
Fixed rate bonds	4,905,438	136,666	2,667,895	–	7,709,999
Amounts due to non-controlling interests	–	2,616,831	–	–	2,616,831
Accounts payable, deposits received and accrued charges	6,470,717	–	–	–	6,470,717
Derivative financial instruments					
– Inflows	(23,883)	(12,657)	–	–	(36,540)
– Outflows	62,125	188,198	–	–	250,323
Total	16,153,694	12,570,394	28,356,676	920,093	58,000,857

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2015					
Amounts due to associates	–	62,776	–	–	62,776
Bank loans	10,212,673	2,576,583	14,239,617	1,605,492	28,634,365
Fixed rate bonds	3,831,699	4,902,970	409,792	2,393,359	11,537,820
Amounts due to non-controlling interests	–	2,454,017	–	–	2,454,017
Accounts payable, deposits received and accrued charges	5,683,997	–	–	–	5,683,997
Derivative financial instruments					
– Inflows	(32,667)	(27,024)	(742)	–	(60,433)
– Outflows	4,678	37,681	113,061	–	155,420
Total	19,700,380	10,007,003	14,761,728	3,998,851	48,467,962

3 FINANCIAL RISK MANAGEMENT (Continued)

(b) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the loan and equity balance.

The Directors of the Company review the capital structure periodically. As a part of this review, the Directors of the Company assess the annual budget prepared by the finance department which reviews the planned construction projects proposed by project department and prepared the annual budget taking into account of the provision of funding. Based on the proposed annual budget, the Directors of the Company consider the cost of capital and the risks associated with capital. The Directors of the Company also balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

The Group monitors capital by maintaining prudent gearing ratio based on prevailing market environment and economic condition. This ratio is calculated as net debt to equity attributable to the Company's shareholders. Net debt is calculated as borrowings (including current and non-current borrowings, as shown in the consolidated statement of financial position) less cash and cash equivalents, short-term bank deposits maturing after more than three months and restricted bank deposits.

The gearing ratios at 31 December 2016 and 2015 were as follows:

	2016	2015
Net debt (HK$ million)	**28,852**	26,181
Equity attributable to the Company's shareholders (HK$ million)	**82,744**	81,353
Gearing ratio	**34.9%**	32.2%

(c) 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 included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2016:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Derivative financial instruments	**–**	**159,527**	**–**	**159,527**
Available-for-sale investments	**51,408**	**–**	**4,804,782**	**4,856,190**
Listed securities at fair value through profit or loss	**5,709**	**–**	**–**	**5,709**
Total assets	**57,117**	**159,527**	**4,804,782**	**5,021,426**
Liabilities				
Derivative financial instruments	**–**	**212,289**	**–**	**212,289**
Total liabilities	**–**	**212,289**	**–**	**212,289**

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2015:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Derivative financial instruments	–	74,755	–	74,755
Available-for-sale investments	496,009	–	1,638,717	2,134,726
Listed securities at fair value through profit or loss	190,857	–	–	190,857
Total assets	686,866	74,755	1,638,717	2,400,338
Liabilities				
Derivative financial instruments	–	91,689	–	91,689
Total liabilities	–	91,689	–	91,689

There were no transfers between Levels during the year.

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

(i) 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 equity investments listed on the Hong Kong Stock Exchange classified as listed securities at fair value through profit or loss or available-for-sale.

(ii) 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.

Level 2 financial instruments of the Group comprise forward exchange, cross currency swap and interest rate swap contracts. The fair value is calculated as the present value of the estimated future cash flows based on forward exchange rates that are quoted in an active market and/or forward interest rates extracted from observable yield curves.

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

(iii) Financial instruments in Level 3

The following table presents the changes in Level 3 instruments:

	Available-for-sale investments	
	2016 **HK$'000**	2015 HK$'000
At 1 January	**1,638,717**	1,457,739
Gains recognised in comprehensive income	**4,311**	159,578
Additions (note)	**3,161,775**	21,400
Disposal	**(21)**	–
At 31 December	**4,804,782**	1,638,717

Note: The additions during the year ended 31 December 2016 represented the Group's indirect investment in approximately 24.4% interest in Shanghai Krupp Stainless Co. Ltd. The details are set out in note 21.

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

(iii) Financial instruments in Level 3 (Continued)

The Group established fair value of unlisted available-for-sale investments by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no changes in valuation techniques during the year.

(iv) Group's valuation processes for financial instruments

The Group's finance department includes a team that performs the valuation of financial assets required for financial reporting purposes, including Level 3 fair values. Discussions of valuation processes and results are held between the management and the valuation team at each reporting date. Reasons for the fair value movements will be explained during the discussions.

(v) Fair value of financial assets and liabilities measured at amortised cost

The fair value of the listed fixed rate bonds as at 31 December 2016 was HK$7,175,419,000 (2015: HK$10,659,907,000).

The fair value of the following financial assets and liabilities approximates their carrying amount:

– Trade and other receivables

– Other current financial assets

– Cash and cash equivalents

– Trade and other payables

– Bank loans

4 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) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal 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) Estimate of fair value of investment properties

The valuation of investment properties is performed in accordance with the 'The HKIS Valuation Standards on Properties (2012 Edition)' published by the Hong Kong Institute of Surveyors and the 'International Valuation Standards' published by the International Valuation Standards Committee.

Details of the judgement and assumptions have been disclosed in note 15(b).

(ii) Provision for properties under development and completed properties held for sale

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their recoverable amounts based on an estimation of the net realisable value of the underlying properties, taking into account estimated costs to completion based on past experience and committed contracts and expected future sales price/rental value based on prevailing market conditions. If the actual net realisable values of the underlying stock of properties fluctuates from those values estimated as a result of changes in market condition, material reversal of or provision for impairment losses on properties under development and completed properties held for sale may result. The assessment requires the use of judgement and estimates.

Other than the above, the Group has 100% equity interest in a subsidiary of the Group which owns a piece of land (the "Land") situated in Lot C12, Nam Van Lake, Macau with a carrying amount of HK$1,200 million (2015: HK$1,200 million). As set out in note 17, no provision for impairment loss for such Land was considered necessary as at 31 December 2016. Significant management judgement and assumption was also needed in the assessment of the value of the Land. The assessment requires the use of judgement and estimates.

(iii) Income taxes

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

The Group is subject to land appreciation taxes and withholding tax on capital gains in the PRC. Significant judgement is required in determining the amount of the land appreciation and capital gains, and its related taxes. The Group recognised these land appreciation taxes and withholding tax on capital gains based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax and deferred income tax provision in the periods in which such taxes have been finalised with local tax authorities.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Critical accounting estimates and assumptions (Continued)

(iv) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation charge where useful lives are different from the previously estimated lives. It will also write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(v) Fair value of available-for-sale investments and derivative financial instruments

The fair value of available-for-sale investments and derivative financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(b) Critical judgements in applying the Group's accounting policies

(i) Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as investment property. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgement.

(ii) Revenue recognition

The Group has recognised revenue from the sale of properties held for sale as disclosed in note 5 according to the accounting policy as stated in note 2(w)(i). The assessment of when an entity has transferred the significant risks and rewards of ownership to buyers and whether it is probable that future economic benefit will flow to the entity requires the examination of the circumstances of the transaction and the terms of payment under sales contract.

(iii) Financial implication of regulations of idle land

Under the PRC laws and regulations, if a property developer fails to commence the development of land within the timeframe designated in the land grant contract, the PRC government may regard the land as idle land and issue a warning or impose a penalty on the developer or reclaim the land.

In making this judgement, the Group evaluates the extent of development of the whole tracts of land, status of negotiation with the government authorities as to the extension of time of commencement or revision of development plans.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Critical judgements in applying the Group's accounting policies (Continued)

(iv) Impairment of available-for-sale financial assets and associates

The Group follows the guidance of HKAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

The investments in associates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount of investments is evaluated based on the financial position of associates, historical and expected future performance by management judgement. A considerable amount of judgement is required in assessing the ultimate recoverability of the investments.

(v) Impairment of property, plant and equipment

The Group regularly reviews whether there are any indications of impairment and will recognise an impairment loss if the carrying amount of an asset is lower than its recoverable amount which is the greater of its net selling price or its value in use. In determining the value in use, the Group assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rates, estimated occupancy rates and room rates. Additional information for the impairment assessment of property, plant and equipment is disclosed in note 14.

(vi) Impairment of trade receivables

The Group assesses whether there is objective evidence as stated in note 2(n) that trade receivables are impaired. It recognises impairment based on estimates of the extent and timing of future cash flows using applicable discount rates and also whether there is objective evidence that the trade receivables are impaired. This evidence may include observable data indicating that there has been adverse change in payment status of the debtors and the local economic conditions that correlate with the potential risk of fallen through on the transactions. The final outcome of the recoverability and cash flows of these receivables will impact the amount of impairment required.

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS

(a) Revenues recognised during the year are as follows:

	2016 **HK$'000**	2015 HK$'000
Turnover		
Sale of properties	**7,204,438**	5,084,479
Rental and others	**4,052,584**	3,801,379
Hotel revenue	**1,733,514**	1,507,039
	12,990,536	10,392,897

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

(b) An analysis of the Group's turnover and gross profit for the year by principal activity and market is as follows:

	Turnover		Gross profit	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Principal activities:				
Property rental and others				
– PRC property	**2,994,753**	2,896,899	**2,380,745**	2,271,894
– Hong Kong property	**1,057,831**	904,480	**833,807**	674,691
	4,052,584	3,801,379	**3,214,552**	2,946,585
Property sales				
– PRC property (note (i))	**6,655,037**	3,357,944	**2,308,357**	602,173
– Hong Kong property	**549,401**	1,726,535	**155,220**	608,510
	7,204,438	5,084,479	**2,463,577**	1,210,683
Hotel operations				
– PRC property	**1,733,514**	1,507,039	**177,762**	153,934
	12,990,536	10,392,897	**5,855,891**	4,311,202
Less: Provision for impairment of properties under development – PRC property (note (ii))	**–**	–	**–**	(400,000)
	12,990,536	10,392,897	**5,855,891**	3,911,202
Principal markets:				
– PRC	**11,383,304**	7,761,882	**4,866,864**	2,628,001
– Hong Kong	**1,607,232**	2,631,015	**989,027**	1,283,201
	12,990,536	10,392,897	**5,855,891**	3,911,202

(i): Sales of investment properties for the year ended 31 December 2016 amounting to HK$323,915,000 (2015: HK$120,838,000) are excluded from turnover.

(ii): The provision for impairment of properties under development is included under cost of sales.

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

(c) Information about operating segment:

Management has determined the operating segments based on the reports reviewed by the Board of Directors.

The Board of Directors considers the business by principal activities and markets, management assesses the performance of the principal activities of the Group namely property business. The property business is further segregated into the PRC property, Hong Kong property and Overseas property.

Property segment derives revenue primarily from sales of properties, rental revenue and hotel revenue.

Others mainly include corporate activities including central treasury management and administrative function and results of other business not categorised as operating segments.

The Board of Directors assesses the performance of the operating segments based on a measure of gross profit.

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

(d) An analysis of the Group's financial results by operating segment is as follows:

	2016				
	PRC Property HK$'000	Hong Kong Property HK$'000	Total Operating Segments HK$'000	Others HK$'000	Total HK$'000
Revenue					
Turnover	**11,383,304**	**1,607,232**	**12,990,536**	**–**	**12,990,536**
Results					
Segment results – gross profit	**4,866,864**	**989,027**	**5,855,891**	**–**	**5,855,891**
Other income and net gains					**1,115,592**
Administrative and other operating expenses					**(1,275,629)**
Increase in fair value of investment properties					**3,244,197**
Operating profit before finance costs					**8,940,051**
Finance costs					**(411,033)**
Operating profit					**8,529,018**
Share of results of associates					**1,800,981**
Profit before taxation					**10,329,999**
Taxation					**(2,595,232)**
Profit for the year					**7,734,767**
Profit attributable to:					
Company's shareholders					**6,537,258**
Non-controlling interests					**1,197,509**
					7,734,767
Depreciation and amortisation	**532,407**	**20,069**	**552,476**	**2,624**	**555,100**

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

(d) An analysis of the Group's financial results by operating segment is as follows: (Continued)

	2015				
	PRC Property HK$'000	Hong Kong Property HK$'000	Total Operating Segments HK$'000	Others HK$'000	Total HK$'000
Revenue					
Turnover	7,761,882	2,631,015	10,392,897	–	10,392,897
Results					
Segment results – gross profit	2,628,001	1,283,201	3,911,202	–	3,911,202
Other income and net gains					487,119
Administrative and other operating expenses					(1,070,637)
Increase in fair value of investment properties					2,466,154
Operating profit before finance costs					5,793,838
Finance costs					(551,053)
Operating profit					5,242,785
Share of results of associates					2,017,565
Profit before taxation					7,260,350
Taxation					(1,189,871)
Profit for the year					6,070,479
Profit attributable to:					
Company's shareholders					5,529,963
Non-controlling interests					540,516
					6,070,479
Depreciation and amortisation	395,123	24,968	420,091	4,047	424,138

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

(e) An analysis of the Group's financial position by operating segment is as follows:

