



KERRY PROPERTIES LIMITED
嘉里建設有限公司

ANNUAL REPORT 2015

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





ANNUAL REPORT 2015

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 Chin Siu Wa, Alfred

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 Chin Siu Wa, Alfred

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

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WEBSITE

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STOCK CODES

Stock Exchange of Hong Kong: 683

Bloomberg: 683 HK

Reuters: 683.HK

KEY DATES

Annual General Meeting

9 May 2016

Closure of Registers of Members

6 May 2016 to 9 May 2016 and 13 May 2016

Proposed Payment of Final Dividend

24 May 2016

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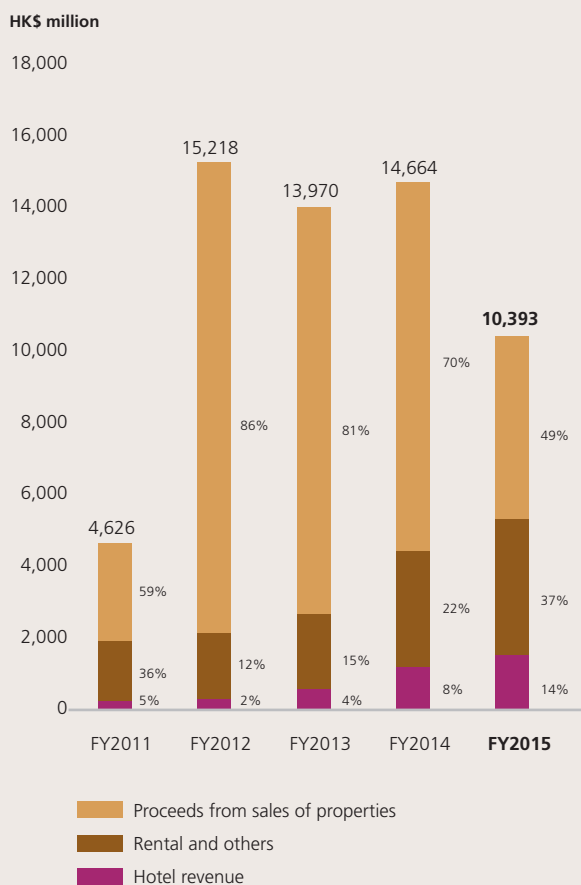
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FINANCIAL HIGHLIGHTS

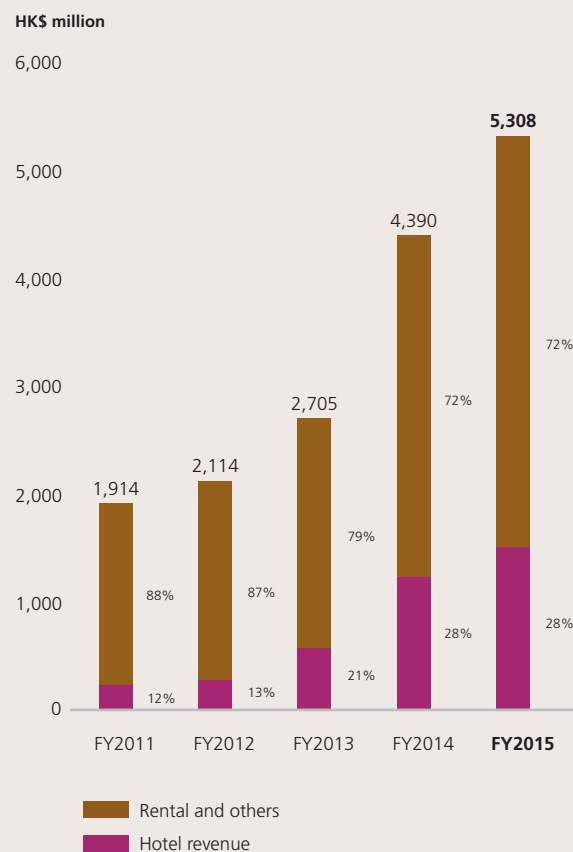
Two-year Overview		FY 2015	FY 2014	% Change
Turnover	(HK\$M)	10,393	14,664	-29%
Gross profit	(HK\$M)	3,911	6,208	-37%
Gross profit margin	(%)	37.6	42.3	
Operating profit	(HK\$M)	5,243	8,231	-36%
Operating profit margin	(%)	50.4	56.1	
Profit attributable to shareholders	(HK\$M)			
– before fair value change of properties		3,481	4,384	-21%
– after fair value change of properties		5,530	6,774	-18%
Net profit margin	(%)			
– before fair value change of properties		33.5	29.9	
– after fair value change of properties		53.2	46.2	
Earnings per share	(HK\$)			
– before fair value change of properties		2.41	3.04	-21%
– after fair value change of properties		3.83	4.69	-18%
Shareholders' equity	(HK\$M)	81,353	80,079	+2%
Net borrowings	(HK\$M)	26,181	22,847	+15%
Net asset value per share	(HK\$)	56.27	55.43	+2%
Share price as at 31 December	(HK\$)	21.15	28.15	-25%
Price earnings ratio #	(times)			
– before fair value change of properties		8.8	9.3	
– after fair value change of properties		5.5	6.0	
Market capitalization as at 31 December #	(HK\$M)	30,580	40,667	-25%
Dividend per share	(HK\$)	0.9	0.9	+0%
Dividend payout ratio	(%)			
– before fair value change of properties		37.3	29.6	
– after fair value change of properties		23.5	19.2	
Dividend cover	(times)			
– before fair value change of properties		2.7	3.4	
– after fair value change of properties		4.3	5.2	
Dividend yield #	(%)	4.3	3.2	
Return on shareholders' equity	(%)			
– before fair value change of properties		4.3	5.5	
– after fair value change of properties		6.8	8.5	
Gearing	(%)	32.2	28.5	
Interest cover	(times)			
– before fair value change of properties		6.1	8.2	
– after fair value change of properties		8.5	11.4	
Current ratio	(times)	2.0	2.2	
Liquidity ratio	(times)	0.5	1.2	
Discount to net asset value #	(%)	(62.4)	(49.2)	

Based on share prices as at 31 December 2015 and 31 December 2014, respectively.

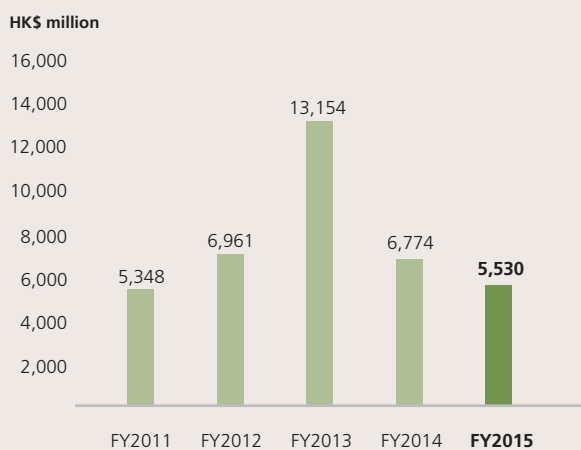
Breakdown of Total Turnover (excluding discontinued operations)



Breakdown of Recurrent Income (excluding discontinued operations)

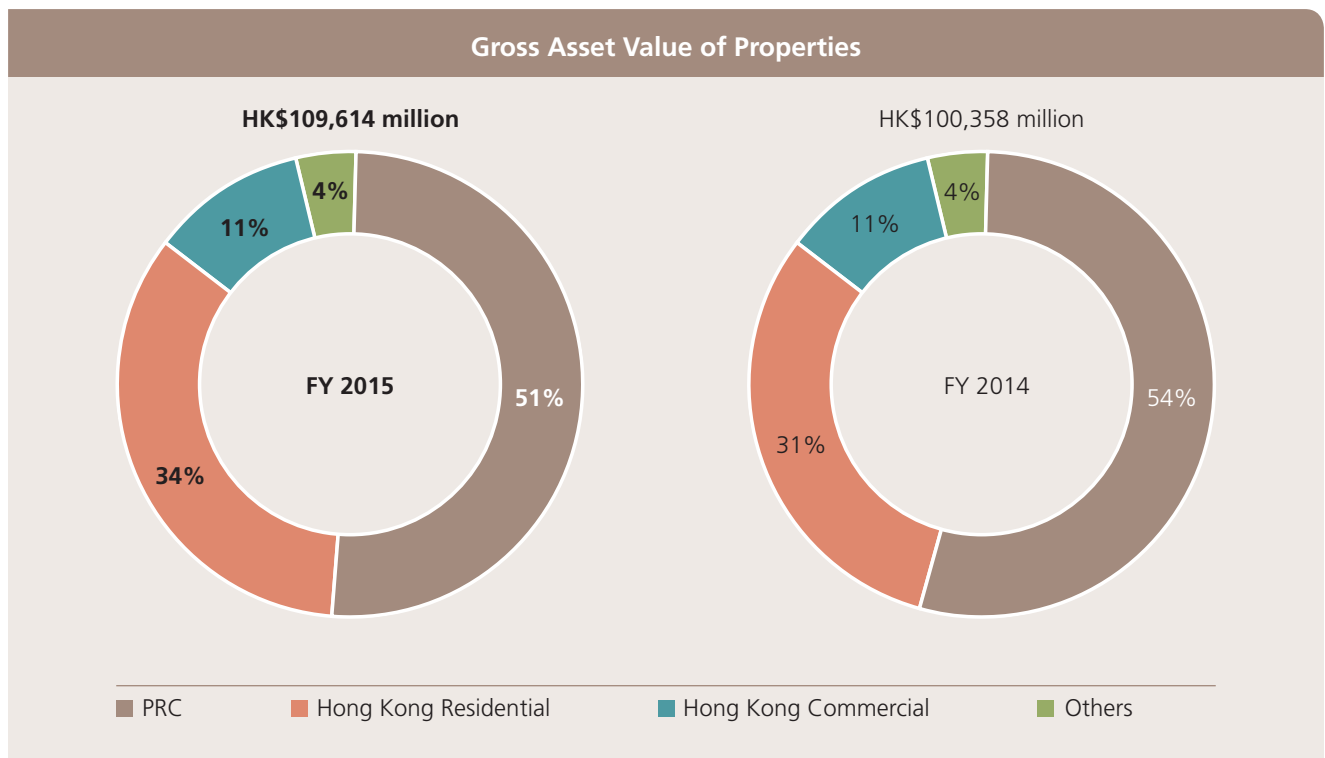
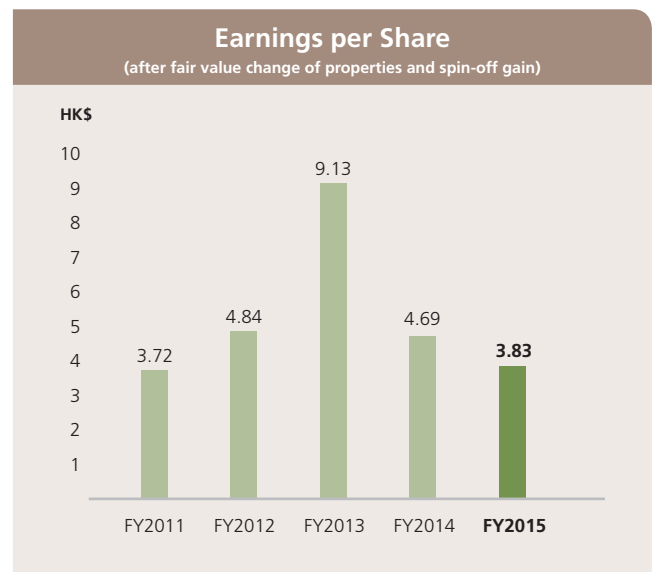
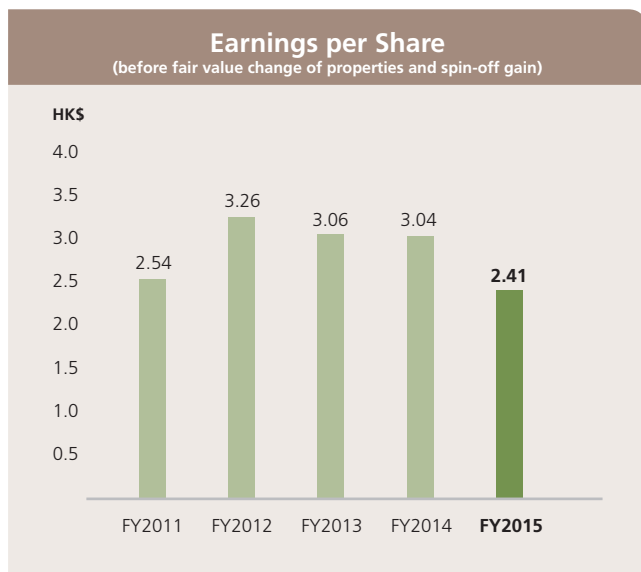