	2016						
	PRC Property HK$'000	Hong Kong Property HK$'000	Overseas Property HK$'000	Total Operating Segments HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
Segment assets	83,415,880	69,850,733	189,397	153,456,010	61,945,086	(67,755,743)	147,645,353
Associates	5,701,006	3,062,410	1,252,835	10,016,251	8,634,583	–	18,650,834
Derivative financial instruments	–	–	–	–	159,527	–	159,527
Available-for-sale investments	3,162,244	582,379	1,111,567	4,856,190	–	–	4,856,190
Long-term receivables	–	1,001,386	–	1,001,386	–	–	1,001,386
Tax recoverable	127,574	9,860	–	137,434	–	–	137,434
Tax reserve certificates	–	–	–	–	189,255	–	189,255
Listed securities at fair value through profit or loss	–	5,322	219	5,541	168	–	5,709
Total assets	92,406,704	74,512,090	2,554,018	169,472,812	70,928,619	(67,755,743)	172,645,688
Segment liabilities	43,354,687	40,642,114	8,921	84,005,722	4,623,333	(67,755,743)	20,873,312
Derivative financial instruments	–	–	–	–	212,289	–	212,289
Bank loans	5,167,671	249,000	–	5,416,671	32,946,720	–	38,363,391
Fixed rate bonds	–	–	–	–	6,969,686	–	6,969,686
Taxation and deferred taxation	7,421,602	774,614	126,882	8,323,098	94,856	–	8,417,954
Amounts due to non-controlling interests	1,667,479	923,830	–	2,591,309	(625)	–	2,590,684
Total liabilities	57,611,439	42,589,558	135,803	100,336,800	44,846,259	(67,755,743)	77,427,316
Segment non-current assets*	58,206,083	38,666,027	1,252,835	98,124,945	8,642,632	–	106,767,577

* *Other than derivative financial instruments, available-for-sale investments and long-term receivables.*

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

(e) An analysis of the Group's financial position by operating segment is as follows: (Continued)

	2015						
	PRC Property HK$'000	Hong Kong Property HK$'000	Overseas Property HK$'000	Total Operating Segments HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
Segment assets	78,996,590	55,615,469	189,247	134,801,306	47,789,076	(54,316,733)	128,273,649
Associates	5,868,402	2,901,245	1,300,683	10,070,330	9,937,286	–	20,007,616
Derivative financial instruments	–	–	–	–	74,755	–	74,755
Available-for-sale investments	470	1,007,368	1,126,888	2,134,726	–	–	2,134,726
Long-term receivables	–	252,128	–	252,128	–	–	252,128
Tax recoverable	84,776	27,918	5	112,699	57	–	112,756
Tax reserve certificates	–	–	–	–	170,471	–	170,471
Listed securities at fair value through profit or loss	–	190,663	194	190,857	–	–	190,857
Total assets	84,950,238	59,994,791	2,617,017	147,562,046	57,971,645	(54,316,733)	151,216,958
Segment liabilities	35,301,751	26,708,155	8,146	62,018,052	2,314,129	(54,316,733)	10,015,448
Derivative financial instruments	–	–	–	–	91,689	–	91,689
Bank loans	6,810,952	650,000	–	7,460,952	19,379,507	–	26,840,459
Fixed rate bonds	–	–	–	–	10,205,060	–	10,205,060
Taxation and deferred taxation	6,519,910	702,468	121,322	7,343,700	127,962	–	7,471,662
Amounts due to non-controlling interests	1,522,619	908,392	–	2,431,011	(625)	–	2,430,386
Total liabilities	50,155,232	28,969,015	129,468	79,253,715	32,117,722	(54,316,733)	57,054,704
Segment non-current assets*	59,072,990	30,767,837	1,300,684	91,141,511	9,944,667	–	101,086,178

* *Other than derivative financial instruments, available-for-sale investments and long-term receivables.*

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

(f) An analysis of the Group's operating segment non-current assets by geographical area is as follows:

	Operating segment non-current assets*	
	2016 **HK$'000**	2015 HK$'000
PRC	**58,206,083**	59,072,990
Hong Kong	**36,968,127**	29,070,562
Others	**2,950,735**	2,997,959
	98,124,945	91,141,511

* *Other than derivative financial instruments, available-for-sale investments and long-term receivables.*

6 OTHER INCOME AND NET GAINS

	2016 **HK$'000**	2015 HK$'000
Dividend income		
– Available-for-sale investments	**100,184**	88,376
– Listed securities at fair value through profit or loss	**5,203**	9,589
	105,387	97,965
Interest income	**301,388**	324,906
(Loss)/gain on disposal of property, plant and equipment	**(254)**	282
Gain on sale of investment properties net of selling expenses	**102,415**	29,624
Provision for impairment loss for hotel property (note 14)	**(80,682)**	–
Fair value gain on listed securities at fair value through profit or loss	**24,352**	13,793
Gain on disposal of available-for-sale investments	**305,925**	–
Gain on disposal of listed securities at fair value through profit or loss	**19,195**	–
Gain on disposal of a subsidiary (note 39(b))	**423,148**	–
Exchange loss, net	**(211,281)**	(141,089)
Others	**125,999**	161,638
	1,115,592	487,119

7 OPERATING PROFIT BEFORE FINANCE COSTS

Operating profit before finance costs is stated after charging the following:

	2016 HK$'000	2015 HK$'000
Cost of sales of properties	**4,266,362**	3,809,898
Direct operating expenses in respect of investment properties	**572,182**	615,959
Depreciation of property, plant and equipment and amortisation of leasehold land and land use rights	**555,100**	424,138
Hotel direct operating expenses	**1,555,752**	1,353,105
Operating lease charges – land and buildings	**51,685**	51,436
Auditors' remuneration		
– audit services	**10,535**	9,568
– non-audit services	**4,111**	2,370

8 FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interest expense		
– bank loans	**833,174**	748,994
– fixed rate bonds (note 31)	**521,801**	593,874
– derivative financial instruments	**(62,176)**	(6,266)
– others (note)	**(123,543)**	(35,706)
Total finance costs incurred	**1,169,256**	1,300,896
Less: amount capitalised in properties under development and investment properties under construction	**(901,329)**	(876,904)
	267,927	423,992
Fair value (gain)/loss on derivative financial instruments		
– cash flow hedge, transfer from equity (note 38)	**(1,289)**	11,125
– not applying hedge accounting	**144,395**	115,936
Total finance costs expensed during the year	**411,033**	551,053

The capitalised interest rate applied to funds borrowed and used for the development of properties is between 2.4% and 6.0% per annum (2015: between 2.4% and 7.7% per annum).

Note: The amount included net exchange gains from financing activities of HK$158,995,000 (2015: HK$62,439,000) for the year ended 31 December 2016.

9 TAXATION

Hong Kong and overseas profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year. Income tax on the overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the overseas countries in which the Group operates.

PRC corporate income tax

PRC corporate income tax has been provided at the rate of 25% (2015: 25%) on the estimated assessable profit for the year.

Withholding tax on distributed/undistributed profits

Withholding tax is levied on profit distribution upon declaration/remittance at the rates of taxation prevailing in the PRC and overseas countries.

PRC land appreciation tax

Land appreciation tax in the PRC is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including land costs, borrowing costs and all property development expenditures.

The amount of taxation (charged)/credited to the consolidated income statement represents:

	2016 HK$'000	2015 HK$'000
PRC taxation		
– Current	**(1,444,374)**	(444,161)
– Under-provision in prior years	**(912)**	(2,174)
– Deferred	**(969,247)**	(543,367)
	(2,414,533)	(989,702)
Hong Kong profits tax		
– Current	**(114,359)**	(148,645)
– Over/(under)-provision in prior years	**770**	(2,252)
– Deferred	**(47,003)**	(29,163)
	(160,592)	(180,060)
Overseas taxation		
– Current	**(8,415)**	(8,326)
– Over-provision in prior years	**25**	–
– Deferred	**(11,717)**	(11,783)
	(20,107)	(20,109)
	(2,595,232)	(1,189,871)

The Group's share of associates' taxation for the year of HK$440,467,000 (2015: HK$362,270,000) is included in the share of results of associates in the consolidated income statement.

9 TAXATION (Continued)

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2016 **HK$'000**	2015 HK$'000
Profit before taxation	**10,329,999**	7,260,350
Less: Share of results of associates	**(1,800,981)**	(2,017,565)
	8,529,018	5,242,785
Calculated at Hong Kong profits tax rate of 16.5% (2015: 16.5%)	**1,407,288**	865,060
Tax effect of different taxation rates in other countries	**527,673**	253,243
Utilisation of previously unrecognised tax losses	**(107,526)**	(148,206)
Tax effect of net income/expenses that are not taxable/deductible in determining taxable profit	**9,186**	47,381
Tax loss not recognised	**123,635**	72,876
Under-provision of taxation in prior years	**117**	4,426
	1,960,373	1,094,780
Withholding tax on distributed/undistributed profits	**122,289**	56,852
Withholding tax on capital gains	**39,802**	–
Land appreciation tax	**630,357**	50,986
Tax effect of deduction of land appreciation tax	**(157,589)**	(12,747)
Taxation charge	**2,595,232**	1,189,871

10 DIVIDENDS

	2016 HK$'000	2015 HK$'000
Interim, paid, of HK$0.3 (2015: HK$0.3) per ordinary share (note (a))	**432,944**	433,757
Final, proposed, of HK$0.8 (2015: HK$0.6) per ordinary share (note (b))	**1,154,518**	867,514
Additional prior year final dividend arising from the increase in number of ordinary shares in issue on the related record date (note (b))	**–**	567
Decrease in prior year final dividend due to the repurchase of shares before the related record date	**(1,625)**	–
	1,585,837	1,301,838

(a) Amounts shown in respect of the interim dividend for the year ended 31 December 2016 reflect the cash dividend of HK$0.3 (2015: HK$0.3) per ordinary share.

(b) At a meeting held on 17 March 2017, the Board of Directors proposed a final dividend of HK$0.8 per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements. The proposed final dividend for the year ended 31 December 2016, as referred to above, is calculated on the basis of 1,443,147,728 ordinary shares in issue as at 31 December 2016, and at a final dividend of HK$0.8 per ordinary share. The actual amount of final dividend payable in respect of the year ended 31 December 2016 will be subject to the actual number of ordinary shares in issue on the record date, which is expected to be on or about 18 May 2017.

11 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2016	2015
Weighted average number of ordinary shares in issue	**1,443,354,936**	1,445,520,168

	2016 HK$'000	2015 HK$'000
Profit attributable to shareholders	**6,537,258**	5,529,963
Basic earnings per share	**HK$4.53**	HK$3.83

11 EARNINGS PER SHARE (Continued)

Diluted

Diluted earnings per share is calculated by adjusting the profit attributable to shareholders of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

	2016	2015
Weighted average number of ordinary shares in issue	**1,443,354,936**	1,445,520,168
Adjustment for share options	**111,056**	239,022
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,443,465,992**	1,445,759,190

	2016 **HK$'000**	2015 HK$'000
Profit attributable to shareholders	**6,537,258**	5,529,963
Diluted earnings per share	**HK$4.53**	HK$3.82

12 EMPLOYEE BENEFIT EXPENSE

	2016 **HK$'000**	2015 HK$'000
Staff costs, including directors' emoluments	**1,230,349**	1,109,124
Pension costs – defined contribution plans (note 34)	**79,383**	73,450
	1,309,732	1,182,574

13 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and senior management's emoluments

The remuneration of the Directors for the year ended 31 December 2016, excluding share option benefits, is set out below:

Name of Director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Employer's contribution to retirement benefit scheme HK$'000	Total HK$'000
Mr Wong Siu Kong*	–	6,720	21,000	120	27,840
Mr Ho Shut Kan	–	6,000	19,000	120	25,120
Mr Chin Siu Wa, Alfred[1]	–	5,520	12,000	120	17,640
Mr Bryan Pallop Gaw	–	3,780	7,500	120	11,400
Mr Kuok Khoon Hua	315	–	–	–	315
Mr Ku Moon Lun	560	–	–	–	560
Ms Wong Yu Pok, Marina, JP	600	–	–	–	600
Mr Chang Tso Tung, Stephen	555	–	–	–	555

[1] *Resigned on 1 February 2017*

* *Chairman*

13 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' and senior management's emoluments (Continued)

The remuneration of the Directors for the year ended 31 December 2015, excluding share option benefits, is set out below:

Name of Director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Employer's contribution to retirement benefit scheme HK$'000	Total HK$'000
Mr Wong Siu Kong*	–	6,720	18,500	120	25,340
Mr Ho Shut Kan	–	5,520	17,000	120	22,640
Mr Chin Siu Wa, Alfred	–	5,520	15,000	120	20,640
Mr Bryan Pallop Gaw	–	3,360	7,000	120	10,480
Mr Kuok Khoon Hua [1]	163	–	–	–	163
Mr Ku Moon Lun	490	–	–	–	490
Ms Wong Yu Pok, Marina, JP	516	–	–	–	516
Mr Chang Tso Tung, Stephen	490	–	–	–	490
Mr Lau Ling Fai, Herald [2]	187	–	–	–	187

1 *Appointed during the year 2015*
2 *Retired during the year 2015*
* *Chairman*

13 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(b) Share options granted to the Directors of the Company

Pursuant to the 2002 Share Option Scheme and the 2011 Share Option Scheme of the Company (note 36), the Company granted to the Directors share options to subscribe for shares in the Company subject to terms and conditions stipulated therein. The fair values of share options granted to the Directors were included in the total employee benefit expense during the vesting period.

During the years ended 31 December 2016 and 31 December 2015, there were no share options granted to the Directors.

As at 31 December 2016, certain Directors held the following share options to acquire shares of the Company:

Number of share options held	**Exercise price per share HK$**	**Exercise period**
1,400,000	**47.70**	**02/04/2009 – 01/04/2018**
1,400,000	**47.70**	**02/04/2010 – 01/04/2018**
2,800,000	**47.70**	**02/04/2011 – 01/04/2018**
2,650,000	**35.45**	**31/10/2012 – 29/04/2022**
2,650,000	**35.45**	**31/10/2013 – 29/04/2022**
3,250,000	**26.88**	**08/07/2014 – 07/01/2024**
3,250,000	**26.88**	**08/01/2015 – 07/01/2024**

As at 31 December 2015, certain Directors held the following share options to acquire shares of the Company:

Number of share options held	Exercise price per share HK$	Exercise period
1,400,000	47.70	02/04/2009 – 01/04/2018
1,400,000	47.70	02/04/2010 – 01/04/2018
2,800,000	47.70	02/04/2011 – 01/04/2018
2,650,000	35.45	31/10/2012 – 29/04/2022
2,650,000	35.45	31/10/2013 – 29/04/2022
3,250,000	26.88	08/07/2014 – 07/01/2024
3,250,000	26.88	08/01/2015 – 07/01/2024

The closing market price of the Company's share as at 31 December 2016 was HK$21.05 (2015: HK$21.15) per share.