Profit Attributable to Shareholders



	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 2011	4,626	1,914	41%	3,657	5,348
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

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 2015. The Group's consolidated net profit attributable to shareholders for the year ended 31 December 2015, before taking into account the effects of the increase in fair value of investment properties, was HK\$3,481 million, representing a decrease of 21% compared with HK\$4,384 million reported for 2014. Profit attributable to shareholders for the year, after taking into account the effects of the increase in fair value of investment properties, was HK\$5,530 million (2014: HK\$6,774 million). Earnings per share for the year were HK\$3.83, down 18% compared with HK\$4.69 per share as recorded in 2014.

The Board has recommended the payment of a final dividend of HK\$0.6 per share for the year. Together with the interim dividend of HK\$0.3 per share, the total cash dividend for the year ended 31 December 2015 will be HK\$0.9 per share (2014: HK\$0.9 per share).

Embracing the New Economic Reality

The business environment is characterized by a number of downside risks and by the slowing of China's economy. The Group is facing these challenges with both confidence and a pragmatic approach. Benefitting from sound management and a strong brand, the Group achieved another set of satisfactory results for the year.

CHAIRMAN'S STATEMENT

To ensure stable growth, enterprises must manage economic cycles with a long-term vision. Although a slowdown in the property market, and indeed the overall economy of China, has sparked concerns, the country remains an important growth engine for the world. A deceleration after a prolonged period of rapid growth has become the inevitable 'new normal' for the Chinese economy. In the overall context of sustainable development, a slower pace of growth will have a positive impact on the environment and on the structural reform of the industrial sector. This in turn will help streamline capacity while enhancing the management and quality of production, which will be beneficial to China's economic growth in the long term.

Policy Support and Pragmatic Operation Strategies

Over the past year, the Central Government has actively adjusted its policies to drive the structural reform of the economy. Measures have been implemented to ease oversupply and to redress market dislocation. To provide further policy support to the property sector, the Government has relaxed certain control measures, including the lowering of minimum down-payment requirements for first-time home buyers in cities that do not have restrictions on purchases. In September 2015, the People's Bank of China lowered the down-payment requirement to 25%, to be followed by a further reduction to 20% in February 2016. Through these moves, the Government is sending a positive signal that it will continue to implement policies to help the sector navigate an oversupplied market.

Over recent months, housing prices in the PRC have moderated to more reasonable levels, and the oversupply situation has eased. Overall sales remain steady, with mild growth recorded since the fourth quarter of 2015. The Hong Kong housing market also shows signs of softening, but the luxury sector continues to register healthy prices and sales, in particular for projects on Hong Kong Island where an undersupply is in evidence. We will continue to operate our business in a pragmatic manner in response to market changes.

The Group will continue with the sales of its residential projects in Hangzhou, Tianjin, Putian in Fujian, Shenyang, Ningbo and Nanjing, as well as with The Bloomsway, So Kwun Wat, Tuen Mun and Mantin Heights in Ho Man Tin. These two exclusively located residential projects in Hong Kong will offer more than 2,500 units in total, and are expected to deliver satisfactory sales revenue to the Group.

Strengthening Our Foundation and Competitive Advantage

The Group focuses on developing premier mixed-use properties in central locations of major cities, building a solid investment asset base that places the Group in a leading position in the market.

Leveraging the strength of its professional management, the Group is able to maintain a strong brand and advantageous market position. To enhance the value of our metropolitan mixed-use projects, we will continue to strengthen their operations and management. At the same time, we are actively adjusting our retail space and tenant composition in accordance with market conditions. Together with our tenants, we continue to overcome economic challenges and enhance long-term returns for the Group.

Actively Pursuing Business Development

Looking ahead, our business development momentum will remain robust. Our expansion plan for the PRC is highlighted by our new development in Qianhai. In January 2015, the Group won a bid for a site in Qianhai for the development of a landmark mixed-use project. This new project will be designed to fully capitalize on the site's core seafront location.

In addition to the Qianhai project, the Group will also pursue other investment opportunities in first-tier cities in the PRC as well as in Hong Kong.

Working Towards Sustainable Development

In tandem with our overall business growth, we are also committed to the sustainable development of society as a whole. In September 2015, the Group was honoured to be selected as a constituent member of the Hang Seng Corporate Sustainability Benchmark Index in recognition of our social, environmental and corporate governance performance. The Group's inclusion in the index reflects our commitment to promoting sustainability.

Our achievements in environmental stewardship and corporate social responsibility are benchmarked to international standards. Shenzhen Kerry Plaza has received the highest Platinum rating for "Leadership in Energy & Environmental Design (LEED) – Existing Buildings" from the U.S. Green Building Council. Globally, only 3% of LEED certifications are awarded the top rating. Shenzhen Kerry Plaza is the first LEED Platinum project in its category in the metropolis. As a major proponent of green buildings and sustainable design and using Shenzhen Kerry Plaza as a model, the Group will continue to drive the adoption of appropriate environmental standards in both current and future projects.

The Group was also privileged to be conferred with the "Hong Kong Green Awards – Green Management Award (Corporate)" for the sixth consecutive year, as well as being recognized in the first "Metro Awards for Eco-Business". These awards gave great encouragement to our staff teams who have made such creditable efforts in green procurement, management and governance. I would like to take this opportunity to congratulate our colleagues on their important work, and to express our gratitude for their devotion to our sustainability goals. Together with our staff members, we pledge to extend our green mission to all aspects of our business.

Adding a New Dimension to Management

The Group has undertaken a major reform of our internal systems since last year. To support the Group's expansion into different districts in the PRC, we now manage our operations concurrently by geographical district and line of expertise. Through this dual management system, we aim to consolidate and share resources within the Group, and thereby achieve a new level of standardized, professional management. By adding this new dimension to our multifaceted management, we are able to ensure the efficiency and quality of our work, placing us on a stronger footing to cope with future challenges. We will continue to enhance our internal systems through the development of talents and the use of web-based technology.

Property development is a pillar industry that has a profound impact on domestic economies and people's welfare. We have therefore set our sights on long-term sustainable growth, whilst remaining prepared for short-term cyclical fluctuations. We will maintain resilience throughout economic cycles and we will seek to grow further by taking advantage of short-term market instabilities.

With the joint efforts of the members of the Board, senior management team, our business partners and colleagues, the Group has achieved remarkable progress over the past year. I am deeply grateful for their contributions.

Sincerely,

Wong Siu Kong

Chairman and Chief Executive Officer

Hong Kong, 18 March 2016

OVERALL RESULTS

The Group's profit attributable to shareholders for the year ended 31 December 2015 was HK\$5,530 million, representing a decrease of 18% compared with HK\$6,774 million reported for 2014.

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\$2,049 million for the year ended 31 December 2015 (2014: HK\$2,390 million). Profit attributable to shareholders for the year ended 31 December 2015 before taking into account the effect of the aforementioned increase in fair value was HK\$3,481 million (2014: HK\$4,384 million).

Earnings per share for the year ended 31 December 2015 were HK\$3.83, representing a decrease of 18% compared with HK\$4.69 per share in 2014.



■ Kerry Parkside, Shanghai, PRC



■ Kerry Centre, Quarry Bay, Hong Kong



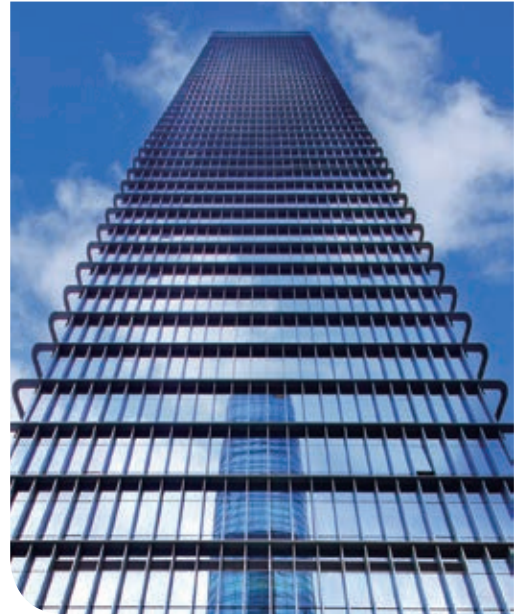
■ Jing An Kerry Centre, Shanghai, PRC



■ Beijing Kerry Centre, Beijing, PRC



■ Mid-Levels Portfolio, Mid-Levels, Hong Kong



■ Shenzhen Kerry Plaza, Shenzhen, PRC



■ Riverview Place, Tianjin, PRC



■ 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		
	2015 HK\$ million	2014 HK\$ million	Change
Profit attributable to shareholders before taking into account the net increase in fair value of investment properties and related tax effects	3,481	4,384	-21%
Add: Net increase in fair value of investment properties and related tax effects	2,049	2,390	
Profit attributable to shareholders after taking into account the net increase in fair value of investment properties and related tax effects	5,530	6,774	-18%

The Board has recommended the payment of a final dividend of HK\$0.6 per share for the year ended 31 December 2015 (the "Final Dividend"). Together with the interim dividend of HK\$0.3 per share, the total cash dividend for the year ended 31 December 2015 will be HK\$0.9 per share (2014: HK\$0.9 per share).

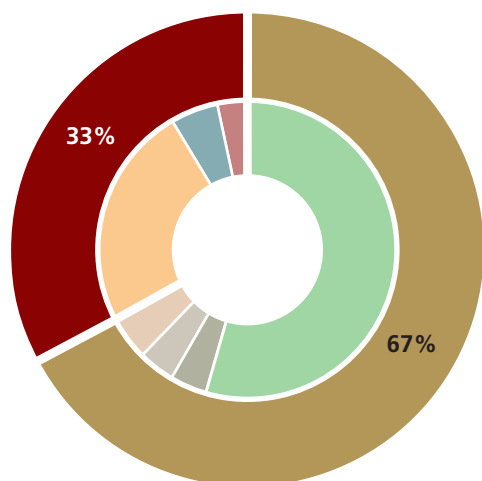
REVIEW OF PROPERTY BUSINESS



Property Portfolio Composition

- By Type

54.43 million square feet in attributable GFA



Under development

36.42 million square feet in attributable GFA **67%**

PRC	81%
Hong Kong	6%
Overseas	6%
Macau	7%

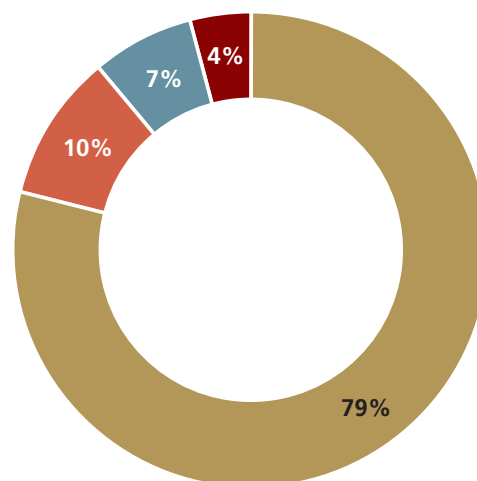
Completed investment properties/ Hotel properties/ Properties held for sale

18.01 million square feet in attributable GFA **33%**

PRC	74%
Hong Kong	16%
Overseas	10%

- By Location

54.43 million square feet in attributable GFA



PRC	79%
Hong Kong	10%
Overseas	7%
Macau	4%

Property Portfolio Composition

As at 31 December 2015:	Group's attributable GFA				
	The PRC	Hong Kong	Macau ⁽¹⁾	Overseas	Total
Completed Investment Properties	6,718	2,785	–	1,762	11,265
Hotel Properties	3,350	38	–	–	3,388
Properties Under Development	29,672	2,336	2,385	2,022	36,415
Properties Held for Sale	3,226	90	–	43	3,359
Total GFA	42,966	5,249	2,385	3,827	54,427

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.

MANAGEMENT DISCUSSION & ANALYSIS

REVIEW OF PROPERTY BUSINESS

PRC PROPERTY DIVISION

Demand for residential properties in China was boosted as the market steadily revived due to a series of mildly relaxed policies over the past year. Overall residential market sentiment has improved albeit to varying extents in different cities. Weaker performance was recorded in third- and fourth-tier cities where downward pressure from excess inventory was felt. The Group's competitive advantage, built on the quality and location of its projects, has continued to drive sales momentum over the past year. In respect of investment properties, office leasing remained stable, while retail leasing was facing tougher challenges. The portfolio of iconic mixed-use properties and five-star hotels in top-tier cities also provided a stream of steadily growing rental income for the Group.

During the year ended 31 December 2015, the PRC Property Division reported a turnover of HK\$7,762 million (2014: HK\$6,657 million) and gross profit of HK\$2,628 million (2014: HK\$2,645 million).

INVESTMENT PROPERTIES

During the year, the Group generated turnover, comprising rental and other fees, of HK\$2,897 million (2014: HK\$2,294 million) from its portfolio of completed investment properties in the PRC, delivering a gross profit of HK\$2,272 million (2014: HK\$1,821 million), an increase of 25%.

As at 31 December 2015, the Group maintained a completed investment property portfolio comprising apartment, commercial and office properties in the PRC with an aggregate GFA of 6.72 million square feet (2014: 6.32 million square feet). Their respective composition and occupancy rates were as follows:

As at 31 December 2015:	Group's attributable GFA						Occupancy Rate
	Beijing	Shanghai	Shenzhen	Tianjin	Fuzhou	Total	
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	

As at 31 December 2014:	Group's attributable GFA					Occupancy Rate
	Beijing	Shanghai	Shenzhen	Fuzhou	Total	
Office	711	1,530	1,552	–	3,793	95%
Commercial	98	1,100	212	64	1,474	97%
Apartment	277	774	–	–	1,051	81%
	1,086	3,404	1,764	64	6,318	

PRC Properties

42.97 million square feet in attributable GFA

Under development

29.67 million square feet in attributable GFA

69%

Completed investment properties/ Hotel properties/ Properties held for sale

13.30 million square feet in attributable GFA

31%

By usage

Residential	66%
Hotel	7%
Apartment	1%
Commercial	12%
Office	14%

By location

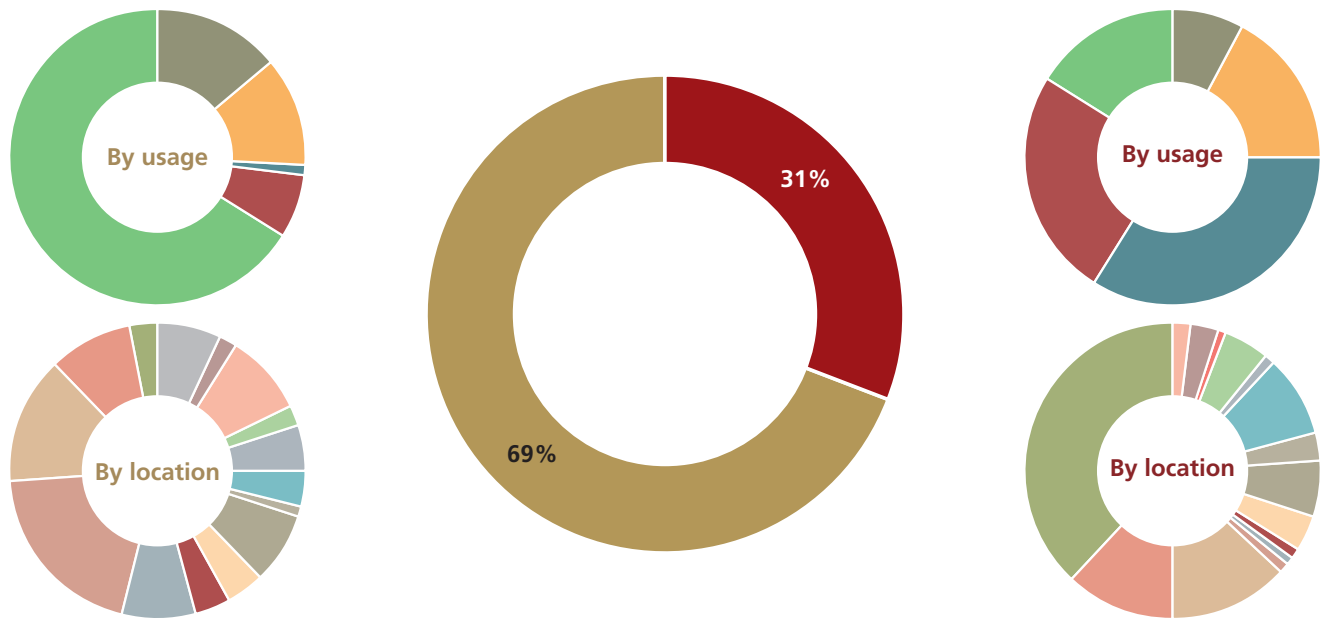
Tianjin	3%	Ningbo	1%
Chengdu	9%	Zhengzhou	4%
Hangzhou	14%	Putian	5%
Shenyang	20%	Jinan	2%
Qinhuangdao	8%	Yingkou	9%
Nanjing	4%	Kunming	2%
Nanchang	4%	Shenzhen	7%
Changsha	8%		

By usage

Residential	16%
Hotel	25%
Office	34%
Commercial	17%
Apartment	8%

By location

Shanghai	38%	Nanjing	3%
Beijing	12%	Tianjin	9%
Shenzhen	13%	Changsha	1%
Fuzhou	1%	Nanchang	5%
Chengdu	1%	Ningbo	1%
Manzhouli	1%	Putian	3%
Tangshan	4%	Qinhuangdao	2%
Shenyang	6%		



Comparative occupancy rates of key investment properties are outlined below:

Property	Occupancy rate as at 31 December 2015	Occupancy rate as at 31 December 2014
Jing An Kerry Centre Phase I	96%	90%
Jing An Kerry Centre Phase II ⁽¹⁾	96%	90%
Kerry Parkside ⁽¹⁾	97%	96%
Beijing Kerry Centre ⁽¹⁾	96%	95%
Shenzhen Kerry Plaza Phase I	97%	98%
Shenzhen Kerry Plaza Phase II	100%	98%

Note:

(1) Excluding hotel.

MANAGEMENT DISCUSSION & ANALYSIS

REVIEW OF PROPERTY BUSINESS



■ Jing An Shangri-La Hotel, West Shanghai, Shanghai, PRC

Jing An Kerry Centre, Shanghai

This landmark mixed-use development, Jing An Kerry Centre, is located in the heart of Shanghai's Nanjing Road business district. The 3.74 million square-foot prime development integrates hotel, retail, office and residential space overlooking a beautifully landscaped piazza. The Group holds 74.25% and 51% interests in Phases I and II respectively. The luxury of Shangri-La Hotel is a key feature of Jing An Kerry Centre, which is now the pre-eminent shopping venue and most exclusive office address in Shanghai. As at 31 December 2015, 97% of the office (2014: 88%) and 95% of the retail space (2014: 94%) were leased. Jing An Shangri-La Hotel, West Shanghai, achieved an average occupancy rate of 74% during the year (2014: 65%).

* Artist's Impression

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 2015, the retail space and offices were 99% and 100% occupied respectively (2014: both 100%), while the occupancy rate of the serviced apartments was 86% (2014: 79%). Kerry Hotel Pudong reported an average occupancy rate of 71% over the year (2014: 66%).



■ Kerry Parkside, Shanghai, PRC

Beijing Kerry Centre

Beijing Kerry Centre is located in the heart of Beijing, combining high-quality office space, a shopping mall for famous brands, and the Kerry Hotel Beijing together with serviced apartments. The Group holds a 71.25% interest in Beijing Kerry Centre. As at 31 December 2015, the occupancy rate of the retail portion was 100% (2014: 96%), while the offices were 98% occupied (2014: 99%). The serviced apartments were 91% leased as at 31 December 2015 (2014: 86%). Kerry Hotel Beijing delivered an average occupancy rate of 78% (2014: 74%) during the year.



■ Beijing Kerry Centre Mall, Beijing, PRC

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 2015, Phases I and II of the development were 97% and 100% leased respectively (2014: both 98%).

Tianjin Kerry Centre

Tianjin Kerry Centre is located on the east bank of the Haihe CBD in Hedong District, Tianjin, where it enjoys access to a convenient transportation network. Phase I of this 49%-owned mixed-use project includes a hotel, upscale residences and a shopping mall. As at 31 December 2015, properties under the Phase I development had been completed and delivered a GFA of approximately 3.6 million square feet. The mall, Riverview Place, held its soft opening on 30 April 2015. As at 31 December 2015, the mall was 87% leased. Shangri-La Hotel, Tianjin reported an average occupancy rate of 56% during the year (2014: 51%).