13 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2015: four) Directors. The emoluments payable to the five highest paid individuals during the year are as follows:

	2016 HK$'000	2015 HK$'000
Salaries	**26,220**	24,840
Discretionary bonuses	**66,000**	63,800
Pension contributions	**600**	480
	92,820	89,120

The emoluments fell within the following bands:

	Number of individuals	
	2016	2015
HK$10,000,001 – HK$10,500,000	**–**	2
HK$10,500,001 – HK$11,000,000	**1**	–
HK$11,000,001 – HK$11,500,000	**1**	–
HK$17,500,001 – HK$18,000,000	**1**	–
HK$20,500,001 – HK$21,000,000	**–**	1
HK$22,500,001 – HK$23,000,000	**–**	1
HK$25,000,001 – HK$25,500,000	**1**	1
HK$27,500,001 – HK$28,000,000	**1**	–
	5	5

Pursuant to the 2002 Share Option Scheme and the 2011 Share Option Scheme of the Company (note 36), the Company granted to the individual share options to subscribe for shares in the Company subject to terms and conditions stipulated therein. The fair values of share options granted to the individual were included in the total employee benefit expense during the vesting period.

(d) Directors' material interests in transactions, arrangements or contracts

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party or were parties and in which a Director of the Company or any entities connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

14 PROPERTY, PLANT AND EQUIPMENT

	Hotel properties HK$'000	Warehouse and leasehold buildings HK$'000	Staff quarters HK$'000	Leasehold improvements HK$'000	Motor vehicles, furniture, fixtures and office equipment HK$'000	Total HK$'000
Cost						
At 1 January 2016	5,473,613	479,654	47,221	59,206	267,159	6,326,853
Additions	225,879	–	5,232	359	77,320	308,790
Disposals	(8,462)	–	–	–	(6,642)	(15,104)
Transfer and reclassification	974,684	–	119	–	(13,100)	961,703
Exchange adjustment	(384,449)	(4,616)	(2,749)	(41)	(11,149)	(403,004)
At 31 December 2016	6,281,265	475,038	49,823	59,524	313,588	7,179,238
Aggregate depreciation and accumulated impairment losses						
At 1 January 2016	663,126	26,071	7,517	53,369	172,156	922,239
Charge for the year	447,220	15,724	1,585	2,658	36,085	503,272
Impairment charge (note 6)	80,682	–	–	–	–	80,682
Disposals	(7,800)	–	–	–	(6,143)	(13,943)
Transfer and reclassification	–	–	106	–	(8,745)	(8,639)
Exchange adjustment	(53,840)	(262)	(519)	(41)	(8,032)	(62,694)
At 31 December 2016	1,129,388	41,533	8,689	55,986	185,321	1,420,917
Net book value as at 31 December 2016	5,151,877	433,505	41,134	3,538	128,267	5,758,321
Net book value as at 1 January 2016	4,810,487	453,583	39,704	5,837	95,003	5,404,614

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Hotel properties HK$'000	Warehouse and leasehold buildings HK$'000	Staff quarters HK$'000	Leasehold improvements HK$'000	Motor vehicles, furniture, fixtures and office equipment HK$'000	Total HK$'000
Cost						
At 1 January 2015	4,877,312	400,000	27,285	57,538	250,173	5,612,308
Additions	56,753	–	–	1,733	28,799	87,285
Disposals	(472)	–	(2,057)	–	(5,555)	(8,084)
Transfer and reclassification	832,280	87,574	24,739	–	4,374	948,967
Exchange adjustment	(292,260)	(7,920)	(2,746)	(65)	(10,632)	(313,623)
At 31 December 2015	5,473,613	479,654	47,221	59,206	267,159	6,326,853
Aggregate depreciation and accumulated impairment losses						
At 1 January 2015	366,378	12,121	6,754	43,752	144,032	573,037
Charge for the year	327,304	14,023	1,726	9,682	38,373	391,108
Disposals	(417)	–	(517)	–	(3,939)	(4,873)
Exchange adjustment	(30,139)	(73)	(446)	(65)	(6,310)	(37,033)
At 31 December 2015	663,126	26,071	7,517	53,369	172,156	922,239
Net book value as at 31 December 2015	4,810,487	453,583	39,704	5,837	95,003	5,404,614
Net book value as at 1 January 2015	4,510,934	387,879	20,531	13,786	106,141	5,039,271

As at 31 December 2016, property, plant and equipment with an aggregate net book value of HK$1,669,408,000 (2015: HK$1,847,108,000) were pledged as security for bank loan facilities granted to the Group (note 43).

The Group had property, plant and equipment held by subsidiaries and associates which included hotel operations in the PRC as at 31 December 2016. Given the different economic environments in which the Group's hotels operate, there is a risk that the carrying amounts of these hotels held by subsidiaries and associates are higher than their recoverable amounts. The Group assesses the carrying amounts of hotel properties when there is any indicator that the assets may be impaired. These indicators include continuing adverse changes in the local market conditions in which the hotel operates or will operate, or when the hotel continues to operate at a loss position and its financial performance is worse than expected.

During the year ended 31 December 2016, the Group recorded impairment charge of HK$80,682,000 (2015: nil) against its property, plant and equipment held for Shangri-La Hotel, Shenyang in the PRC as a result of the impairment assessments carried out by management which involved estimating the recoverable amounts using the value in use model. The Group has made key assumptions and estimates on the appropriate discount rate, estimated occupancy rate and room rate. The discount rate adopted in the model by the Group is 8.5%.

15 INVESTMENT PROPERTIES

	2016 HK$'000	2015 HK$'000
At 1 January	**57,064,707**	55,519,240
Additions	**603,220**	1,171,429
Increase in fair value	**3,244,197**	2,466,154
Disposals	**(216,200)**	(84,574)
Transfer	**(1,674,283)**	–
Exchange adjustment	**(2,071,674)**	(2,007,542)
At 31 December	**56,949,967**	57,064,707

(a) As at 31 December 2016, investment properties amounting to HK$16,634,088,000 (2015: HK$16,153,996,000) were pledged as securities for bank loan facilities granted to the Group (note 43).

(b) Valuation of investment properties

	Completed residential properties	Completed commercial properties		Commercial properties under development	Total
	Hong Kong	Hong Kong	PRC	PRC	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2016	11,606,600	9,324,990	30,479,044	5,654,073	57,064,707
Additions	3,230	5,085	54,657	540,248	603,220
Net gains from fair value adjustment	531,970	554,575	1,515,603	642,049	3,244,197
Reclassification	–	–	5,290,141	(5,290,141)	–
Disposals	–	–	(216,200)	–	(216,200)
Transfer	–	–	(385,574)	(1,288,709)	(1,674,283)
Exchange adjustment	–	–	(1,814,154)	(257,520)	(2,071,674)
At 31 December 2016	12,141,800	9,884,650	34,923,517	–	56,949,967

15 INVESTMENT PROPERTIES (Continued)

(b) Valuation of investment properties (Continued)

	Completed residential properties	Completed commercial properties		Commercial properties under development	Total
	Hong Kong	Hong Kong	PRC	PRC	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2015	10,571,600	8,606,260	31,437,438	4,903,942	55,519,240
Additions	397,706	6,899	7,885	758,939	1,171,429
Net gains from fair value adjustment	637,294	711,831	816,402	300,627	2,466,154
Disposals	–	–	(84,574)	–	(84,574)
Exchange adjustment	–	–	(1,698,107)	(309,435)	(2,007,542)
At 31 December 2015	11,606,600	9,324,990	30,479,044	5,654,073	57,064,707

Valuation processes of the Group

The Group measures its investment properties at fair value. The investment properties were revalued by DTZ Cushman & Wakefield Limited and Savills Valuation and Professional Services Limited, independent qualified valuers not related to the Group, who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued, at 31 December 2016. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuation performed by the independent valuers for financial reporting purposes. This team reports directly to the senior management and the Audit and Corporate Governance Committee. Discussions of valuation processes and results are held between the management and valuers.

At each financial year end, the finance department:

– verifies all major inputs to the independent valuation report;

– assesses property valuation movements when compared to the prior year valuation report; and

– holds discussions with the independent valuers.

Valuation techniques

Fair value of completed residential and commercial properties in Hong Kong and the PRC is mainly derived using the income capitalisation method and wherever appropriate, by direct comparison method.

Income capitalisation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

15 INVESTMENT PROPERTIES (Continued)

(b) Valuation of investment properties (Continued)

Valuation techniques (Continued)

Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

Fair value of commercial properties under development in the PRC is generally derived using the residual method. This valuation method is essentially a means of valuing the completed properties by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

Significant unobservable inputs used to determine fair value

Capitalisation rates are estimated by valuers based on the risk profile of the investment properties being valued. The higher the rates, the lower the fair value. At 31 December 2016, capitalisation rates of 3.1% to 5.5% (2015: 3.3% to 5.5%) and 5% to 9% (2015: 7% to 9%) are used in the income capitalisation method for Hong Kong and the PRC properties respectively.

Prevailing market rents are estimated based on recent lettings for Hong Kong and the PRC investment properties, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

Estimated costs to completion, developer's profit and risk margins required are estimated by valuers based on market conditions at the reporting date for the PRC investment properties under development. The estimates are largely consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions. The higher the costs and the margins, the lower the fair value.

16 LEASEHOLD LAND AND LAND USE RIGHTS

	2016 **HK$'000**	2015 HK$'000
At 1 January	**1,269,770**	1,198,161
Addition	**11,070**	–
Amortisation	**(52,800)**	(34,308)
Transfer	**793,401**	178,159
Exchange adjustment	**(128,220)**	(72,242)
At 31 December	**1,893,221**	1,269,770

As at 31 December 2016, leasehold land and land use rights with an aggregate net book value of HK$1,391,090,000 (2015: HK$719,935,000) were pledged as security for bank loan facilities granted to the Group (note 43).

17 PROPERTIES UNDER DEVELOPMENT

	2016 HK$'000	2015 HK$'000
At 1 January	**44,245,723**	41,433,416
Additions	**15,829,571**	10,085,859
Disposal of a subsidiary (note 39(b))	**(1,293,748)**	–
Transfer	**(467,700)**	(5,623,545)
Exchange adjustment	**(1,022,309)**	(1,250,007)
Provision for impairment (note 5(b))	**–**	(400,000)
At 31 December	**57,291,537**	44,245,723

	2016 HK$'000	2015 HK$'000
The above are represented by:		
Amount included in non-current assets		
Hong Kong	**12,673,123**	6,015,481
Outside Hong Kong (note (a))	**9,633,912**	7,733,944
	22,307,035	13,749,425
Amount included in current assets		
Hong Kong	**24,542,892**	18,773,850
Outside Hong Kong	**10,441,610**	11,722,448
	34,984,502	30,496,298
	57,291,537	44,245,723

(a) As at 31 December 2016, the balance included land use rights amounting to HK$3,524,065,000 (2015: HK$901,814,000) that the respective development plans were subject to approval from relevant government authorities. Upon approval of the plans, certain portion of these land use rights would be transferred to investment properties (note 2(g)).

As at 31 December 2016, the Group has 100% equity interest in a subsidiary of the Group (the "Subsidiary") which owns a piece of land (the "Land") situated in Lot C12, Nam Van Lake, Macau with a carrying amount of HK$1,200 million (2015: HK$1,200 million) and the Land is included under non-current assets as properties under development. The Subsidiary was acquired by the Group from an independent party in 2007.

The land concession in respect of the Land was granted for a lease term of 25 years for residential and parking purposes and the concession period ended on 30 July 2016. The Group has been in continuous discussion with the Macau Government on the development of the Land since acquisition. Since 2007, the Group has requested the government of Macau Special Administrative Region of the People's Republic of China (the "Macau Government") to approve the relevant building plans and the issuance of the relevant construction permit for the construction of the building structures but no reply was received from the Macau Government. In 2012, the Group was informed by Macau Government that the reason for not attending the request as the new urban plan of the Nam Van District has to be redrafted and that therefore construction works in the Nam Van District were suspended. As such, the Land was included in an announcement made by Macau Government of the land plots which non-development was not attributable to the concessionaires.

17 PROPERTIES UNDER DEVELOPMENT (Continued)

(a) (Continued)

Up to the date of approval of the financial statements, the Macau Government has not instituted any proceedings for the forfeiture of the Land or levied any penalty on the Group due to its non-timely development while the lease terms had expired on 30 July 2016. In addition, there is no written notice or declaration of the lease expiry in the official gazette of the Macau Government to the Group or other notices to the concessionaires in the Nam Van District. The Subsidiary remains as the registered lessee of the Land.

Based on above-mentioned situation, after taking into consideration of the legal advice from an independent legal counsel, together with the current status of the ownership of the Land, management considered that the Group has strong grounds to challenge the Macau Government of any attempt if the Macau Government were to repossess the Land. The Directors have made an assessment of the value of the Land on the basis that the lease can be renewed for an extended period of time with insignificant cost and considered that no provision for impairment loss on the Land was necessary as at 31 December 2016.

As at 31 December 2016, properties under development amounting to HK$975,738,000 (2015: HK$2,967,988,000) were pledged as securities for bank loan facilities granted to the Group (note 43).

18 SUMMARISED FINANCIAL INFORMATION OF A SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Set out below are the summarised financial information of a subsidiary, Shanghai Ji Xiang Properties Co., Ltd., that has non-controlling interests of 49% that are material to the Group. The principal place of business of Shanghai Ji Xiang Properties Co., Ltd. is Shanghai, the PRC.