■ Tianjin Arcadia Court, Tianjin, PRC

SALES OF PROPERTIES

The Group's sales of completed properties in the PRC generated a turnover of HK\$3,358 million (2014: HK\$3,142 million), mainly from recognized sales of Shenyang Arcadia Court and

Enterprise Square, Putian Arcadia Court, Nanchang Arcadia Court, and the Metropolis-Arcadia Court in Chengdu. A gross profit of HK\$602 million (2014: HK\$759 million) was delivered for the year. The Group also shared satisfactory contribution from the property sales of two associate investments, Tangshan Arcadia Court and Tianjin Arcadia Court.

Shenyang Arcadia Court and Enterprise Square

Four towers of Shenyang Arcadia Court and Enterprise Square have been completed and delivered for occupation. As at 31 December 2015, 481 residential units and 134 office units had been sold. The Group holds a 60% interest in this project.



■ Enterprise Square, Shenyang, PRC*

Putian Arcadia Court

A first tranche of Putian Arcadia Court Phase I units was delivered ahead of schedule by the end of December 2015. As at 31 December 2015, 1,055 residential units had been sold/pre-sold. The Group holds a 60% interest in this project.

Nanchang Arcadia Court

A tower of Nanchang Arcadia Court has been completed with handover commencing in the fourth quarter of 2015. As at 31 December 2015, 184 residential units had been sold/pre-sold. The Group holds an 80% interest in this project.

The Metropolis-Arcadia Court, Chengdu

The Metropolis-Arcadia Court Phase I in Chengdu was completed and handed over to purchasers. As at 31 December 2015, 1,824 units had been sold. The Group holds a 55% interest in this residential project.

MANAGEMENT DISCUSSION & ANALYSIS

REVIEW OF PROPERTY BUSINESS

Enterprise Centre, Shanghai

Enterprise Centre at Kerry Everbright City Phase III in Zhabei District was completed in the fourth quarter of 2015 and is scheduled for handover in early 2016. This new phase, comprising office premises and ancillary retail spaces, adds a GFA of approximately 1.1 million square feet to the overall development. As at 31 December 2015, 83 units had been pre-sold. The Group holds a 74.25% interest in this project.

Tangshan Arcadia Court

Tangshan Arcadia Court Phases I to III with 14 towers are available for sale. As at 31 December 2015, 1,225 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 and handed over consecutively. Up to 31 December 2015, 794 units had been sold. The Group holds a 49% interest in this residential project.

PROPERTIES UNDER DEVELOPMENT

The Group maintains a balanced strategy, with a focus on the development of large-scale mixed-use projects in the CBDs of major cities, while actively driving residential development activities.

Qianhai, Shenzhen

The Group acquired a commercial site in the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone in January 2015. Established as the state's model special economic zone, Qianhai is situated in a key location in the Pearl River Delta with a planned efficient transportation system. Slated to be transformed into a finance hub, Qianhai has been conceived with lifestyle-enhancing design and amenities to create a sustainable urban district.

This 350,000 square-foot site lies close to the Guangshen Yanjiang Expressway and enjoys a front sea view, making it an ideal location for office, apartment and commercial property development. Total buildable GFA will aggregate to approximately 2.2 million square feet. The project is wholly owned by the Group and represents the first substantial investment in Qianhai by a major Hong Kong corporation. The project is expected to be completed in 2019.



■ Shenzhen Qianhai Complex Development, Shenzhen, PRC*

Hangzhou

In Hangzhou, the Group is developing Kerry Central, a project 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 will comprise a luxury hotel, Grade-A offices, premium apartments and a retail mall complex. Project construction is now underway and the development is targeted for completion in 2016. The Group holds a 75% stake in the project.

The Group is also working on a residential and commercial development spread out over five wholly-owned lots of land in the city. The project 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, the project will yield a GFA of approximately 2.27 million square feet for Castalia Court, a residential property development, 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 2015, 408 residential units had been pre-sold.

* Artist's Impression



■ Kerry Central, 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 12.9 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 has been completed and opened for business, recording an average occupancy rate of 67% (2014: 44%) during the year. Sales of the Phase I residential portion, Shenyang Arcadia Court, have met with favourable market response.

Nanchang

In Nanchang, the provincial capital of Jiangxi Province, the Group is developing a mixed-use property through a joint venture with Shangri-La. This 80%-held project is situated on the west bank of the Ganjiang River at the heart of Honggutan Central District. Its development includes a hotel, office, commercial and high-end apartment properties. Construction of the residential portion is ongoing, and the project is targeted for completion in phases from 2015 onwards. Part of the residential portion has been completed and handed over consecutively. The hotel and residential portion will deliver a GFA of approximately 1.7 million square feet. Shangri-La Hotel, Nanchang has been completed and was soft-opened in February 2015, recording an average occupancy rate of 59% (2014: N/A) during the year.

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 2.4 million square feet for development into hotel, residential, commercial and office properties. The project is expected to be completed in phases from 2019 onwards. The Group holds a 55% interest in this project.

Changsha

The Group's wholly-owned residential project in the Tianxin District of Changsha, the provincial capital of Hunan Province, is expected to deliver a GFA of approximately 3.2 million square feet. Phase I of the Changsha Xiangjiang Arcadia Court has been completed and handed over in tranches. Construction works of Phase II are currently underway, and the project is scheduled to be completed in phases before 2019. As at 31 December 2015, 591 Phase I units had been sold and 191 Phase II units were pre-sold.

Chengdu

The Metropolis-Arcadia Court in Chengdu is located in the southern part of the High-Tech Industrial Development Zone. Phase I residential units have been substantially sold and delivered, while Phase II of the project was newly launched during the first half of the year. As at 31 December 2015, 505 Phase II residential units had been pre-sold. Phase II, with a total GFA of approximately 2.15 million square feet, is due for completion in several stages from 2017 onwards. The Group holds a 55% interest in this project.



■ The Metropolis - Arcadia Court, Chengdu, PRC*

MANAGEMENT DISCUSSION & ANALYSIS

REVIEW OF PROPERTY BUSINESS

Jinan

The Group is co-developing with Shangri-La a mixed-use 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.

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.



■ Nanjing Jinling Arcadia Court, Nanjing, PRC*

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. Pre-sales of the project commenced in the fourth quarter of 2015. As at 31 December 2015, 38 residential units had been pre-sold.

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, which the Group holds a 50% interest in the project. Construction works for Phase I, a total

of 97 units with a GFA of approximately 400,000 square feet were completed and is being handed over in phases from the fourth quarter of 2015 onwards. As at 31 December 2015, 74 units of the Phase I development had been pre-sold. Phase II of the project will yield a GFA of approximately 629,000 square feet. Foundation works are in progress.

Putian

The Group and Shangri-La are co-developing a site in Putian City, Fujian Province. The site, located at Jiu Hua Road, will generate a GFA of approximately 4 million square feet. It is earmarked for the development of residential, hotel and ancillary commercial properties. The residential portion is scheduled to be completed in stages from 2016 onwards. A first tranche of the Phase I units was delivered ahead of schedule by the end of December 2015. The Group holds a 60% interest in this project.



■ Putian Arcadia Court, Putian, PRC*

Qinhuangdao

Construction works are ongoing on Habitat, the Group's 60%-owned deluxe seaside residential project close to Beidaihe in Qinhuangdao, Hebei Province. Phase I of the development, generating a GFA of approximately 1.6 million square feet, is being completed in phases from the second half of 2015 onwards. As at 31 December 2015, 266 Phase I residential units had been sold.

* Artist's Impression

Tangshan

The Group's 40%-owned mixed-use project in Tangshan comprises hotel, residential and ancillary commercial properties, with a GFA of approximately 3.3 million square feet. The residential units have been completed and handed over consecutively. Shangri-La Hotel, Tangshan, which was soft-opened in August 2015, reported an average occupancy rate of 38% (2014: N/A). The ancillary commercial properties are anticipated to be completed by 2016.

Yingkou

The Group's seaside sites in Bayuquan District in Yingkou City, Liaoning Province, are primarily designated for residential and commercial use. Phase I of the development, which will deliver a GFA of approximately 1.6 million square feet, is scheduled to be completed in stages from 2016 onwards. The Group holds a 65% interest in this project. As at 31 December 2015, 70 residential units of the Phase I development had been pre-sold.

Properties under development in the PRC

As at 31 December 2015:	Group's Attributable GFA Upon Completion					
	Residential	Apartment	Office ('000 square feet)	Commercial	Hotel	Total
Qianhai, Shenzhen	646	–	1,292	236	–	2,174
Hangzhou	2,275	271	102	1,081	370	4,099
Shenyang	3,319	–	1,069	1,386	–	5,774
Nanchang	561	–	607	79	–	1,247
Zhengzhou	574	–	388	135	198	1,295
Tianjin	152	166	360	190	–	868
Changsha	2,276	–	–	37	–	2,313
Chengdu	2,317	–	–	324	–	2,641
Jinan	–	–	205	32	352	589
Kunming	241	–	29	–	215	485
Nanjing	1,029	–	–	–	–	1,029
Ningbo	313	–	–	–	–	313
Putian	913	–	–	47	649	1,609
Qinhuangdao	2,325	–	–	35	–	2,360
Tangshan	–	–	–	79	–	79
Yingkou	2,541	–	–	54	202	2,797
Total	19,482	437	4,052	3,715	1,986	29,672

MANAGEMENT DISCUSSION & ANALYSIS
REVIEW OF PROPERTY BUSINESS

HONG KONG PROPERTY DIVISION

During the year ended 31 December 2015, the Hong Kong Property Division reported a turnover of HK\$2,631 million (2014: HK\$8,007 million) and gross profit of HK\$1,283 million (2014: HK\$3,563 million).

The Division's turnover for the year was mainly generated from recognized sales of completed properties at 1 & 3 Ede Road, 8 LaSalle, Lions Rise and The Altitude. Sales of Dragons Range and pre-sales of The Bloomsway also achieved strong sales performances.

The Division's portfolio of office and retail properties continued to deliver steady recurrent rental income, reflecting high occupancy levels and resilient rentals.

Hong Kong Properties

5.25 million square feet in attributable GFA

Under development

2.34 million square feet in attributable GFA **45%**

Completed investment properties/ Hotel properties/ Properties held for sale

2.91 million square feet in attributable GFA **55%**

By usage

Residential 100%

By location

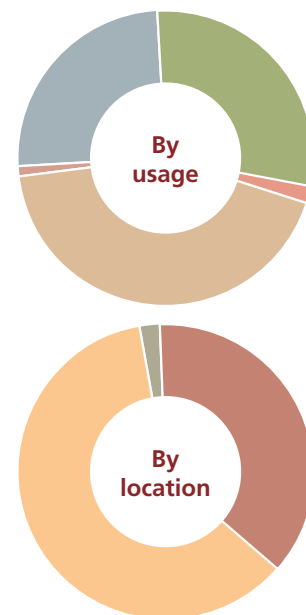
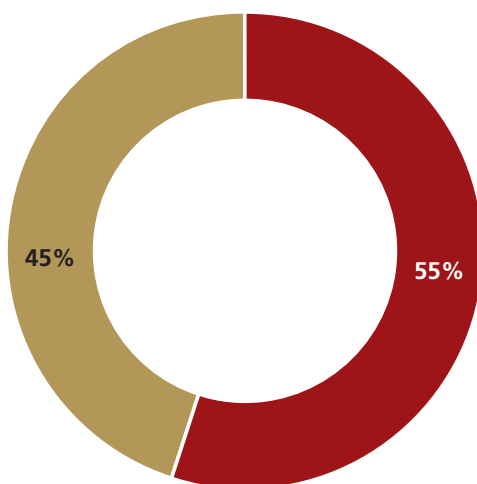
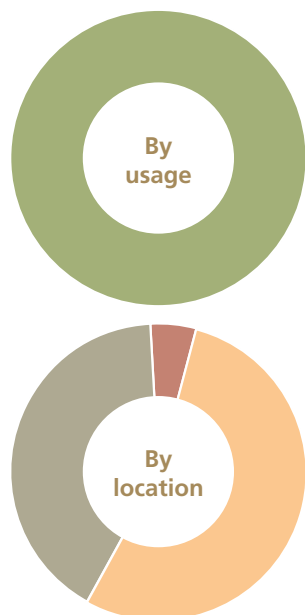
Hong Kong Island 5%
 Kowloon 54%
 New Territories 41%

By usage

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

By location

Hong Kong Island 37%
 Kowloon 61%
 New Territories 2%



INVESTMENT PROPERTIES

The Group's Hong Kong portfolio comprises prime residential, commercial and office properties, which recorded stable rental income despite weakened economic conditions and retail sales in 2015. Turnover, comprising rental and other fees, generated from the Group's completed investment properties in Hong Kong amounted to HK\$904 million (2014: HK\$875 million), producing a gross profit of HK\$675 million (2014: HK\$663 million) for the year under review.

As at 31 December 2015, the Group's completed investment property portfolio in Hong Kong had an aggregate GFA of 2.78 million square feet (2014: 2.78 million square feet). Set out below are the breakdown of GFA and the respective occupancy rates, together with comparative figures:



■ Branksome Grande, Mid-Levels, Hong Kong

	As at 31 December 2015		As at 31 December 2014	
	Group's attributable GFA ('000 square feet)	Occupancy rate	Group's attributable GFA ('000 square feet)	Occupancy rate
Apartment	722	85%	722	97%#
Commercial	1,223	100%	1,223	99%
Office	840	99%	838	95%
	2,785		2,783	

Note:

Excluding Branksome Grande where refurbishment works commenced in the second quarter of 2014.



■ MegaBox, Kowloon Bay, Hong Kong

Enterprise Square Five/MegaBox, Kowloon Bay

MegaBox blends shopping, recreation, dining and art into one innovatively designed complex in Kowloon East. This pioneering retail and lifestyle venue offers a GFA of 1.1 million square feet. As at 31 December 2015, the mall had an occupancy rate of approximately 100% (2014: 99%).

The two Grade-A office towers of Enterprise Square Five, with a GFA of 519,000 square feet, were 98% (2014: 94%) leased.

Kowloon East continues to develop in line with the Hong Kong SAR Government's plan to transform the district into a low-carbon, vibrant and people-oriented community by the harbour. Management is confident that MegaBox and Enterprise Square Five will benefit from the Government's near-term pedestrian environment improvement and community engagement initiatives, and in the longer term its blueprint to build a sustainable CBD2 in Kowloon East.

MANAGEMENT DISCUSSION & ANALYSIS

REVIEW OF PROPERTY BUSINESS

Kerry Centre, Quarry Bay

Kerry Centre, at 683 King's Road, Quarry Bay, is the Group's 40%-held flagship office tower 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 approximately 100% (2014: 99%) of the space occupied as at 31 December 2015.



■ Kerry Centre, Quarry Bay, Hong Kong

Branksome Grande, Mid-Levels

Located at 3 Tregunter Path, Branksome Grande is a twin-tower development of 24 floors, offering a total of 94 residential units, including two penthouses. The entire building had been under comprehensive renovation since April 2014 and works were completed in September 2015. With pre-leasing activities commencing in late April 2015, the property was 76% leased as at 31 December 2015.

SALES OF PROPERTIES

Sales of completed properties held for sale in Hong Kong contributed a turnover of HK\$1,727 million (2014: HK\$7,132 million) to the Group during the year. A gross profit of HK\$608 million (2014: HK\$2,900 million) was derived from recognized sales of completed properties at 1 & 3 Ede Road, 8 LaSalle, Lions Rise and The Altitude.

The Division also derived satisfactory profit from the sale of Dragons Range during the year, while pre-sales of The Bloomsway were launched to a strong market response in November 2015. These successful sales launches validated the resilience of the Group's projects, which are designed, conceived and managed to high standards.

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 project, which obtained its occupation permit in June 2015. Launched in November 2014, Dragons Range has received a positive market response and posted strong sales performance. As at 31 December 2015, 895 units had been sold, accounting for 92% of the total.

1 & 3 Ede Road, Kowloon Tong

The development consists of a house, One Ede Road, and 40 apartments at Three Ede Road, with a total saleable area of approximately 70,000 square feet. Sales of Three Ede Road were successfully launched in the third quarter of 2014. As at 31 December 2015, 37 apartments and the house, representing 93% of the total, had been sold.



8 LaSalle, Ho Man Tin

This redevelopment project 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. Sales activities commenced in the fourth quarter of 2014 and have received a strong market response. 47 units of the project, representing 84% of the total, had been sold as at 31 December 2015.

Lions Rise, Wong Tai Sin

Lions Rise is located at No. 8 Muk Lun Street, Kowloon, where five residential blocks offer a total of 968 units. The project is enhanced by club facilities, landscaped gardens and a shopping mall. As at 31 December 2015, all the units had been sold.

The Altitude, Happy Valley

The Altitude at No. 20 Shan Kwong Road, Happy Valley, offers 126 residential units. The Group holds a 71% interest in this project. As at 31 December 2015, all the 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 to be developed into a large-scale residential property of 1,100 units, scheduled for completion in the fourth quarter of 2016. Pre-sales of the project, launched in November 2015, have received a positive market response and recorded strong sales performance. As at 31 December 2015, 354 units had been sold, accounting for 32% of the total.

Shan Kwong Road, Happy Valley

A new residential project is currently under development at No. 7A Shan Kwong Road, Happy Valley. It will yield a buildable GFA of approximately 81,000 square feet, and is to be completed in the fourth quarter of 2016.

Mantin Heights, Ho Man Tin

The Group is developing a residential site at 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 1.142 million square feet. The project is scheduled for completion in the first quarter of 2017.



Lung Cheung Road, Beacon Hill

In February 2015, the Group won a public tender for a site in Beacon Hill. Occupying an area of approximately 115,000 square feet and with a buildable GFA of approximately 116,000 square feet, the site is planned to be developed into a low-density premium residential project. The project is scheduled for completion in 2018.

New Redevelopment Project at Hing Hon Road, Sai Ying Pun

The Group is moving ahead with plans to develop 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 ownership unification of the new site was completed in December 2015. 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.

Properties under development in Hong Kong

As at 31 December 2015:	Group's attributable GFA upon completion ('000 square feet)
Residential	2,336
2,336	

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.

MANAGEMENT DISCUSSION & ANALYSIS
REVIEW OF PROPERTY BUSINESS

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 2015, the occupancy rates of Shangri-La Plaza Mall and The Enterprise Center were 88% and 96%, respectively (2014: 92% and 98%, respectively).

The development of The St. Francis Shangri-La Place, a residential project located in Mandaluyong City, Manila, has been completed. As at 31 December 2015, 1,151 (2014: 1,150) of the 1,152 residential units in Towers 1 and 2 of the project had been sold.

The development of One Shangri-La Place, a residential project located in Mandaluyong City, Manila, has been completed. As at 31 December 2015, a total of 1,225 units (2014: 1,177) had been sold, accounting for 94% of the total.

Overseas Properties

3.83 million square feet in attributable GFA

Under development

2.02 million square feet in attributable GFA

53%

**Completed investment properties/
Properties held for sale**

1.81 million square feet in attributable GFA

47%

By usage

Residential	80%
Commercial	3%
Hotel	17%

By location

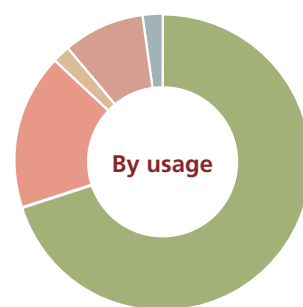
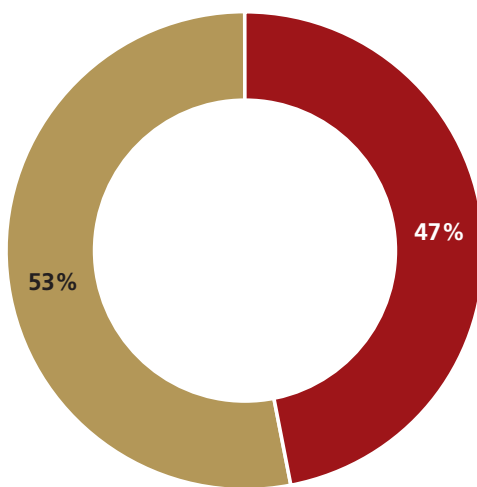
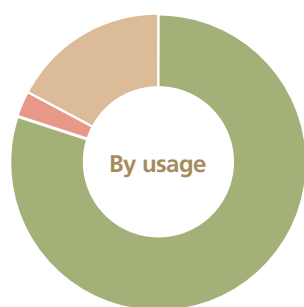
The Philippines	100%
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By usage

Shopping centre	70%
Office	17%
Commercial	2%
Hotel lease	9%
Residential	2%

By location

The Philippines	100%
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SPI currently has three major projects under development:

SPI is also redeveloping a residential site in Makati City into a high-rise residential building, Shang Salcedo Place, with a GFA of approximately 655,000 square feet. As at 31 December 2015, 432 units (2014: 346) out of the total of 749 residential units had been sold.

SPI has acquired the rights to develop more than 116,000 square feet of land located in Malugay Street, Makati City. This development 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 1,829 residential units (2014: 1,488) sold as at 31 December 2015.

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 an 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 2015,



■ Shangri-La at the Fort, Manila, The Philippines



29 residential units (2014: 12) had been sold, accounting for 30% of the total 98 units available for sale.

Overseas Property Portfolio

As at 31 December 2015:	Group's attributable GFA
	The Philippines ('000 square feet)
Investment properties	
Hotel lease	170
Shopping centre	1,256
Commercial	29
Office	307
Sub-total	1,762
Properties under development	
Residential	1,612
Hotel	335
Commercial	75
Sub-total	2,022
Properties held for sale	
Residential	43
Sub-total	43
	3,827

MANAGEMENT DISCUSSION & ANALYSIS

REVIEW OF PROPERTY BUSINESS

OUTLOOK

PRC PROPERTY DIVISION

The year 2015 was a challenging period for the Division. The country moved towards a new direction in response to market changes, both domestic and global. The economic structure meanwhile has remained stable and, in 2016, the Central Government will continue to implement policies that will encourage property purchases at a steady pace.

The Central Government is now stimulating demand by speeding up the pace of urbanization and housing reforms. At the same time it has removed some of the restrictions on home purchases and encouraged property developers to adjust their marketing strategies. Through these measures, the Government aims to reduce the housing inventory. With this loosened macro control, first-tier cities and provincial capitals are expected to record an improved performance in the coming year. Overcapacity, however, will continue to be a challenge for third-to-fourth-tier cities.