Summarised statement of financial position as at 31 December 2016

	2016 HK$'000	2015 HK$'000
Current		
Assets	**339,807**	587,046
Liabilities	**(817,020)**	(1,819,398)
Total current net liabilities	**(477,213)**	(1,232,352)
Non-current		
Assets	**14,008,366**	14,778,237
Liabilities	**(5,298,667)**	(5,491,865)
Total non-current net assets	**8,709,699**	9,286,372
Net assets	**8,232,486**	8,054,020

18 SUMMARISED FINANCIAL INFORMATION OF A SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

Summarised statement of comprehensive income for the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
Revenue	**1,772,397**	1,829,282
Profit before income tax	**977,375**	819,760
Income tax expenses	**(301,555)**	(191,502)
Profit for the year	**675,820**	628,258
Other comprehensive income	**(278,483)**	(284,758)
Total comprehensive income	**397,337**	343,500
Total comprehensive income allocated to non-controlling interests	**198,354**	168,315

Summarised cash flows for the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
Cash flows from operating activities		
Cash generated from operations	**809,623**	889,155
Interest paid	**(174,481)**	(266,501)
Net cash generated from operating activities	**635,142**	622,654
Net cash (used in)/generated from investing activities	**(70,934)**	2,637
Net cash used in financing activities	**(798,406)**	(518,376)
Net (decrease)/increase in cash and cash equivalents	**(234,198)**	106,915
Cash and cash equivalents at 1 January	**480,057**	394,892
Effect of exchange rate changes	**(17,590)**	(21,750)
Cash and cash equivalents at 31 December	**228,269**	480,057

The information above is the amount before inter-company eliminations.

19 ASSOCIATES

	2016 HK$'000	2015 HK$'000
Unlisted investments	**7,544,874**	7,873,645
Listed equity securities, in Hong Kong	**7,986,227**	8,046,596
Listed equity securities, outside Hong Kong	**1,251,195**	1,299,028
Share of net assets, including goodwill (note (a))	**16,782,296**	17,219,269
Amounts due from associates (note (b))	**1,931,959**	2,851,123
Amounts due to associates (note (c))	**(63,421)**	(62,776)
	18,650,834	20,007,616

(a) Details of principal associates are set out in note 46(b).

(b) The amounts due from associates are unsecured, interest-free except for amounts totalling HK$1,491,600,000 (2015: HK$2,460,186,000) which bear interest at prevailing market rates and are not repayable in the foreseeable future.

(c) The amounts due to associates are unsecured, interest-free and not repayable within twelve months from the end of each reporting period.

(d) Set out below are the summarised financial information for the associate of the Group, Kerry Logistics Network Limited ("Kerry Logistics"), which, in the opinion of the Directors, is material to the Group. The associate is accounted for using the equity method.

Summarised consolidated statement of financial position as at 31 December 2016

	2016 HK$'000	2015 HK$'000
Current		
Assets	**9,597,556**	8,981,460
Liabilities	**(6,015,460)**	(6,440,707)
Total current net assets	**3,582,096**	2,540,753
Non-current		
Assets	**23,594,339**	20,657,549
Liabilities	**(7,990,064)**	(4,121,596)
Total non-current net assets	**15,604,275**	16,535,953
Net assets	**19,186,371**	19,076,706

19 ASSOCIATES (Continued)

(d) (Continued)

Summarised consolidated statement of comprehensive income for the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
Revenue	**24,035,567**	21,079,494
Operating expenses and others	**(20,751,027)**	(17,955,975)
Depreciation and amortisation	**(555,884)**	(487,453)
Interest income	**49,707**	45,073
Interest expense	**(145,209)**	(134,650)
Profit before taxation	**2,633,154**	2,546,489
Taxation	**(397,596)**	(401,323)
Profit for the year	**2,235,558**	2,145,166
Other comprehensive income	**(478,754)**	(340,721)
Total comprehensive income	**1,756,804**	1,804,445
Dividends received from the associate	**122,118**	100,568

The information above reflects the amounts presented in the consolidated financial statements of Kerry Logistics (and not the Group's share of those amounts) for the year adjusted for differences in accounting policies between the Group and the associate.

Reconciliation of summarised financial information

	2016 HK$'000	2015 HK$'000
Opening net assets as at 1 January	**15,947,032**	15,182,178
Profit for the year attributable to shareholders	**1,877,202**	1,804,445
Other comprehensive income attributable to shareholders	**(420,041)**	(555,470)
Dividends paid	**(288,149)**	(237,051)
Changes in other reserves	**(1,309,802)**	(290,095)
Others	**5,837**	43,025
Closing net assets as at 31 December	**15,812,079**	15,947,032
Interest in the associate (approximately 42.37%) (2015: 42.39%)	**6,699,578**	6,759,947
Goodwill	**1,286,649**	1,286,649
Carrying value as at 31 December	**7,986,227**	8,046,596

19 ASSOCIATES (Continued)

(d) (Continued)

As at 31 December 2016, the fair value of the Group's interest in Kerry Logistics, which is listed on the Hong Kong Stock Exchange, was HK$7,025,375,000 (2015: HK$8,117,253,000).

(e) Set out below are the summarised financial information for the associate of the Group, Pembrooke Development Investments Limited ("Pembrooke Development"), which, in the opinion of the Directors, is material to the Group. The associate is accounted for using the equity method.

Summarised statement of financial position as at 31 December 2016

	2016	2015
	HK$'000	HK$'000
Current		
Assets	**2,016,367**	5,710,393
Liabilities	**(594,164)**	(4,129,679)
Total current net assets	**1,422,203**	1,580,714
Net assets	**1,422,203**	1,580,714

Summarised statement of comprehensive income for the year ended 31 December 2016

	2016	2015
	HK$'000	HK$'000
Revenue	**1,379,171**	11,212,896
Operating expenses and others	**(956,538)**	(8,523,141)
Interest income	**4,549**	4,468
Interest expense	**(19,095)**	(56,177)
Profit before taxation	**408,087**	2,638,046
Taxation	**(66,598)**	(373,504)
Profit for the year and total comprehensive income	**341,489**	2,264,542
Dividends received from the associate	**200,000**	240,000

The information above reflects the amounts presented in the financial statements of Pembrooke Development (and not the Group's share of those amounts) for the year adjusted for differences in accounting policies between the Group and the associate.

19 ASSOCIATES (Continued)

(e) (Continued)

Reconciliation of summarised financial information

	2016 **HK$'000**	2015 HK$'000
Opening net assets/(liabilities) as at 1 January	**1,580,714**	(83,828)
Profit for the year	**341,489**	2,264,542
Dividends paid	**(500,000)**	(600,000)
Closing net assets as at 31 December	**1,422,203**	1,580,714
Interest in the associate (40%) (2015: 40%)	**568,881**	632,286
Carrying value as at 31 December	**568,881**	632,286

(f) The aggregate amount of the Group's share of results of its associates which are individually immaterial are as follows:

	2016 **HK$'000**	2015 HK$'000
Profit for the year	**869,015**	346,844
Other comprehensive income	**(558,089)**	(118,170)
Total comprehensive income	**310,926**	228,674

20 DERIVATIVE FINANCIAL INSTRUMENTS

	2016		2015	
	Assets HK$'000	**Liabilities HK$'000**	Assets HK$'000	Liabilities HK$'000
Non-current				
Cash flow hedges				
Cross currency and interest rate swap contracts, at fair value (note (a))	**100,139**	**–**	46,637	276
Derivative financial instruments not applying hedge accounting				
Cross currency swap and forward exchange contracts, at fair value (note (b))	**–**	**150,164**	200	90,096
Sub-total	**100,139**	**150,164**	46,837	90,372
Current				
Cash flow hedges				
Forward exchange contracts, at fair value (note (a))	**54,789**	**–**	–	–
Derivative financial instruments not applying hedge accounting				
Cross currency swap and forward exchange contracts, at fair value (note (b))	**4,599**	**62,125**	27,918	1,317
Sub-total	**59,388**	**62,125**	27,918	1,317
Total	**159,527**	**212,289**	74,755	91,689

20 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Derivatives holding for trading purpose are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months after the end of the reporting period and, as a current asset or liability, if the maturity of the hedged item is less than 12 months after the end of the reporting period.

(a) Forward exchange, cross currency swap and interest rate swap contracts that qualify for hedge accounting – cash flow hedges

The changes in fair value of forward exchange, cross currency swap and interest rate swap contracts that are designated and qualified as cash flow hedges amounting to a gain of HK$108,567,000 (2015: a loss of HK$110,771,000) are recognised in hedging reserve in equity. Under cash flow hedges, the gain of HK$1,289,000 (2015: loss of HK$11,125,000) was reclassified from hedging reserve to finance costs in the consolidated income statement.

(i) Hedge for fixed rate bonds

During the year ended 31 December 2011, an indirect wholly-owned subsidiary of the Company entered into cross-currency swap contracts amounting to US$297,000,000, under which the principal amounts were exchanged at inception and will be re-exchanged on expiring date in April 2021 at an average exchange rate of US$1 to HK$7.776. Under these contracts, the fixed interest rates ranging from 5.26% to 5.275% per annum on the exchanged Hong Kong dollar principal amounts would be paid and the fixed interest rate of 5.875% per annum on the United States dollar principal amounts would be received.

During the year ended 31 December 2016, the Company entered into forward exchange contracts to buy approximately US$164,915,000 (equivalent to RMB1,150,000,000) at the average exchange rate of US$1 to approximately RMB6.973. These contracts are to be settled in 2017.

(ii) Hedge for Hong Kong dollar bank borrowings

During the year ended 31 December 2013, the Group entered into a total of notional principal amounts of HK$4,000,000,000 5-year interest rate swap contracts. Such interest rate swap contracts have the economic effect of converting borrowings from floating rates to fixed rates. The contracted fixed rates range from 0.74% to 0.89% per annum.

20 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(b) Cross currency swap and forward exchange contracts not applying hedge accounting

The total principal amounts of the outstanding cross currency swap not applying hedge accounting as at 31 December 2016 are US$nil (2015: US$220,000,000) and RMB900,000,000 (2015: RMB900,000,000).

During the year ended 31 December 2010, the Company entered into cross currency swap contracts amounting to US$220,000,000 (equivalent to HK$1,710,661,000). There was no principal exchange at inception but had principal exchange upon the expiration of these contracts in August 2016 at an average exchange rate of approximately US$1 to HK$7.776. Under these contracts, the fixed interest rates ranging from 5.63% to 5.74% per annum on the Hong Kong dollar principal amounts had been paid and the fixed rate of 6.375% per annum on the United States dollar principal amounts had been received.

During the year ended 31 December 2015, the Company entered into cross currency swap contracts amounting to RMB900,000,000 (equivalent to HK$1,122,690,000). There was no principal exchange at inception but will have principal exchange upon the expiration of these contracts in October 2018 at an average exchange rate of approximately RMB1 to HK$1.247. Under these contracts, the floating interest rates ranging from 3M HIBOR less 0.34% to 3M HIBOR less 0.48% per annum on the Hong Kong dollar principal amounts would be paid and the fixed rate of 3.2% per annum on the RMB principal amounts would be received.

The total principal amounts of the outstanding forward exchange contracts not applying hedge accounting as at 31 December 2016 are US$315,000,000 (2015: US$425,000,000) for buying US$, RMB512,600,000 (2015: RMB525,400,000) for buying RMB and RMB1,500,000,000 (2015: nil) for selling RMB.

The outstanding forward exchange contracts as at 31 December 2016, to buy US$315,000,000 (equivalent to HK$2,437,680,000) at the average exchange rate of US$1 to approximately HK$7.739, to buy RMB512,600,000 (equivalent to approximately HK$615,401,000) at the average exchange rate of RMB1 to approximately HK$1.201 and to sell RMB1,500,000,000 (equivalent to approximately HK$1,651,119,000) at the average exchange rate of RMB1 to approximately HK$1.101, are to be settled in 2017.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the statement of financial position.

21 AVAILABLE-FOR-SALE INVESTMENTS

	2016 HK$'000	2015 HK$'000
Listed equity securities, at fair value	**51,408**	496,009
Unlisted equity securities, at fair value (note)	**4,804,782**	1,638,717
	4,856,190	2,134,726

Note: In 2016, the Group acquired an indirect equity interest of approximately 24.4% in Shanghai Krupp Stainless Co. Ltd. ("Shanghai Krupp"), which owns a project site in Pudong New Area, Shanghai. As the Group does not have any significant influence over financial and operating polices to Shanghai Krupp, the Group recorded its investments as available-for-sale investments.

22 LONG-TERM RECEIVABLES AND ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

	2016 HK$'000	2015 HK$'000
Trade receivables (note (a))	**347,788**	264,016
Prepayments	**928,753**	306,053
Mortgage loans receivable	**1,015,049**	262,507
Land bidding deposit (note (b))	**168,652**	–
Others	**1,033,423**	555,336
	3,493,665	1,387,912
Less: Long-term receivables (note (c))	**(1,001,386)**	(252,128)
Current portion	**2,492,279**	1,135,784

The carrying amounts of accounts receivable approximate their fair value.

The carrying amounts of the Group's long-term receivables and accounts receivable, prepayments and deposits are denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
Hong Kong dollar	**2,846,203**	867,696
Renminbi	**646,858**	487,813
Other currencies	**604**	32,403
	3,493,665	1,387,912

22 LONG-TERM RECEIVABLES AND ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

(Continued)

(a) The Group maintains defined credit policies and applies those appropriate to the particular business circumstances of the Group. At 31 December 2016, the ageing analysis of the trade receivables based on date of the invoice or the terms of the related sales and purchase agreements and net of provision for impairment of the Group is as follows:

	2016	2015
	HK$'000	HK$'000
Below 1 month	**104,343**	242,232
Between 1 month and 3 months	**48,912**	12,883
Over 3 months	**194,533**	8,901
	347,788	264,016

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers. As of 31 December 2016, trade receivables of HK$109,833,000 (2015: HK$77,755,000) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

	2016	2015
	HK$'000	HK$'000
Up to 3 months	**101,233**	68,854
Over 3 months	**8,600**	8,901

(b) On 7 December 2016, the Company, together with Kerry Holdings Limited ("KHL") (an indirect holding company of the Company) and The Bank of East Asia, Limited ("BEA"), jointly won the public bidding to acquire a project site located at Qianhai at the consideration of RMB3,020,000,000 (the "Consideration"). Deposit of RMB604,000,000 had been paid in the proportion of 25%, 50% and 25% by the Company, KHL and BEA, respectively and will be refunded to each individual party subject to payment of the Consideration in accordance with the land contract. As at 31 December 2016, the Company had contributed RMB151,000,000 to the payment of the deposit.