With a portfolio of prime-quality and strategically located properties, the Group has overcome many challenges. The sales of the Group's premium projects will continue in the coming year. These include residential developments in Zhijiang in Hangzhou, and in Chengdu, Tianjin, Putian, Shenyang, Ningbo, Nanjing and Nanchang, as well as office units at Kerry Everbright City Phase III in Shanghai. Management expects to achieve steady sales performances from these activities.

Contributions from the investment properties are also expected to remain stable. The Group owns a number of large-scale mixed-use properties in core locations of several first-tier cities and provincial capitals. This prime asset portfolio has yielded satisfactory rentals with high occupancy levels. Looking ahead, a steady leasing performance is in prospect for offices and serviced apartments. The retail properties, however, will face a greater challenge as the market is confronted with weakened consumer sentiment and growing e-commerce sales. In response to these market changes, management will continuously review the operational strategies and tenant mix. The Division's goal remains to enhance long-term rental returns.

The Division will continue to increase the weighting of its investment properties in the overall business mix. This will help generate a stable stream of cash flow and recurrent income, ensuring sufficient funding to meet the Group's future development needs. Management holds a cautiously optimistic outlook for the Division in the coming year.

HONG KONG PROPERTY DIVISION

During the past year, the local real estate market came under pressure from slowing business activity and global economic uncertainty. The management, however, holds a continuous positive view of our development. The Hong Kong Property Division has successfully navigated these evolving dynamics and consistently delivered quality and value for both buyers and tenants.

Hong Kong's residential market and property values are inextricably linked with the city's housing shortage, and expectations of continued capital inflows will bode well for investment activity. From a macro perspective, the residential sector is likely to be impacted by anticipation of an upward interest-rate cycle and an increase in the short-term supply of new homes. However, as most new units coming to market in 2016 will be in the mass sector, the Group's portfolio of luxury projects will remain resilient. Management is confident that, with a pipeline of prime-quality properties in upscale locations set for launch, the Division will maintain its sales momentum in the coming year.

The Hong Kong investment property portfolio has continued to contribute to the Group's growing recurrent rental income base. Looking ahead, the office segment is expected to sustain stable occupancy and rental levels. As the decentralization of the Hong Kong CBD continues, the Division's Grade-A office assets in Island East and Kowloon East will gain further upside over the long term. On the retail front, the Division's shopping mall space targeting Hong Kong consumers will also continue to deliver a steady performance.

Overall, 2016 may not be a very eventful year, but management foresees a continued stable performance coupled with an optimistic outlook for longer-term development.

FINANCIAL REVIEW

The Group has centralised 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 2015, total foreign currency borrowings (excluding RMB bank loans) amounted to the equivalence of HK\$10,205 million and RMB bank loans amounted to the equivalence of HK\$8,335 million. Therefore, non-RMB total foreign currency borrowings and RMB bank loans represented approximately 28% and 22% respectively, of the Group's total borrowings of HK\$37,046 million as at 31 December 2015.

The non-RMB total foreign currency borrowings of HK\$10,205 million include the Fixed Rate Bonds amounting to US\$1,320 million (net of direct issue costs). The Group has arranged cross currency swap and forward exchange contracts amounting to US\$517 million and US\$425 million, respectively, to hedge the exchange rate exposure between United States dollars and Hong Kong dollars. Besides, the Group has also arranged cross currency swap and forward exchange contracts amounting to RMB900 million and RMB525 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 2015, HK\$12,896 million (representing approximately 35%) was repayable within one year, HK\$6,694 million (representing approximately 18%) was repayable in the second year, HK\$13,651 million (representing approximately 37%) was repayable in the third to fifth years and HK\$3,805 million (representing approximately 10%) was repayable over five years. The Group continued to maintain most of its borrowings on an unsecured basis, with unsecured debt accounting for approximately 85% of total borrowings as at 31 December 2015. 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 2015, the gearing ratio for the Group was 32.2% (2014: 28.5%), calculated based on net debt of HK\$26,181 million and shareholders' equity of HK\$81,353 million.

As at 31 December 2015, 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.

In terms of the Group's available financial resources as at 31 December 2015, the Group had total undrawn bank loan facilities of HK\$16,244 million and cash on hand of HK\$10,865 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 29 June 2015, Standard & Poor's affirmed a "BBB-" credit rating for Kerry Properties Limited with a stable outlook.

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.

PARTICULARS OF PROPERTIES HELD

Particulars of major properties held by the Group as at 31 December 2015 are as follows:

Property name	Location	Type	Group's attributable interest		Lease term	
			%	Approximate gross floor area (square feet)		Approximate number of carpark spaces
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	646,802 447,739	557	Medium lease
				1,094,541		
2. Beijing Kerry Centre	1 Guang Hua Road Chaoyang District Beijing	Office Apartment Commercial	71.25	711,121 277,330 98,406	423	Medium lease
				1,086,857		
3. Shenzhen Kerry Plaza Phase II	1 Zhong Xin Si Road Futian CBD Shenzhen	Office Commercial	100.00	745,425 104,110	335	Medium lease
				849,535		
4. Shenzhen Kerry Plaza Phase I	1 Zhong Xin Si Road Futian CBD Shenzhen	Office	100.00	804,709	306	Medium lease
5. 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	475	Medium lease
				787,081		
6. 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	180	Medium lease
				554,910		
7. 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
8. Kerry Everbright City Phase I	218 Tianmu Road West Zhabei District Shanghai	Commercial Office	74.25	330,141 130,685	179	Medium lease
				460,826		
9. Tianjin Kerry Centre Riverview Place	238 Luwei Road Hedong District Tianjin	Commercial	49.00	428,485	626	Medium lease
10. Shenzhen Kerry Centre	2008 Renminnan Road Lowu District Shenzhen	Commercial Office	100.00	107,256 1,641	193	Medium lease
				108,897		
11. Fuzhou Central Residences	139 Gutian Road Gulou District Fuzhou	Commercial	100.00	63,986	–	Long lease
Total PRC investment properties				6,718,113	3,485	

Property name	Location	Type	%	Group's attributable interest			Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces		
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. Shangri-La Hotel, Tianjin	328 Haihe East Road Hedong District Tianjin	Hotel	49.00	381,726	75	Medium lease	
7. Kerry Hotel Pudong	1388 Hua Mu Road Pudong Shanghai	Hotel	40.80	325,853	–	Medium lease	
8. Shangri-La Hotel, Tangshan	889 Changhong West Road Lubei District Tangshan	Hotel	40.00	242,918	77	Medium lease	
Total PRC hotel property				3,349,569	780		

Property name	Location	Type	%	Group's attributable interest			Stage of completion	Scheduled completion
				Approximate gross floor area (square feet)	Approximate site area (square feet)			
PRC Properties								
C. Under development								
1. Qinquangdao Habitat Phase I Tower 3 Phase II and III	160 Hebin Road Haigang District Qinquangdao	Residential Commercial	60.00	2,325,476 34,933 2,360,409	873,552	Phase I Interior decoration work in progress	Phase I First half of 2016	
2. Tangshan Parkside Place	889 Changhong West Lubei District Tangshan	Commercial	40.00	79,481	27,293	Interior decoration work in progress	First half of 2016	
3. Kerry Central	Formerly Zhejiang University Hubin Campus East to Yan An Road South to Qing Chun Road West to Planned Chang Shou Road North to Hai Er Xiang Xiacheng District Hangzhou	Commercial Hotel Apartment Office	75.00	871,884 369,598 270,542 102,132 1,614,156	543,910	External work, interior decoration and mechanical and engineering work in progress	2016	
Sub-total				4,054,046	1,444,755			

PARTICULARS OF PROPERTIES HELD

Property name	Location	Type	%	Group's attributable interest		Stage of completion	Scheduled completion	
				Approximate gross floor area (square feet)	Approximate site area (square feet)			
PRC Properties								
C. Under development (continued)								
4.	Yingkou Hyades Residence and Hotel Development	Lot No. 14-16 North of Bincheng Road West of Liaodongwan Street Bayuquan Yingkou	Residential Hotel Commercial	65.00	2,541,109 201,936 53,860	1,399,320	Phase I External work, interior decoration and mechanical and engineering work in progress	Phase I In phases from 2016 onwards
					2,796,905			
5.	Putian Arcadia Court West District and Hotel Development	666 Jiu Hua Road Chengxiang District Putian	Residential Hotel Commercial	60.00	913,276 649,178 46,533	667,264	Phase I Residential External work and mechanical and engineering work in progress	Phase I In phases from 2016 onwards
					1,608,987			
6.	Nanchang Arcadia Court Towers 1, 3 to 5 and Complex Development	667 Cui Lin Road Honggutan New District Nanchang	Office Residential Commercial	80.00	607,477 560,888 78,741	207,566	Phase I Residential Towers 1 and 3 Interior decoration work in progress Towers 4 and 5 Structural work topped out	Phase I In phases from 2016 onwards
					1,247,106			
7.	Shenyang Kerry Centre ⁽¹⁾	Lot No. 2007-053 8 Golden Corridor East of Qingnian Avenue Shenhe District Shenyang	Residential Commercial Office	60.00	3,318,833 1,386,057 1,068,762	916,129	Phase I Residential Interior decoration, external work and mechanical and engineering work in progress Phase II Residential Superstructure work in progress Commercial and office Structural work completed	Phase I 2016 Phase II In phases from 2017 onwards
					5,773,652			
8.	Changsha Xiangjiang Arcadia Court Phase II and III	398 Xinshao Xi Road Tianxin District Changsha	Residential Commercial	100.00	2,275,929 37,147	916,239	Phase II Interior decoration, external work and mechanical and engineering work in progress Phase III Schematic design in progress	In phases between 2016 and 2019
					2,313,076			
9.	Nanjing Jinling Arcadia Court	Site no. 2012G05 South of Daguang Road Qinhuai District Nanjing	Residential	100.00	1,028,898	395,641	External work in progress	2017
10.	The Berylville, Ningbo Phase II	Xingning Road Jiangcheng Road Jiangdong District Ningbo	Residential	50.00	314,293	179,441	Piling work in progress	2017
11.	The Metropolis – Arcadia Court Phase II and III	Junction of middle of Jiannan Da Street and Desai San Street Hi-Tech Industrial Development Zone Chengdu	Residential Commercial	55.00	2,316,693 323,657	565,582	Phase II Superstructure work completed, mechanical and engineering work in progress Phase III Schematic design in progress	In phases from 2017 onwards
					2,640,350			
Sub-total					17,723,267	5,247,182		