(c) The amount represents non-current portion of mortgage loans to buyers of certain properties developed by the Group at prevailing market rate.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. Except for the mortgage loans receivable, the Group does not hold any collateral as security.

The trade receivables, mortgage loans receivable, other receivables and deposits do not contain impaired asset.

23 INTANGIBLE ASSETS

	2016 HK$'000	2015 HK$'000
At 1 January and 31 December	**122,504**	122,504

24 COMPLETED PROPERTIES HELD FOR SALE

	2016 HK$'000	2015 HK$'000
Leasehold land and land use rights	**831,837**	1,341,841
Other development costs	**2,955,578**	3,356,347
	3,787,415	4,698,188

These completed properties held for sale are located in Hong Kong and the PRC.

25 LISTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK$'000	2015 HK$'000
Listed securities		
– Hong Kong	**5,490**	190,663
– Malaysia	**219**	194
	5,709	190,857

26 RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

(a) Restricted bank deposits

	2016	2015
	HK$'000	HK$'000
Restricted bank deposits (note)	**206,719**	348,404

Note: As at 31 December 2016, the Group's bank balances amounting to approximately HK$206,719,000 (2015: HK$348,404,000) were deposited in certain banks respectively as guarantee deposits for bank facilities of the Group, including mortgage loan facilities (note 42(a)(ii)) granted by the banks to the purchasers of the Group's certain properties and as amount, being certain portion of the Group's pre-sale proceeds, required to be reserved by the Ministry of Land and Resources of the PRC.

(b) Cash and cash equivalents

	2016	2015
	HK$'000	HK$'000
Cash at bank and on hand	**6,790,536**	6,188,002
Short-term bank deposits (note (i))	**9,484,002**	4,328,411
Cash and bank balances (note (ii))	**16,274,538**	10,516,413
Less: short-term bank deposits maturing after more than three months	**(366,220)**	(18,182)
Cash and cash equivalents	**15,908,318**	10,498,231

Cash and bank balances are denominated in the following currencies:

	2016	2015
	HK$'000	HK$'000
Renminbi	**13,459,658**	8,355,302
Hong Kong dollar	**1,759,280**	1,257,754
United States dollar	**1,053,971**	902,667
Other currencies	**1,629**	690
	16,274,538	10,516,413

(i) The effective interest rate on short-term bank deposits was 2.55% (2015: 2.18%) per annum; these deposits have an average maturity of less than 3 months.

(ii) Cash at bank and on hand and short-term bank deposits of HK$13,484,688,000 (2015: HK$8,658,587,000) are held in the PRC and are subject to local exchange control regulations.

27 NON-CURRENT ASSETS RECLASSIFIED AS HELD FOR SALE

The Group entered into agreements in October 2016 and November 2016 to sell a commercial portion of the investment properties in Shenzhen Kerry Centre to independent third parties and accordingly, the respective portion of the investment properties have been classified as non-current assets reclassified as held for sale. The transactions are expected to be completed in 2017.

28 ASSETS AND LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

In May 2016, the Group signed shares transfer agreements with an independent third party to sell all its 65% interest in Zhanfeng Real Estate (Yingkou) Co., Ltd. and Zhanye Real Estate (Yingkou) Co., Ltd. (collectively "Zhanfeng and Zhanye", property development companies under PRC Property segment which hold the property projects in Yingkou). The transaction is expected to be completed in 2017.

In December 2016, the Group signed shares transfer agreement with two independent third parties to sell all its 100% interest in Changsha Guang Yue Real Estate Co., Ltd ("Changsha Guang Yue", a property development company under PRC Property segment which holds the property project in Changsha). Shares transfer has been completed in January 2017.

As at 31 December 2016, the assets and liabilities related to Zhanfeng and Zhanye and Changsha Guang Yue have been classified as assets and liabilities of disposal groups classified as held for sale.

(a) Assets of the disposal groups classified as held for sale:

	2016 **HK$'000**
Property, plant and equipment	**4,343**
Properties under development	**980,241**
Completed properties held for sale	**292,834**
Accounts receivable, prepayments and deposits	**1,108**
Tax recoverable	**589**
Restricted bank deposits	**12,720**
Cash and cash equivalents	**105,748**
	1,397,583

28 ASSETS AND LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE (Continued)

(b) Liabilities of the disposal groups classified as held for sale:

	2016 **HK$'000**
Accounts payable, deposits received and accrued charges	**338,047**
Taxation	**1,198**
	339,245

29 ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	2016 **HK$'000**	2015 HK$'000
Trade payables	**602,739**	798,399
Construction costs payable	**2,887,691**	2,295,241
Rental deposits	**1,194,035**	1,070,605
Others	**1,974,936**	1,712,469
	6,659,401	5,876,714

The ageing analysis of trade payables of the Group as at 31 December 2016 is as follows:

	2016 **HK$'000**	2015 HK$'000
Below 1 month	**535,487**	718,880
Between 1 month and 3 months	**34,763**	64,925
Over 3 months	**32,489**	14,594
	602,739	798,399

The carrying amounts of the Group's accounts payable, deposits received and accrued charges are denominated in the following currencies:

	2016 **HK$'000**	2015 HK$'000
Renminbi	**4,791,459**	4,156,935
Hong Kong dollar	**1,867,128**	1,712,968
Other currencies	**814**	6,811
	6,659,401	5,876,714

30 BANK LOANS

	2016 HK$'000	2015 HK$'000
Non-current		
Bank loans		
– unsecured	**29,339,620**	12,261,060
– secured (note 43)	**5,167,671**	4,937,573
	34,507,291	17,198,633
Current		
Bank loans		
– unsecured	**3,856,100**	8,853,747
– secured (note 43)	**–**	788,079
	3,856,100	9,641,826
Total bank loans	**38,363,391**	26,840,459

The maturity of bank loans is as follows:

	2016 HK$'000	2015 HK$'000
Within 1 year	**3,856,100**	9,641,826
Between 1 and 2 years	**8,888,834**	2,056,527
Between 2 and 5 years	**24,730,903**	13,650,961
Repayable within 5 years	**37,475,837**	25,349,314
Over 5 years	**887,554**	1,491,145
	38,363,391	26,840,459

The effective annual interest rates of the bank loans at the end of the reporting period were as follows:

	2016		2015	
	HK$	**RMB**	HK$	RMB
Bank loans	**1.63%**	**4.25%**	1.29%	5.12%

The carrying amounts of all bank loans approximate their fair value.

30 BANK LOANS (Continued)

The carrying amounts of the bank loans are denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
Hong Kong dollar	**30,304,000**	18,505,357
Renminbi	**8,059,391**	8,335,102
	38,363,391	26,840,459

31 FIXED RATE BONDS

	2016 HK$'000	2015 HK$'000
Non-current	**2,317,612**	6,951,344
Current	**4,652,074**	3,253,716
Total fixed rate bonds	**6,969,686**	10,205,060

On 25 August 2006, Gain Silver Finance Limited, a wholly-owned subsidiary of the Company, issued fixed rate bonds in the aggregate principal amount of US$420,000,000. The fixed rate bonds were guaranteed by the Company as to repayment, and carried a coupon rate of 6.375% per annum and had a maturity term of 10 years. On 25 August 2016, the Group fully redeemed these bonds.

On 6 April 2011, Wiseyear Holdings Limited ("Wiseyear"), a wholly-owned subsidiary of the Company, issued fixed rate bonds in the aggregate principal amount of US$300,000,000. The fixed rate bonds are guaranteed by the Company as to repayment, and carry a coupon rate of 5.875% per annum and have a maturity term of 10 years.

In February 2012, Wiseyear issued fixed rate bonds in the aggregate principal amount of US$600,000,000. The fixed rate bonds are guaranteed by the Company as to repayment, and carry a coupon rate of 5% per annum and have a maturity term of 5 years. On 15 February 2017, the Group fully redeemed these bonds.

The fixed rate bonds are listed on the Singapore Exchange Securities Trading Limited. The market value of the fixed rate bonds as at 31 December 2016 was HK$7,175,419,000 (2015: HK$10,659,907,000). The fair value of the fixed rate bonds is within Level 1 of the fair value hierarchy.

32 AMOUNTS DUE TO NON-CONTROLLING INTERESTS

The amounts due to non-controlling interests represent proportionate funding from the non-controlling interests of subsidiaries including an amount of approximately HK$1,095,011,000 (2015: HK$1,000,620,000) due to certain subsidiaries of Shangri-La Asia Limited ("SA"), a related company whose shares are listed on Hong Kong Stock Exchange and an amount of approximately HK$241,684,000 (2015: HK$241,684,000) due to certain subsidiaries of Kerry Holdings Limited, an indirect holding company of the Company. These loans are unsecured, subordinated to the bank loans of the relevant subsidiaries, not repayable within twelve months from the end of reporting period, and interest-free except for a total amount of HK$641,385,000 (2015: HK$625,529,000) which bears interest at prevailing market rates.

The carrying values of the Group's amounts due to non-controlling interests are denominated in the following currencies:

	2016 **HK$'000**	2015 HK$'000
Hong Kong dollar	**1,934,019**	1,907,020
United States dollar	**520,267**	521,025
Other currencies	**136,398**	2,341
	2,590,684	2,430,386

33 DEFERRED TAXATION

	2016 **HK$'000**	2015 HK$'000
At 1 January	**6,303,995**	6,062,024
Deferred taxation charged to consolidated income statement	**1,027,967**	584,313
Exchange adjustment	**(404,844)**	(342,342)
At 31 December	**6,927,118**	6,303,995

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK$2,385,956,000 (2015: HK$2,980,001,000) to be carried forward in offsetting the future taxable profits. These tax losses have no expiry dates except for the tax losses of HK$1,019,128,000 (2015: HK$1,286,457,000) which will expire at various dates up to and including year 2021 (2015: year 2020).

As at 31 December 2016, the aggregate amount of unrecognised deferred tax liabilities associated with investments in subsidiaries and associates totalled approximately HK$1,068,467,000 (2015: HK$901,518,000), as the Directors consider that the timing of reversal of the related temporary differences can be controlled and the temporary differences will not reverse in the foreseeable future.

33 DEFERRED TAXATION (Continued)

The movements in deferred tax (assets) and liabilities during the year were as follows:

	Revaluation HK$'000	**Accelerated depreciation allowances HK$'000**	**Tax losses HK$'000**	**Others HK$'000**	**Total HK$'000**
At 1 January 2016	**5,638,641**	**443,239**	**(112,999)**	**335,114**	**6,303,995**
Deferred taxation charged to consolidated income statement	**754,302**	**51,576**	**108,216**	**113,873**	**1,027,967**
Exchange adjustment	**(320,141)**	**(7,740)**	**4,159**	**(81,122)**	**(404,844)**
At 31 December 2016	**6,072,802**	**487,075**	**(624)**	**367,865**	**6,927,118**

	Revaluation HK$'000	Accelerated depreciation allowances HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2015	5,520,276	422,957	(216,962)	335,753	6,062,024
Deferred taxation charged to consolidated income statement	418,207	28,136	95,637	42,333	584,313
Exchange adjustment	(299,842)	(7,854)	8,326	(42,972)	(342,342)
At 31 December 2015	5,638,641	443,239	(112,999)	335,114	6,303,995

34 RETIREMENT BENEFITS

Group companies operate various pension schemes. The schemes are funded through payments to independent trustee-administered funds. The Group has defined contribution plans during the year.

Defined contribution plans

Pursuant to the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) (the "MPF Ordinance"), companies within the Group in Hong Kong have enrolled all employees in Hong Kong aged between 18 and 65 into a mandatory provident fund scheme (the "MPF Scheme") from 1 December 2000.

The MPF Scheme is a master trust scheme established under a trust arrangement and governed by laws in Hong Kong. The assets of the MPF Scheme are held separately from the assets of the employer, the trustees and other service providers. Employees and employer who are covered by the MPF system are each required to make regular mandatory contributions calculated at 5% of the employee's relevant income as defined in the MPF Ordinance to the MPF Scheme, subject to the minimum and maximum relevant income levels. The MPF Contributions made by the employer (the "MPF Contribution") are fully and immediately vested in the employees as accrued benefits once they are paid to the approved trustees of the MPF Scheme. Investment income or profit derived from the investment of accrued benefits (after taking into account any loss arising from such investment) is also immediately vested in the employees.

34 RETIREMENT BENEFITS (Continued)

Defined contribution plans (Continued)

Certain companies within the Group are also participants of the Kerry Trading Co. Limited – Provident Fund Scheme (the "Fund") which is a defined contribution scheme as defined in the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong). The Fund is for certain salaried persons (the "Fund Members") under the employment of the companies participating in the Fund. The assets of the Fund are managed by the trustees of the Fund. Contributions are made to the Fund by companies participating in the Fund at 10% of the Fund Members' monthly basic salaries up to a maximum of HK$10,000 (2015: HK$10,000) per Fund Member per month (the "Basic Contribution") less the MPF Contribution if the Basic Contribution is higher than the MPF Contribution. Fund Members are entitled to 100% of the employers' contributions to the Fund plus investment earnings upon leaving employment after completing ten years of service or more, or upon retirement after attaining the retirement age after any number of years of service, or upon retirement due to ill health. Fund Members are also entitled to the employers' contributions to the Fund plus investment earnings calculated at a reduced scale of between 20% and 90% after completing a period of service of at least two but less than ten years. The unvested benefits of employees terminating employment forfeited in accordance with the terms of the Fund can be utilised by the companies participating in the Fund to reduce future contributions. During the year, forfeited contributions totalling HK$945,000 (2015: HK$1,210,000) were utilised leaving HK$307,000 (2015: HK$51,000) available at the year end to reduce future contributions.

The Group also made defined contributions to pension plans as required by the relevant municipality or provincial governments in the PRC. The rates of contributions for the relevant periods ranged from 13% to 21% of the staff's salary.

35 SHARE CAPITAL

	Authorised Ordinary shares of HK$1 each	
	Number of shares	HK$'000
At 31 December 2015 and 2016	10,000,000,000	10,000,000

	Issued and fully paid Ordinary shares of HK$1 each			
	2016		2015	
	Number of shares	**HK$'000**	Number of shares	HK$'000
At 1 January	**1,445,856,228**	**1,445,856**	1,444,653,228	1,444,653
Issue of shares as a result of exercise of share options (note (a))	**–**	**–**	1,203,000	1,203
Repurchase of shares (note (b))	**(2,708,500)**	**(2,708)**	–	–
At 31 December	**1,443,147,728**	**1,443,148**	1,445,856,228	1,445,856

(a) During the year ended 31 December 2016, no share option was exercised.

(b) During the year ended 31 December 2016, the Company repurchased 2,708,500 shares on the Hong Kong Stock Exchange at an aggregate consideration of HK$52,227,910 for cancellation.

36 SHARE OPTIONS

(a) 2002 Share Option Scheme

Under the 2002 Share Option Scheme, the Directors of the Company may, at their discretion, grant share options to executives and key employees in the service of the Group and other persons who may make a contribution to the Group subject to terms and conditions stipulated therein. The exercise price for any particular share option shall be such price as the Board of Directors of the Company may in its absolute discretion determine at the time of grant of the relevant share option subject to the compliance with the Listing Rules.

The 2002 Share Option Scheme was terminated on 5 May 2011 such that no further share options shall be offered but the share options which had been granted during its life shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects its provisions shall remain in full force and effect.

Details of the movement of the share options under the 2002 Share Option Scheme are as follows:

	2016		2015	
	Weighted average exercise price in HK$ per share	**Number of share options**	Weighted average exercise price in HK$ per share	Number of share options
At 1 January	**45.89**	**11,225,000**	45.13	11,545,000
Exercised during the year (note (i))	**–**	**–**	18.40	(320,000)
Lapsed during the year	**47.70**	**(450,000)**	–	–
At 31 December (note (ii))	**45.81**	**10,775,000**	45.89	11,225,000

As at 31 December 2016, 10,775,000 (2015: 11,225,000) outstanding share options granted under the 2002 Share Option Scheme were exercisable (note (ii)). Since no share option was exercised during the year, there was no weighted average share price (2015: HK$28.15) and no proceeds received (2015: HK$5,886,600). No share option was granted or granted for adjustment or cancelled during the year (2015: nil).

36 SHARE OPTIONS (Continued)

(a) 2002 Share Option Scheme (Continued)

Notes:

(i) Details of share options exercised:

Exercise price per share (HK$)	Number of share options 2016	2015
18.74	–	225,000
17.58	–	95,000
	–	320,000

(ii) Terms of share options at the end of the reporting period were as follows:

Exercise period	Exercise price per share (HK$)	Number of share options 2016	2015
02/04/2009 – 01/04/2018	47.70	**2,525,000**	2,637,500
02/04/2010 – 01/04/2018	47.70	**2,525,000**	2,637,500
02/04/2011 – 01/04/2018	47.70	**5,050,000**	5,275,000
06/02/2010 – 05/02/2019	17.58	**280,000**	280,000
06/02/2011 – 05/02/2019	17.58	**395,000**	395,000
		10,775,000	11,225,000

36 SHARE OPTIONS (Continued)

(b) 2011 Share Option Scheme

Under the 2011 Share Option Scheme, the Directors of the Company may, at their discretion, grant share options to executives and key employees in the service of the Group and other persons who may make a contribution to the Group subject to terms and conditions stipulated therein. The exercise price for any particular share option shall be such price as the Board of Directors of the Company may in its absolute discretion determine at the time of grant of the relevant share option subject to the compliance with the Listing Rules.

Details of the movement of the share options under the 2011 Share Option Scheme are as follows:

	2016		2015	
	Weighted average exercise price in HK$ per share	**Number of share options**	Weighted average exercise price in HK$ per share	Number of share options
At 1 January	**32.06**	**35,197,000**	31.95	36,880,000
Exercised during the year (note (i))	**–**	**–**	26.88	(883,000)
Lapsed during the year	**33.74**	**(2,685,000)**	32.77	(800,000)
At 31 December (note (ii))	**31.92**	**32,512,000**	32.06	35,197,000

As at 31 December 2016, 32,512,000 (2015: 35,197,000) outstanding share options granted under the 2011 Share Option Scheme were exercisable (note (ii)). Since no share options was exercised during the year, there was no weighted average share price (2015: HK$31.55) and no proceeds received (2015: HK$23,735,040). No share option was granted or granted for adjustment or cancelled during the year (2015: nil).

36 SHARE OPTIONS (Continued)

(b) 2011 Share Option Scheme (Continued)

Notes:

(i) Details of share options exercised:

Exercise price per share (HK$)	Number of share options 2016	2015
26.88	–	883,000
	–	883,000

(ii) Terms of share options at the end of the reporting period were as follows:

Exercise period	Exercise price per share (HK$)	Number of share options 2016	2015
31/10/2012 – 29/04/2022	35.45	**9,525,000**	10,400,000
31/10/2013 – 29/04/2022	35.45	**9,585,000**	10,860,000
08/07/2014 – 07/01/2024	26.88	**6,632,000**	6,832,000
08/01/2015 – 07/01/2024	26.88	**6,770,000**	7,105,000
		32,512,000	35,197,000

37 SHARE PREMIUM

	2016 HK$'000	2015 HK$'000
At 1 January	**12,426,503**	12,384,496
Arising from exercise of share options (note 36)	–	28,419
Transfer from share options reserve (note 38(a))	**31,982**	13,588
Repurchase of shares	**(49,669)**	–
At 31 December	**12,408,816**	12,426,503

38 OTHER RESERVES

	Other property revaluation reserve HK$'000	Available for-sale investments revaluation reserve HK$'000	Hedging reserve HK$'000	Others (note (a)) HK$'000	Total HK$'000
At 1 January 2016	49,041	1,500,998	51,061	10,346,798	11,947,898
Cash flow hedges:					
– Fair value gains	–	–	108,567	–	108,567
– Transfer to finance costs (note 8)	–	–	(1,289)	–	(1,289)
Available-for-sale investments					
– Fair value gains	–	62,517	–	–	62,517
– Release of reserve upon disposal of available-for-sale investments	–	(264,031)	–	–	(264,031)
Release of exchange fluctuation reserve upon disposal of a subsidiary	–	–	–	(22,505)	(22,505)
Share of exchange fluctuation reserve of associates	–	–	–	(178,547)	(178,547)
Share of other reserves of associates	(23)	(2,530)	–	(554,960)	(557,513)
Net translation differences on foreign operations	–	–	–	(2,942,199)	(2,942,199)
Transfer to share premium (note 37)	–	–	–	(31,982)	(31,982)
Repurchase of shares	–	–	–	2,708	2,708
Transfer from retained profits	–	–	–	55,497	55,497
At 31 December 2016	49,018	1,296,954	158,339	6,674,810	8,179,121

38 OTHER RESERVES (Continued)

	Other property revaluation reserve HK$'000	Available for-sale investments revaluation reserve HK$'000	Hedging reserve HK$'000	Others (note (a)) HK$'000	Total HK$'000
At 1 January 2015	34,752	1,334,181	150,707	13,203,484	14,723,124
Cash flow hedges:					
– Fair value losses	–	–	(110,771)	–	(110,771)
– Transfer to finance costs (note 8)	–	–	11,125	–	11,125
Available-for-sale investments					
– Fair value gains	–	168,574	–	–	168,574
Share of exchange fluctuation reserve of associates	–	–	–	(243,642)	(243,642)
Share of other reserves of associates	14,289	(1,757)	–	(122,524)	(109,992)
Net translation differences on foreign operations	–	–	–	(2,698,922)	(2,698,922)
Transfer to share premium (note 37)	–	–	–	(13,588)	(13,588)
Transfer from retained profits	–	–	–	221,990	221,990
At 31 December 2015	49,041	1,500,998	51,061	10,346,798	11,947,898

38 OTHER RESERVES (Continued)

(a) Others

	Capital reserve (note (b)) HK$'000	Share options reserve HK$'000	Exchange fluctuation reserve HK$'000	Enterprise expansion and general reserve funds (note (c)) HK$'000	Capital redemption reserve (note (d)) HK$'000	Acquisition reserve (note (e)) HK$'000	Put option reserve (note (f)) HK$'000	Total HK$'000
At 1 January 2016	7,935,251	469,000	1,586,813	254,146	7,868	93,720	–	10,346,798
Release of exchange fluctuation reserve upon disposal of a subsidiary	–	–	(22,505)	–	–	–	–	(22,505)
Share of exchange fluctuation reserve of associates	–	–	(178,547)	–	–	–	–	(178,547)
Share of other reserves of associates	–	–	–	(622)	–	(28,642)	(525,696)	(554,960)
Net translation differences on foreign operations	–	–	(2,942,199)	–	–	–	–	(2,942,199)
Transfer to share premium (note 37)	–	(31,982)	–	–	–	–	–	(31,982)
Repurchase of shares	–	–	–	–	2,708	–	–	2,708
Transfer from retained profits	–	–	–	55,497	–	–	–	55,497
At 31 December 2016	7,935,251	437,018	(1,556,438)	309,021	10,576	65,078	(525,696)	6,674,810

38 OTHER RESERVES (Continued)

(a) Others (Continued)

	Capital reserve (note (b)) HK$'000	Share options reserve HK$'000	Exchange fluctuation reserve HK$'000	Enterprise expansion and general reserve funds (note (c)) HK$'000	Capital redemption reserve (note (d)) HK$'000	Acquisition reserve (note (e)) HK$'000	Total HK$'000
At 1 January 2015	7,935,251	482,588	4,529,377	30,128	7,868	218,272	13,203,484
Share of exchange fluctuation reserve of associates	–	–	(243,642)	–	–	–	(243,642)
Share of other reserves of associates	–	–	–	2,028	–	(124,552)	(122,524)
Net translation differences on foreign operations	–	–	(2,698,922)	–	–	–	(2,698,922)
Transfer to share premium (note 37)	–	(13,588)	–	–	–	–	(13,588)
Transfer from retained profits	–	–	–	221,990	–	–	221,990
At 31 December 2015	7,935,251	469,000	1,586,813	254,146	7,868	93,720	10,346,798

(b) Capital reserve of the Group arose from the Group's reorganisation in preparation for its listing on Hong Kong Stock Exchange in August 1996, adjusted by the excess or deficit of the fair values of the net assets of subsidiaries and associates subsequently acquired over the cost of investment at the date of acquisition before 1 January 2001.

(c) Enterprise expansion and general reserve funds are set up by subsidiaries and associates established and operating in the PRC. According to the PRC Foreign Enterprise Accounting Standards, upon approval, the enterprise expansion reserve fund may be used for increasing capital while the general reserve fund may be used for making up losses and increasing capital.

(d) The capital redemption reserve arose from the purchase of the Company's shares for cancellation during 1998, 2002 and 2016 and represents a transfer from the Company's retained profits equivalent to the nominal value of the shares purchased for cancellation.

(e) The acquisition reserve arose from the acquisition of additional interest or disposal of interest in subsidiaries that do not result in a loss of control, and represents any differences between the amount by which the non-controlling interests are adjusted (to reflect the changes in the interests in the subsidiaries) and the fair value of the consideration paid or received.

(f) Put option reserve is set up by an associate of the Group, Kerry Logistics, which has granted written put options to its certain subsidiaries' non-controlling interests to sell their interests to Kerry Logistics with an exercise period ranging from 2018 to 2021.

39 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before taxation to net cash generated from operations

	2016 HK$'000	2015 HK$'000
Profit before taxation	**10,329,999**	7,260,350
Depreciation of property, plant and equipment and amortisation of leasehold land and land use rights	**555,100**	424,138
Dividend income on available-for-sale investments	**(100,184)**	(88,376)
Dividend income on listed securities at fair value through profit or loss	**(5,203)**	(9,589)
Interest income	**(301,388)**	(324,906)
Loss/(gain) on disposal of property, plant and equipment	**254**	(282)
Gain on sale of investment properties	**(107,715)**	(36,264)
Fair value gain on listed securities at fair value through profit or loss	**(24,352)**	(13,793)
Gain on disposal of listed securities at fair value through profit or loss	**(19,195)**	–
Gain on disposal of available-for-sale investments	**(305,925)**	–
Gain on disposal of a subsidiary	**(423,148)**	–
Provision for impairment loss for hotel property	**80,682**	–
Provision for impairment of properties under development	**–**	400,000
Increase in fair value of investment properties	**(3,244,197)**	(2,466,154)
Finance costs	**411,033**	551,053
Share of results of associates	**(1,800,981)**	(2,017,565)
Operating profit before working capital changes	**5,044,780**	3,678,612
Increase in properties under development, completed properties held for sale and accounts receivable, prepayments and deposits	**(10,388,071)**	(293,834)
Increase in accounts payable, deposits received and accrued charges and deposits received on sale of properties	**10,059,866**	2,203,194
Net cash generated from operations	**4,716,575**	5,587,972

39 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Analysis of the net cash inflow in respect of the disposal of a subsidiary

	2016 **HK$'000**	2015 HK$'000
Net assets disposed of:		
Properties under development (note 17)	**1,293,748**	–
Cash and bank balances	**6,568**	–
Accounts payable and accrued charges	**(65,565)**	–
Non-controlling interests	**(308,642)**	–
	926,109	–
Gain on disposal of a subsidiary	**423,148**	–
Release of exchange fluctuation reserve upon disposal	**(22,505)**	–
Total consideration	**1,326,752**	–
Cash and bank balances disposed of	**(6,568)**	–
Net cash inflow in respect of the disposal of a subsidiary	**1,320,184**	–

40 RELATED PARTY TRANSACTIONS

The following significant transactions were carried out with related parties during the year:

(a) Purchases of services/lease of premises

	2016 **HK$'000**	2015 HK$'000
Marketing, consultancy and administrative management fees expense (note (i))	**114,080**	97,231
Rental expense (note (ii))	**54,286**	54,040
Logistics, insurance brokerage and service fee paid (note (iii))	**6,806**	6,820
Rental income (note (iv))	**9,050**	10,551

(i) This represents payment of services fees to Shangri-La International Hotel Management Limited, a subsidiary of SA, which provided marketing, consultancy and administrative management services to members of the Group. The service fees payable during the year were determined at either a fixed amount or a certain percentage of the gross operating revenue of the relevant company in accordance with the agreement for the provision of the above services.