Property name	Location	Type	%	Group's attributable interest		Stage of completion	Scheduled completion
				Approximate gross floor area (square feet)	Approximate site area (square feet)		
PRC Properties							
C. Under development (continued)							
12. Castalia Court	East of Planned Vertical Road 2 South of Planned Horizontal Road 3 West of Shanhusa River North of Planned Horizontal Road 1 West Lake District Hangzhou	Residential Commercial	100.00	2,274,175 208,683	1,534,828	Phase I Interior decoration work in progress Phase II Structural work in progress	In phases from 2017 onwards
				2,482,858			
13. Jinan Complex Development	South of Luoyuan Main Street East of Nanjuanmen Lane Lixia District Jinan	Hotel Office Commercial	55.00	351,820 204,649 32,437	131,979	Structural work topped out Interior decoration work in progress	In phases from 2017 onwards
				588,906			
14. Kunming Complex Development	88-96 Dong Feng Road Panlong District Kunming	Residential Hotel Office	55.00	240,952 214,874 29,204	91,443	Schematic design in progress	2019
				485,030			
15. Shenzhen Qianhai Complex Development ^{(1) (2)}	Site no. T102-0255 Qianhai District Shenzhen	Office Residential Commercial	100.00	1,291,680 645,840 236,324	349,670	Piling work in progress	2019
				2,173,844			
16. Zhengzhou Complex Development	East of Huayuan Road South of Weier Road Zhengzhou	Residential Office Hotel Commercial	55.00	574,259 388,424 198,208 135,277	263,881	Schematic design in progress	In phases from 2019 onwards
				1,296,168			
Sub-total				7,026,806	2,371,801		
Total PRC properties under development				28,804,119	9,063,738		

Property name	Location	Type	%	Group's attributable interest		Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	
PRC Properties						
D. Held for sale						
1. Enterprise Centre	128 Tian Mu Road West 277 Mei Yuan Road 209 and 219 Gong He Road Zhabei District Shanghai	Office Residential Commercial	74.25	497,902 247,209 88,107	356	Medium lease
				833,218		
2. Putian Arcadia Court East District	666 Jiu Hua Road Chengxiang District Putian	Residential	60.00	407,620	–	Long lease
3. Tianjin Arcadia Court Phase I	238 Liuwei Road Hedong District Tianjin	Residential	49.00	347,162	294	Long lease
4. Tangshan Arcadia Court	368 Da Li Road Lubei District Tangshan	Residential Commercial	40.00	240,178 23,203	616	Long lease
				263,381		
5. Shenyang Kerry Centre Arcadia Court Phase I Towers 11, 13 to 15	70 Wenhua Road Shenhe District Shenyang	Residential	60.00	255,542	139	Medium lease
Sub-total				2,106,923	1,405	

PARTICULARS OF PROPERTIES HELD

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 (continued)						
6. Qinhuangdao Habitat Phase 1 Tower 2	160 Hebin Road Haigang District Qinhuangdao	Residential	60.00	240,724	–	Long lease
7. Changsha Xiangjiang Arcadia Court Phase I	398 Xinshao Xi Road Tianxin District Changsha	Residential Commercial	100.00	185,708 9,478 195,186	207	Long lease
8. Shenyang Kerry Centre Enterprise Square	121 Qingnian Avenue Shenhe District Shenyang	Office	60.00	192,211	–	Medium lease
9. Manzhouli Watch Lake Phase II	99 Liu Dao Street Manzhouli City Inner Mongolia	Residential Commercial	100.00	105,153 32,243 137,396	134	Long lease
10. The Metropolis – Arcadia Court Phase I	299 Ronghua North Road Hi-tech Industrial Development Zone Chengdu	Commercial Residential	55.00	116,693 10,186 126,879	349	Long lease
11. The Berylville, Ningbo Phase I	Xingning Road Jiangcheng Road Jiangdong District Ningbo	Residential	50.00	80,529	85	Long lease
12. Enterprise Square	216 and 228 Meiyuan Road Zhabei District Shanghai	Commercial Office	74.25	26,992 16,686 43,678	48	Medium lease
13. Nanchang Arcadia Court Tower 2	667 Cui Lin Road Honggutan New District Nanchang	Residential	80.00	41,912	–	Long lease
14. Parkview Residence Phase I	756 Hangbo Street Xiacheng District Hangzhou	Commercial Residential	100.00	23,896 3,677 27,573	–	Long lease
15. Parkview Residence Phase II	751 Hangbo Street Xiacheng District Hangzhou	Commercial Residential	100.00	20,938 895 21,833	154	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
18. Manzhouli Watch Lake Phase I	99 Liu Dao Street Manzhouli City Inner Mongolia	Residential	100.00	1,302	18	Long lease
19. Gemini Grove	63 Xin Yuan Street Chaoyang District Beijing	Residential	71.00	622	21	Long lease
Sub-total				1,119,653	1,620	
Total PRC properties held for sale				3,226,576	3,025	
TOTAL PRC PROPERTY PORTFOLIO				42,098,377		

Property name	Location	Type	%	Group's attributable interest			
				Approximate gross floor area (square feet)	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	748	Medium lease
					1,664,853		
2.	Kerry Centre	683 King's Road Quarry Bay Hong Kong	Office Commercial	40.00	193,252 10,952	74	Medium lease
					204,204		
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	36,034 11,300	–	Long lease
					47,334		
5.	Harbour Centre	25 Harbour Road Wanchai Hong Kong	Office Commercial	15.86	34,767 ⁽⁴⁾ 6,475 ⁽⁵⁾	45	Long lease
					41,242		
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.	Belair Monte	3 Ma Sik Road Fanling New Territories	Commercial	8.00	3,820	–	Medium lease
10.	Wing On Plaza	62 Mody Road Tsimshatsui Kowloon	Commercial	10.00	2,896	–	Long lease
11.	Sherwood Court Public Carpark	12-20 Kwai Sing Lane Happy Valley Hong Kong	Carpark	100.00	–	200	Long lease
Sub-total					2,063,111	1,099	
Total Hong Kong completed investment properties					2,785,558	1,399	

PARTICULARS OF PROPERTIES HELD

Property name	Location	Type	%	Group's attributable interest		Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	

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		Stage of completion	Scheduled completion
				Approximate gross floor area ⁽⁶⁾ (square feet)	Approximate site area (square feet)		

Hong Kong Properties

C. Under development

1.	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	Fourth quarter of 2016
2.	Shan Kwong Road Project	7A Shan Kwong Road Happy Valley Hong Kong	Residential	100.00	81,217	8,122	Superstructure work in progress	Fourth quarter of 2016
3.	Mantin Heights	28 Sheung Shing Street Ho Man Tin Kowloon	Residential	100.00	1,142,168	259,165	Superstructure work in progress	First quarter of 2017
4.	Beacon Hill Project	KIL6532 Lung Cheung Road Beacon Hill Kowloon	Residential	100.00	116,380	114,550	Foundation work in progress	Second quarter of 2018
5.	Hing Hon Road Project	5-8 Hing Hon Road Sai Ying Pun Hong Kong	Residential	71.00	47,962	5,329	Schematic design in progress	Third quarter of 2019
Total Hong Kong properties under development					2,327,327	1,109,936		

Property name	Location	Type	%	Group's attributable interest		Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	
Hong Kong Properties						
D. Held for sale						
1. Dragons Range	33 Lai Ping Road Kau To, Shatin New Territories	Residential	40.00	48,438 ⁽⁵⁾	74	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. 8 LaSalle	8 La Salle Road Ho Man Tin Kowloon	Residential	100.00	7,860 ⁽⁵⁾	3	Long lease
5. Bayview	9 Yuk Yat Street Ma Tau Kok Kowloon	Commercial	100.00	6,836	9	Medium lease
6. 1 & 3 Ede Road	1 & 3 Ede Road Kowloon Tong Kowloon	Residential	100.00	5,111 ⁽⁵⁾	9	Medium lease
7. 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				90,224	126	
TOTAL HONG KONG PROPERTY PORTFOLIO				5,240,626		

Property name	Location	Type	%	Group's attributable interest		Stage of completion	Scheduled completion
				Approximate gross floor area (square feet)	Approximate site area (square feet)		
Macau Properties							
A. Under development							
1. Nam Van Project	Lot C12 Nam Van Lake Macau	Residential	100.00	397,190	39,719	Schematic design in progress	Second quarter of 2020
TOTAL MACAU PROPERTY PORTFOLIO				397,190⁽⁷⁾	39,719		

PARTICULARS OF PROPERTIES HELD

Property name	Location	Type	%	Group's attributable interest		Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	
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	34.58 ⁽⁹⁾	306,593 11,962	349	Freehold
				318,555		
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				1,762,151	1,459	

Property name	Location	Type	%	Group's attributable interest		Stage of completion	Scheduled completion
				Approximate gross floor area (square feet)	Approximate site area (square feet)		
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	42,553	Superstructure work completed and finishing work in progress	Fourth quarter of 2016
				585,815			
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	Superstructure work in progress	Fourth quarter of 2017
3. The Rise	Malugay Street Makati City, Philippines	Residential Commercial	58.18 ⁽¹²⁾	951,235 56,013 1,007,248	67,785	Substructure work in progress	Third quarter of 2019
Total overseas properties under development				2,021,549	131,761		

Property name	Location	Type	%	Group's attributable interest		Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	
Overseas Properties						
C. Held for sale						
1. One Shangri-La Place	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Residential	65.36 ⁽⁸⁾	38,444	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				42,950	27	
TOTAL OVERSEAS PROPERTY PORTFOLIO				3,826,650		

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 16.27% 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.

CORPORATE SOCIAL RESPONSIBILITY REPORT

As a committed corporate citizen, Kerry Properties continually works to inspire transformative business leadership in corporate social responsibility (“CSR”). We actively nurture the well-being and development of the broader society in which we operate. Through implementing practicable policies, we encourage a positive impact on the environment and communities, as well as all other stakeholders.



The passionate commitment and keen participation of our staff are essential to the successful implementation of these policies. By fostering the energy and creativity of our colleagues and their families, Kerry Properties aims to build a culture based on strong team spirit and caring for the community. The Group believes that sustainable business growth is based on sustainable business practices. As the world becomes increasingly globalized, even the smallest actions we take to improve society can have a widespread effect. This belief underpins our employees’ commitment to a broad spectrum of worthwhile causes in the areas of charitable support, caring for the elderly and disadvantaged, education, and combating environmental pollution and climate change.

Our stakeholders are critical to the Group’s success. They include our employees, customers, suppliers, contractors, investors and community groups of various types. We have put in place a variety of mechanisms to engage significant stakeholders, so as to better understand their expectations and to identify emerging opportunities and challenges in our operations. To gain stakeholder support, we are continually exploring new ways to engage more closely with staff members, consumers and vendors.

In 2015, our CSR activities spanned social, environmental and economic aspects of the community. This section elaborates on some of these initiatives, which reflect the Group’s longstanding policy of engaging with and investing in the wider society around us.

SUSTAINABILITY REPORTING

As part of our long-term CSR commitment, we have taken measures to integrate sustainability reporting into our business. We have already launched this process through the joint efforts of various departmental staff, with enthusiastic support from our stakeholders. To accelerate the adoption of sustainability practices and to identify issues that are most material to the Group, we engaged with a variety of stakeholders when preparing our Sustainability Report. The report will be prepared in compliance with the Environmental, Social and Governance Reporting Guide (“**ESG Reporting Guide**”) issued by Hong Kong Exchanges and Clearing Limited (“**HKEx**”). We will also cover material topics in a more comprehensive manner with reference to the latest Global Reporting Initiative (“**GRI**”) G4 Sustainability Reporting Guidelines (“**G4 Guidelines**”) and the GRI Construction and Real Estate Sector Supplement.



Engagement activities, including in-depth interviews, focus groups and surveys, were conducted by our independent consultant to collect views from both internal and external stakeholders.