(ii) This represents payment of rental expenses to Ubagan Limited, an associate of the Group, in respect of leasing of several units and floors of Kerry Centre as corporate offices and several car parking spaces for the use by the Group in conjunction with such offices.

40 RELATED PARTY TRANSACTIONS (Continued)

(a) Purchases of services/lease of premises (Continued)

(iii) This represents payment for delivery services, local courier services, freight services, freight agency services, insurance brokerage and related services, and services relating to management and operation of warehouse facilities provided by Kerry Logistics.

(iv) This represents rental income received from Kerry Logistics in relation to the lease of certain premises held by the Group.

(b) Key management compensation, excluding share option benefits

	2016 HK$'000	2015 HK$'000
Salaries and other short-term benefits	**81,520**	78,620
Post-employment benefits	**480**	480
	82,000	79,100

(c) Year-end balances

	2016 HK$'000	2015 HK$'000
Receivables from related parties:		
Associates (note 19)	**1,931,959**	2,851,123
Payables to related parties:		
Included under amounts due to non-controlling interests (note 32)		
– Subsidiaries of SA	**1,095,011**	1,000,620
– Subsidiaries of Kerry Holdings Limited	**241,684**	241,684
Associates (note 19)	**63,421**	62,776

(d) Other related party transactions

During the year, certain subsidiaries of the Group entered into sale and purchase agreements with certain related parties for sale of properties in Hong Kong for a total consideration of HK$25,985,000 (2015: nil). The sales of property units to related parties were in the ordinary course of business of the Group.

(e) Guarantees for banking and other facilities of certain associates

The Group has executed guarantees for banking and other facilities granted to certain associates. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 31 December 2016 amounted to approximately HK$862,338,000 (2015: HK$1,582,256,000). The total amount of such facilities covered by the Group's guarantees as at 31 December 2016 amounted to approximately HK$890,338,000 (2015: HK$2,470,547,000). The above-mentioned amounts are also reflected in the guarantees given by the Group for banking and other facilities disclosed in note 42(a).

41 COMMITMENTS

(a) At 31 December 2016, the Group had capital and other commitments in respect of property, plant and equipment, investment properties, leasehold land and land use rights, properties under development and others contracted for at the end of the year but not provided for in these financial statements as follows:

	2016 **HK$'000**	2015 HK$'000
Property, plant and equipment	**3,237**	–
Investment properties	**4,314**	536,354
Leasehold land and land use rights	**1,014,419**	2,889,925
Properties under development	**7,253,699**	11,971,037
Others	**303,319**	–
	8,578,988	15,397,316

(b) At 31 December 2016, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2016 **HK$'000**	2015 HK$'000
Land and buildings:		
Within one year	**64,604**	55,401
In the second to fifth year, inclusive	**112,735**	13,912
Over five years	**11,034**	13,040
	188,373	82,353

(c) At 31 December 2016, the Group had future aggregate minimum lease rental receivable under non-cancellable operating leases as follows:

	2016 **HK$'000**	2015 HK$'000
Land and buildings:		
Within one year	**3,000,468**	2,782,226
In the second to fifth year, inclusive	**4,188,198**	3,621,228
Over five years	**524,480**	474,020
	7,713,146	6,877,474

42 CONTINGENT LIABILITIES

(a) Guarantees for banking and other facilities

	2016 **HK$'000**	2015 HK$'000
Guarantees for banking and other facilities of certain associates (note (i))	**862,338**	1,582,256
Guarantees to certain banks for mortgage facilities granted to first buyers of certain properties in the PRC (note (ii))	**4,195,988**	1,711,670
	5,058,326	3,293,926

(i) The Group has executed guarantees for banking and other facilities granted to certain associates. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 31 December 2016 amounted to approximately HK$862,338,000 (2015: HK$1,582,256,000). The total amount of such facilities covered by the Group's guarantees as at 31 December 2016 amounted to approximately HK$890,338,000 (2015: HK$2,470,547,000).

(ii) The Group has executed guarantees to certain banks for mortgage facilities granted to first buyers of certain properties developed by the Group in the PRC. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 31 December 2016 amounted to approximately HK$4,195,988,000 (2015: HK$1,711,670,000).

(b) Other guarantees and undertakings

(i) A wholly-owned subsidiary of the Company, through its associate, has a 40% interest in a company which is engaged in the development of a site at the Hang Hau Mass Transit Railway Station Development (the "Hang Hau Developer"). The Hang Hau Developer was granted exclusive rights to develop the site pursuant to a development agreement (the "Hang Hau Development Agreement") entered into by the Hang Hau Developer with, amongst others, MTR Corporation Limited ("MTRC").

Pursuant to a deed of guarantee in relation to the above development, the Company has provided several guarantees in favour of MTRC for the due and punctual performance and observance by the Hang Hau Developer of 40% of its obligations, liabilities, stipulations, acts and duties under or in connection with the Hang Hau Development Agreement and the due and punctual payment of 40% of all monies and liabilities due, owing or payable to MTRC from the Hang Hau Developer under or in connection with the Hang Hau Development Agreement.

42 CONTINGENT LIABILITIES (Continued)

(b) Other guarantees and undertakings (Continued)

(ii) The Group has a 50% interest in a company ("Party 1") which owns a piece of land in Cheung Sha Wan while another company ("Party 2") owns an adjacent piece of land. Party 1 and Party 2 are negotiating the joint redevelopment of the two pieces of land. Prior to the joint redevelopment, the parties need to surrender the existing two pieces of land to the Government in exchange for the grant of a new lot for commercial/residential development with public car park facilities (the "Proposed Land Exchange"). The Proposed Land Exchange involves the grant of a street and its associated footpaths as part of the new lot and requires the permanent closure of the abovementioned street and its associated footpaths.

Pursuant to an undertaking (the "Undertaking") dated 6 January 2006, in consideration of the Government entering into and continuing the negotiations with Party 1 and Party 2 on the Proposed Land Exchange, the Company and other parties, including the holding companies of the shareholders of Party 1 and Party 2, have jointly and severally undertaken, covenanted and agreed that they shall indemnify and keep indemnified the Government and any of its officers from and against all and any actions (including judicial reviews), liabilities, demands, claims, expenses, costs and losses arising directly or indirectly out of or in connection with the gazetting of the permanent closure of the abovementioned street and its associated footpaths under the Roads (Works, Use and Compensation) Ordinance and the authorisation of such closure.

Pursuant to a deed of cross indemnity and a collateral deed of cross indemnity, both dated 6 January 2006, the Group's liabilities under the Undertaking shall be several and shall be determined based on its share of interest in the joint redevelopment.

(iii) A wholly-owned subsidiary of the Company, Wealthy State Investments Limited ("Wealthy State"), has been granted the right to jointly develop a site in Sai Ying Pun, Hong Kong pursuant to a development agreement (the "SYP Development Agreement") entered into between Wealthy State and the Urban Renewal Authority ("URA").

Pursuant to a guarantee in relation to the above development, the Company has provided guarantees in favour of URA for the due and punctual performance and fulfilment of all Wealthy State's obligations under the SYP Development Agreement or arising out of or in connection with the SYP Development Agreement (including Wealthy State's obligations to make payments under the terms of the SYP Development Agreement).

43 PLEDGE OF ASSETS

At 31 December 2016, the Group's total bank loans of HK$38,363,391,000 (2015: HK$26,840,459,000) included an aggregate amount of HK$33,195,720,000 (2015: HK$21,114,807,000) which is unsecured and an aggregate amount of HK$5,167,671,000 (2015: HK$5,725,652,000) which is secured. The securities provided for the secured banking facilities available to the Group are as follows:

(a) legal charges over certain properties (notes 14 to 17); and

(b) assignments of insurance proceeds of certain properties.

44 ULTIMATE HOLDING COMPANY

The Directors regard Kerry Group Limited, a company incorporated in the Cook Islands, as being the ultimate holding company.

45 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

Statement of financial position of the Company as at 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**6,632**	5,832
Subsidiaries		**27,346,235**	27,771,681
Associate		**1,992,848**	1,992,842
Derivative financial instruments		**–**	200
		29,345,715	29,770,555
Current assets			
Dividends receivable		**1,600,000**	1,300,000
Accounts receivable, prepayments and deposits		**172,826**	2,620
Derivative financial instruments		**59,388**	27,918
Cash and bank balances		**1,318,521**	916,801
		3,150,735	2,247,339
Current liabilities			
Accounts payable and accrued charges		**91,462**	84,188
Derivative financial instruments		**62,125**	1,317
		153,587	85,505
Net current assets		**2,997,148**	2,161,834
Total assets less current liabilities		**32,342,863**	31,932,389
Non-current liabilities			
Derivative financial instruments		**150,164**	90,096
ASSETS LESS LIABILITIES		**32,192,699**	31,842,293
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	35	**1,443,148**	1,445,856
Share premium	37	**12,408,816**	12,426,503
Other reserves (note (a))		**10,875,109**	10,904,383
Retained profits (note (b))		**7,465,626**	7,065,551
TOTAL EQUITY		**32,192,699**	31,842,293

45 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY (Continued)

(a) Other reserves movement of the Company

	Contributed Surplus (note (i)) HK$'000	Share options reserve HK$'000	Capital redemption reserve (note (ii)) HK$'000	Hedging reserve HK$'000	Total HK$'000
At 1 January 2016	**10,427,515**	**469,000**	**7,868**	**–**	**10,904,383**
Transfer to share premium (note 37)	**–**	**(31,982)**	**–**	**–**	**(31,982)**
Repurchase of shares	**–**	**–**	**2,708**	**–**	**2,708**
At 31 December 2016	**10,427,515**	**437,018**	**10,576**	**–**	**10,875,109**
At 1 January 2015	10,427,515	482,588	7,868	2,037	10,920,008
Transfer to share premium (note 37)	–	(13,588)	–	–	(13,588)
Cash flow hedge					
– Fair value gain	–	–	–	(12,210)	(12,210)
– Transfer to finance costs	–	–	–	10,173	10,173
At 31 December 2015	10,427,515	469,000	7,868	–	10,904,383

(i) The contributed surplus of the Company arose when the Company issued shares in exchange for the shares of companies being acquired, and represents the difference between the nominal value of the Company's shares issued and the value of net assets of the companies acquired. At Group level, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries.

(ii) The capital redemption reserve arose from the purchase of the Company's shares for cancellation during 1998, 2002 and 2016 and represents a transfer from the Company's retained profits equivalent to the nominal value of the shares purchased for cancellation.

(b) Retained profits movement of the Company

	2016 HK$'000	2015 HK$'000
At 1 January	**7,065,551**	6,967,819
Profit for the year	**1,701,616**	1,398,848
Transfer to capital redemption reserve	**(2,708)**	–
Dividends paid	**(1,298,833)**	(1,301,116)
At 31 December	**7,465,626**	7,065,551

46 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES

(a) Principal Subsidiaries

As at 31 December 2016, the Company held interests in the following subsidiaries which are categorised according to the business divisions of the Group, namely, Property Division and Other Divisions as listed below:

Name	Place of incorporation/ operation	Principal activities	Issued share capital [(1)]/ Registered capital	Indirect interest held	Notes
Property Division – PRC					
Beijing Jia Ao Real Estate Development Co., Ltd.	PRC	Property investment	US$77,967,600	71.25%	(6)(9)
Beijing Kerry Hotel Co., Ltd.	PRC	Hotel ownership and operation	US$33,000,000	71.25%	(6)(9)
Beijing Kerry Huayuan Real Estate Development Co., Ltd.	PRC	Property trading	RMB178,500,000	71%	(3)(6)(9)
Excellent (Beijing) Management Consultancy Ltd.	PRC	Investment holding and management	RMB100,000	100%	(3)(5)
Full Fortune Real Estate (Putian) Co., Ltd.	PRC	Property development	RMB500,000,000	60%	(3)(5)
Hong Kong Shanghai Development Co Limited	HK	Investment holding	HK$8,000,000	75%	
Huilong Real Estate (Hangzhou) Co., Ltd.	PRC	Property development	RMB200,000,000	100%	(3)(5)(9)
Huiyao Real Estate (Hangzhou) Co., Ltd.	PRC	Property development	RMB2,470,000,000	100%	(3)(5)(9)
Jian'an Real Estate (Kunming) Co., Ltd.	PRC	Property development	RMB400,000,000	55%	(3)(5)(9)
Kerry Cao Jia Yan Properties (Shanghai) Co., Ltd.	PRC	Property investment and trading	US$13,400,000	100%	(3)(5)
Kerry Centre Real Estate (Shenzhen) Co. Ltd.	PRC	Property investment	HK$142,000,000	100%	(3)(5)(9)
Kerry Development (Chengdu) Ltd.	PRC	Property trading	RMB675,000,000	55%	(3)(5)(9)
Kerry Development (Manzhouli) Co., Ltd.	PRC	Property trading	US$6,800,000	100%	(3)(5)
Kerry Development (Shanghai) Co., Ltd.	PRC	Property investment	US$5,000,000	100%	(3)(5)
Kerry Development (Shenzhen) Co., Ltd.	PRC	Property investment	HK$708,350,000	100%	(3)(5)(9)
Kerry Huafeng Property Development (Hangzhou) Co., Ltd.	PRC	Property trading	HK$680,000,000	100%	(3)(5)
Kerry Properties (China) Investment Co., Ltd.	PRC	Provision of consultancy services	RMB208,000,000	100%	(3)(5)
Kerry Properties (China) Limited	HK	Investment holding and provision of administrative support services	HK$100,000	100%	
Kerry Properties (Shenzhen) Co., Ltd.	PRC	Property trading	HK$112,082,975	100%	(3)(5)(9)
Kerry Properties Development Management (Shanghai) Co., Ltd.	PRC	Real estate and project management	RMB8,962,190	100%	(5)(9)
Kerry Real Estate (Hangzhou) Co. Ltd.	PRC	Property development	US$425,750,000	75%	(3)(5)
Kerry Real Estate (Nanchang) Co., Ltd.	PRC	Property development	RMB800,000,000	80%	(3)(5)
Kerry (Shenyang) Real Estate Development Co., Ltd.	PRC	Property development	RMB2,687,500,000	60%	(5)
Lucky Billion Development (Qinhuangdao) Co., Ltd.	PRC	Property development	RMB1,617,000,000	60%	(3)(5)(9)
Million Palace Development (Shenzhen) Co., Ltd.	PRC	Property development	RMB3,980,000,000	100%	(3)(5)(9)
Risenland Development (Fuzhou) Co., Ltd.	PRC	Property investment	HK$44,000,000	100%	(3)(5)
Shanghai Gang Hu Properties Co., Ltd.	PRC	Property investment, trading and development	US$155,300,000	74.25%	(3)(6)
Shanghai Ji Xiang Properties Co., Ltd.	PRC	Property investment, hotel ownership and operation	US$311,250,000	51%	(3)(5)
Shanghai Kerry Real Estate Development Co., Ltd.	PRC	Property investment	US$250,000	55.20%	(3)(6)
Shanghai Xin Ci Hou Properties Co., Ltd.	PRC	Property investment	US$60,000,000	74.25%	(6)
Shangri-La Hotel (Shenyang) Co., Ltd.	PRC	Hotel ownership and operation	RMB700,000,000	60%	(3)(5)
Sheng Xiang Real Estate (Shenyang) Co., Ltd.	PRC	Property development	RMB1,200,000,000	60%	(5)

46 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) Principal Subsidiaries (Continued)

Name	Place of incorporation/ operation	Principal activities	Issued share capital (1)/ Registered capital	Indirect interest held	Notes
Property Division – PRC (Continued)					
Wealthy Plaza Development (Chengdu) Ltd.	PRC	Property development	RMB750,000,000	55%	(3)(5)(9)
Well Fortune Real Estate (Putian) Co., Ltd.	PRC	Property development	RMB300,000,000	60%	(3)(5)
Xiang Heng Real Estate (Jinan) Co., Ltd.	PRC	Property development	RMB600,000,000	55%	(3)(5)
Ying He Company Limited	HK	Investment holding	HK$10 HK$21,000,000 (2)	100%	
Yong Yu Real Estate (Nanjing) Co., Ltd.	PRC	Property development	RMB1,350,000,000	100%	(3)(5)(9)
Zhengzhou Yuheng Real Estate Co., Ltd.	PRC	Property development	RMB600,000,000	55%	(3)(5)
Property Division – Hong Kong					
All First Investments Limited	BVI / HK	Property investment	US$2	100%	
Asia Insight Investments Limited	HK	Restaurant operation	HK$1	100%	
Best Insight Limited	HK	Property development	HK$1	100%	
Bethan Company Limited	HK	Property trading	HK$2	100%	
Classic Gold Holdings Limited	HK	Property development	HK$1	100%	
Crystal Link Holdings Limited	HK	Property trading	HK$1	100%	
Crystal Talent Limited	HK	Property development	HK$1	71%	
Fine Century Holdings Limited	HK	Restaurant operation	HK$1	100%	
Fortune Mega Investments Limited	BVI / HK	Investment holding	US$1	100%	
Golden Concord Properties Limited	HK	Property trading	HK$1	100%	
Haily Investments Limited	HK	Property trading	HK$1	71%	
Interseed Company Limited	HK	Property trading	HK$2	100%	
Kerry D. G. Warehouse (Kowloon Bay) Limited	HK	Warehouse ownership	HK$20,000,000	100%	
Kerry Properties (H.K.) Limited	HK	Investment holding and provision of administrative support services	HK$1,000 HK$200,000,000 (2)	100%	
Kerry Properties (Macau) Limited	Macau	Property development	MOP1,000,000	71%	
Kildare Limited	HK	Property trading	HK$2	100%	
Leading Well Limited	HK	Property development	HK$1	71%	
Mable Road Company Limited	HK	Property investment	HK$10 HK$10,000 (2)	100%	
Magnifair Company Limited	HK	Property trading	HK$10,000	100%	
Mani Holdings Limited	HK	Property development	HK$1	71%	
Many Treasure Limited	HK	Property development	HK$1	71%	
Maple Crest Development Limited	BVI / HK	Recreation park operation	US$120	75%	
Maxtime International Limited	HK	Property trading	HK$1	71%	
MegaBox Development Company Limited	HK	Property investment	HK$2	100%	
MegaBox Management Services Limited	HK	Property management	HK$2	100%	
Metro Cosmos Limited	HK	Property trading	HK$1	71%	

46 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) Principal Subsidiaries (Continued)

Name	Place of incorporation/ operation	Principal activities	Issued share capital (1)/ Registered capital	Indirect interest held	Notes
Property Division – Hong Kong (Continued)					
Mid-Levels Portfolio (Aigburth) Limited	Cook Islands / HK	Property investment	US$9	100%	
Mid-Levels Portfolio (Branksome) Limited	HK	Property investment	HK$1,000	100%	
Mid-Levels Portfolio (Gladdon) Limited	HK	Property investment	HK$1,000	100%	
Mid-Levels Portfolio (Tavistock) Limited	HK	Property investment	HK$1,000	100%	
Mid-Levels Portfolio (Valverde) Limited	HK	Property trading	HK$1,000	100%	
NMC 6 Limited	BVI / HK	Property development	US$1	100%	
NMC 8 Limited	BVI / HK	Property development	US$1	100%	
Peak Universe Limited	HK	Provision of financial services	HK$1	71%	
Pettico Limited	HK	Provision of financial services	HK$20	100%	
Precise Skill Investments Limited	HK	Provision of financial services	HK$1	71%	
Prismatic Limited	HK	Property trading and investment	HK$20	100%	
Rayhay Company Limited	HK	Provision of financial services	HK$2	100%	
Right Century Investments Limited	HK	Property trading	HK$1	100%	
Rink Management Group Limited	HK	Ice rink operation	HK$1,000,000	100%	
Senworld Investment Limited	HK	Property development	HK$2	100%	
Smart Value Investments Limited	HK	Property development	HK$1	100%	
Sociedade de Investimento Imobiliário Tim Keng Van, S.A.	Macau	Property development	MOP1,000,000	100%	(3)
Taskan Limited	HK	Property trading	HK$2	100%	
Trebanos Investment Company Limited	HK	Investment holding	HK$2	100%	
Vickon Limited	HK	Property trading	HK$1	71%	
Wealth Partner Global Limited	HK	Provision of financial services	HK$1	71%	
Wealthline Properties Limited	BVI / HK	Investment holding and property trading	US$1	71%	
Wealthy State Investments Limited	HK	Property investment	HK$1	100%	
Widemax Limited	HK	Property trading	HK$1	71%	
Other Divisions					
Apex Ally Limited	HK	Group financing	HK$1	100%	
Dragon Fame Limited	HK	Group financing	HK$1	100%	
Kerry Project Management (H.K.) Limited	HK	Project management	HK$300,000	100%	
Kerry Properties (Beijing) Development Co. Ltd.	PRC	Project management and investment holding	RMB5,000,000	100%	(3)(5)(9)
Kerry Property Management Services Limited	HK	Property management	HK$20	100%	
Kerry Real Estate Agency Limited	HK	Estate agency	HK$2	100%	
Upsmart Investments Limited	HK	Provision of administrative support services	HK$2	100%	
Win House Industries Limited	HK	Provision of construction work	HK$1,000,000	100%	
Wiseyear Holdings Limited	BVI / HK	Group financing	US$1	100%	

46 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(b) Principal Associates

As at 31 December 2016, the Company held interests in the following associates which are categorised according to the business divisions of the Group, namely, Property Division and Other Divisions as listed below:

Name	Place of incorporation/ operation	Principal activities	Class of shares/ Registered capital	Indirect interest held unless denoted with*	Notes
Property Division – PRC					
Hengyun Real Estate (Tangshan) Co., Ltd.	PRC	Property trading and development	RMB561,000,000	40%	(3)(5)
Ningbo Ruifeng Real Estate Co., Ltd.	PRC	Property development	RMB961,211,028	50%	(3)(5)
Ruihe Real Estate (Tangshan) Co., Ltd.	PRC	Property development	RMB600,000,000	40%	(3)(5)
Shanghai Pudong Kerry City Properties Co., Ltd.	PRC	Property investment, hotel ownership and operation	US$171,361,400	40.80%	(6)(9)
Shangri-La Hotel (Nanjing) Co., Ltd.	PRC	Property development	RMB750,000,000	45%	(3)(5)
Tianjin Kerry Real Estate Development Co., Ltd.	PRC	Property development	RMB2,261,250,000	49%	(3)(5)
Property Division – Hong Kong					
Brisbane Trading Company Limited	HK	Property trading	Ordinary Non-voting deferred	50%	
Capital Faith (Hong Kong) Limited	HK	Property investment	Ordinary	47.37%	(3)
Cardiff Investments Limited	HK	Investment holding	Ordinary	30%	(3)
Century Link (Hong Kong) Limited	HK	Property investment	Ordinary	47.37%	(3)
Cheerjoy Development Limited	HK	Property trading	Ordinary	35%	
Dragons Range Finance Company Limited	HK	Provision of finance service	Ordinary	40%	
Enterprico Investment Limited	HK	Loan financing	Ordinary	47.5%	(3)
Excel Wisdom Development Limited	HK	Property investment	Ordinary	47.37%	(3)
Fine Winner Holdings Limited	HK	Hotel ownership and operation	Ordinary	30%	
Grand Rise Investments Limited	HK	Property investment	Ordinary	47.37%	(3)
Harley Investments Limited	HK	Property investment	Ordinary	47.37%	(3)
Jet Fame (Hong Kong) Limited	HK	Property investment	Ordinary	47.37%	(3)
Joint Prospect Limited	HK	Property investment	Ordinary	47.37%	(3)
Kerry Hung Kai Warehouse (Cheung Sha Wan) Limited	HK	Warehouse operation	Ordinary	50%	(3)
Orient Field Holdings Limited	HK	Property investment	Ordinary	47.37%	(3)
Pembrooke Development Investments Limited	BVI / HK	Property trading	Ordinary Non-voting deferred	40%	
Sky Vision Development Limited	HK	Property investment	Ordinary	47.37%	(3)
Time Rank Limited	HK	Property trading	Ordinary	50%	(4)
Ubagan Limited	HK	Property investment	Ordinary	40%	
Union Top Properties Limited	HK	Property investment	Ordinary	47.37%	(3)
Victory Top Properties Limited	HK	Property investment	Ordinary	47.37%	(3)
Win Chanford Enterprises Limited	HK	Investment holding and property investment	Ordinary	47.37%	(3)
Wise Grand Limited	HK	Property investment	Ordinary	47.37%	(3)
Wolver Hollow Company Limited	HK	Warehouse ownership	Ordinary	50%	(3)
Wu Wing International Company, Limited	HK	Property trading and investment	Ordinary	45%	(3)(4)

46 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(b) Principal Associates (Continued)

Name	Place of incorporation/ operation	Principal activities	Class of shares/ Registered capital	Indirect interest held unless denoted with*	Notes
Property Division – Overseas					
Shang Properties, Inc.	Philippines	Property development, real estate management and investment holding	Common	34.61%	(3)(7)
Other Divisions					
Kerry Logistics Network Limited	BVI (continued into Bermuda) / HK	Integrated logistics and international freight forwarding business	Ordinary	42.37%*	(7)
Hohhot Chunhua KVW Water Treatment Company Limited	PRC	Water treatment facilities ownership and management	RMB192,329,200	13%	(3)(6)(8)(9)
Hohhot Chunhua VWK Water Operation Company Limited	PRC	Water treatment facilities operation and maintenance	RMB14,000,000	19.50%	(3)(6)(8)(9)
Kerry CQ Water (Hohhot) Limited	HK	Investment holding	Ordinary	50%	(3)
KVW Investment Company Limited	HK	Investment holding	Ordinary	25.50%	(3)
Western Harbour Tunnel Company Limited	HK	Tunnel operation and management	Ordinary	15%	(3)(4)(8)

Notes:

(1) all being ordinary shares and fully paid up except otherwise stated

(2) non-voting deferred shares

(3) companies not audited by PricewaterhouseCoopers

(4) companies having a financial accounting period which is not coterminous with the Group

(5) wholly foreign-owned enterprise

(6) sino-foreign equity joint venture enterprise

(7) listed company

(8) significant influence is obtained by the Group through participation in the board of directors of these associates

(9) English translation of name only

BVI British Virgin Islands

HK Hong Kong

PRC The People's Republic of China

FIVE-YEAR FINANCIAL SUMMARY

The results, assets and liabilities of the Group for the last five financial years are as follows:

	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000
Results					
Turnover[1]	**12,990,536**	10,392,897	14,663,725	33,157,961	34,513,046
Profit attributable to shareholders	**6,537,258**	5,529,963	6,773,636	13,154,389	6,960,931
Assets and liabilities					
Non-current assets	**112,725,292**	103,519,869	118,252,547	117,070,145	101,906,308
Net current assets	**28,985,949**	23,617,115	14,716,582	10,718,512	19,022,357
Total assets less current liabilities	**141,711,241**	127,136,984	132,969,129	127,788,657	120,928,665
Long-term liabilities and non-controlling interests	**(58,966,834)**	(45,783,625)	(52,890,611)	(52,033,431)	(50,177,098)
Shareholders' funds	**82,744,407**	81,353,359	80,078,518	75,755,226	70,751,567

Note: The above figures are based on the latest published financial statements.

[1] *2012 to 2013 figures include discontinued operations*

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