CARING COMPANY

Initiated by the Hong Kong Council of Social Service (“HKCSS”) in 2002, the Caring Company Scheme aims at cultivating good corporate citizenship, in particular by building strategic partnerships between businesses and non-profit organisations to help create a more cohesive society. The Group’s numerous caring programmes for the environment, for the broader community, and for our employees reflect our intense commitment to the principles underlying the scheme.

In March 2015, Kerry Properties was honoured to receive the “10 Years Plus Caring Company” logo for the second time, reflecting the Group’s long-term contributions to the community. The Group gave further support to the scheme by maintaining its membership of the Caring Company Patron’s Club as a Coral Member.

Our member companies MegaBox Development Company Limited and MegaBox Management Services Limited (“MMSL”) each received the “5 Years Plus Caring Company” logo. The awards reflected their deep commitment to building strategic relationships with social service partners and inspiring CSR through various caring initiatives.

ENVIRONMENTAL PROTECTION

We recognize the importance of integrating environmental considerations into our daily operations, and we commit ourselves to minimizing the potential impacts of our property development and management business through an established green policy, our Environmental Management System (“EMS”), and through supporting the environmental efforts of the communities where we operate.

Implementation and Governance of Green Policy

Under the Group’s Environmental Policy, a set of principles has been adopted to integrate environmental considerations into the planning, design, construction, operation and maintenance of all properties under our portfolio. In

CORPORATE SOCIAL RESPONSIBILITY REPORT

compliance with this policy, our operating units have adopted measures to reduce carbon emissions by conserving natural resources, limiting the use of energy, and minimizing and recycling waste. We also apply environmentally friendly materials and technologies to our works and operations, and go beyond environmental regulations wherever practicable. To further enhance the effectiveness of these actions, we encourage our consultants and contractors to join in the effort to realize our environmental commitment.



To benchmark our environmental performance, and to pursue continual improvement, we set annual objectives and targets for our headquarters and projects and also the properties managed by Kerry Property Management Services Limited (“**KPMSL**”). When establishing and reviewing these environmental objectives and targets, we take into consideration legal and other requirements, significant environmental aspects, technological options, financial/operational/business requirements, and the views of interested parties. These objectives and targets are consistent with our Environmental Policy, including the commitment to pollution prevention, compliance with applicable legal obligations and other requirements, and continual improvement. As at 31 December 2015, we have successfully exceeded most of the targets.

We have further set a long-term carbon reduction target for our headquarters and all managed properties: 23% reduction in electricity usage and 23% reduction in carbon emissions for 2020 compared to the base year of 2011.

A Green Procurement Policy and Green Procurement Manual have been implemented since 1 July 2015, covering all

corporate supporting services and property management to extend the coverage of the Group’s green initiatives. The policy directs the Group to purchase environmentally preferable products and services with minimal or no adverse impact on the environment and/or human health, where practicable and economically viable.



In Hong Kong, the Environmental Policy is governed and guided by the EMS. The Group has achieved ISO 14001 certification for the Company’s EMS since 2011. The certification was also expanded to include KPMSL and MMSL. Our operating units in China have also begun the process of establishing an EMS and organizing the associated data collection and analysis work. For instance, the EMS of Kerry Properties Development Management (Shanghai) Company Limited, one of our member companies in China, has achieved ISO 14001 certification since 2010. The Group is making ongoing efforts to implement the Environmental Policy throughout all our operating territories.

Support of Green Organizations and Participation in their Activities

We believe environmental protection should be a joint community and industry effort, and we therefore actively support and participate in the initiatives of green organizations to help achieve our common goal.

The Group has 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 offers sustainable solutions and professional services covering advisory, research, assessment, training and

award programmes supporting the city's transition to a low-carbon economy. As a member, we look forward to working with the business sector to promote sustainable business practices in Hong Kong.

The Hong Kong Green Building Council ("**HKGBC**") is the leading body driving the promotion and creation of sustainable buildings and related standards, engaging with the community, industry and the Hong Kong SAR Government in creating a greener environment. The Group continues to demonstrate its support by being a Gold Patron since 2013.

We share HKGBC's aspiration for quality and sustainability at every stage of the building life cycle, and embrace these principles as a mark of excellence. In addition, KPMSL continues to delegate a representative as a member of the HKGBC Public Education Committee. This voting membership allows the Group to participate in the committee's drive to promote green building education and overall awareness in Hong Kong.

Pledges

The "Energy Saving Charter on Indoor Temperature" is an effective means to combat climate change in a city setting like Hong Kong, where electricity consumption accounts for more than 60% of greenhouse gas ("**GHG**") emissions. The Group's head office, Kerry Centre, MegaBox, Enterprise Square Five and 19 residential properties under KPMSL's management took their pledges to maintain an average indoor air temperature between 24°C and 26°C under the 2015 charter organized by the Environment Bureau ("**ENB**") and the Electrical and Mechanical Services Department ("**EMSD**").

MegaBox signed the "Waste Check Charter" of the Environmental Protection Department ("**EPD**") as a commitment to reducing and recycling its waste whenever possible. The scheme is implemented by the Hong Kong Productivity Council. MegaBox is particularly delighted to have received strong support from its tenants for this waste management programme.

Enterprise Square Five is a supporter of the "HKQAA Hong Kong Registration - Recycling Services" campaign launched in May 2015 by the Hong Kong Quality Assurance Agency ("**HKQAA**"). As a Companion of this pilot programme, we are committed to collecting, treating and disposing of waste properly.

Marks of Excellence

The Group's head office at Kerry Centre and the common areas of the building were awarded EPD's Indoor Air Quality ("**IAQ**") Certificate (Excellent Class) in February 2015. This is the highest recognition under the scheme, which commends good IAQ management practices.



The Group's head office also received the IAQwi\$e Label (Class of Excellence) from the Hong Kong SAR Government's Environmental Campaign Committee in March 2015. The Class of Excellence is the highest level of the label awarded to organizations with achievements in promoting IAQ awareness amongst stakeholders and the general public, in addition to their own IAQ performance.

In May, "Class of Excellence" Wastewi\$e Labels were awarded to the Group, MegaBox, and 29 properties managed by KPMSL. In addition to achieving the certification requirements, to be entitled to the renewal of the label, all our awardees have achieved at least one new goal concerned with motivating and supporting our business partners to join and obtain the label.

The Group was among the 80 companies and organizations qualified as Hong Kong Green Organizations in June 2015 for achieving their environmental goals and reducing their carbon footprint. The recognition is jointly managed by 11 organizations including the Environmental Campaign Committee.

CORPORATE SOCIAL RESPONSIBILITY REPORT



Certificates were presented to the Group's properties in August 2015 by the Water Supplies Department ("WSD") under the "Quality Water Supply Scheme for Buildings - Fresh Water". MegaBox mall and Office Tower One received a Gold Certificate. Properties managed by KPMSL also applied for the certificate this year, but the result announcement was postponed owing to the enhancement measures of the scheme in December 2015 to include testing for heavy metals and the expanded scope of water sampling.

Green Actions

Behind the formal recognition of our environmental performance through various award schemes lies the deep commitment and enthusiasm of our employees, whose keen participation in a variety of eco-friendly activities during the year supplemented and enriched our corporate green initiatives.

In March 2015, Kerry Centre and MegaBox in Hong Kong, Kerry Parkside, Shanghai and Kerry Centre, Beijing participated in the worldwide "Earth Hour" environmental action organized by the Worldwide Fund for Nature ("WWF"). We are delighted to be a part of this "lights off" hour, which sent a collective message that "We want to make a difference to our future". In celebration of Earth Day, our business unit in Putian, Fujian Province, mobilized a total of 700 staff members and clients in April to help send potted plants to the public, while promoting environmental protection.

A tree planting activity was staged in Beijing in May with the participation of more than 60 staff. Dragons Range in Hong Kong has also partnered with Trees4Trees to plant 973 new trees in Indonesia, one tree for each apartment of the development. Trees4Trees is a non-profit foundation that works with local people in Indonesia to prevent deforestation and to re-grow forests.

To continue our support of resources conservation, KPMSL and MMSL once again signed up as supporting parties of the "Order less Waste less, more Blessings - Light Banquets" Campaign 2015, showing our commitment to food waste reduction. KPMSL and MMSL also took part in the "Power Smart" Energy Saving Contest 2015 which aims to achieve a record 30 million kilowatt hour reduction in electricity consumption, thereby preventing 21,000 tonnes of CO₂ emissions. 18 properties managed by KPMSL and MMSL have joined this campaign to promote energy-saving habits. Both campaigns were organized by Friends of the Earth (HK).



Green Practices in Property Management

In an effort to reduce our carbon footprint in the course of managing our properties, KPMSL has initiated and facilitated various recycling and waste separation schemes at different properties.

These included a programme organized by Green Glass Green to recycle glass at Kerry Centre in Hong Kong. The property has also received Certificates of Appreciation from EPD for its efforts put into the "Rechargeable Battery Recycling Programme" since 2012, as well as being a participant in EPD's "Programme on Source Separation of Commercial and Industrial Waste". To extend these efforts, the property management team at Kerry Centre has successfully solicited its tenants to support programmes to collect and recycle used printer cartridges and mooncake boxes.

A total of 24 properties under the management of KPMSL and MMSL have taken part in the "Wood Recycling & Tree Conservation Scheme" organized by the Hong Kong Environmental Protection Association.



The WSD's "Let's Save 10L Water" Campaign in March had the support of 26 of our properties under the management of KPMSL and MMSL. They participated in the campaign's pilot scheme to install water flow controllers at clubhouses and common areas. By taking records of water flow data, they helped to monitor the effectiveness of the controllers in reducing water use.

Green Construction Site Award

This is the second year that the Group has organized this award, which it will make an annual event. The scheme is designed to promote green and healthy construction practices at all the Group's sites under development. Each construction site is evaluated by an assessment panel 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. Among the detailed aspects reviewed are air, noise and water pollution control; waste and dangerous goods management; training; and emergency preparedness and response.

Hang Seng Corporate Sustainability Benchmark Index

The Group is delighted to be selected as a constituent member of the Hang Seng Corporate Sustainability Benchmark Index with effect from 14 September 2015. The index series covers corporate sustainability leaders in Hong Kong and on the Mainland. Constituent selection is based on a robust process that includes consideration of the results from a sustainability assessment undertaken by HKQAA. The process ensures that indexes in the series are objective, reliable and of high investability, providing benchmarks for sustainability investments.

Being a constituent member of this index series reflects the Group's strong social, environmental and corporate governance performance, especially our achievements in the area of corporate sustainability. We will continue to put forward new ideas and renew our commitment to the betterment of society.

Limiting Our Carbon Footprint

The Group's application for the CarbonCare® Label 2015 was approved in November. This was the first year that the Group received the label in recognition of our carbon reduction performance at the head office and all our managed properties in Hong Kong.



The CarbonCare® Label is a scheme that encourages and recognizes companies' efforts in their action to achieve carbon reduction by measuring, reducing and offsetting their carbon footprints. The emission inventory, reduction and offset performance of the participating company must be validated and verified in accordance with a specific protocol based on international best practice. Having achieved 18% reduction in carbon intensity compared with the base year of 2011, the Group obtained a Starter Label in 2015.

The Group has also continued to maintain its listing on the online "Carbon Footprint Repository" ("CFR"), launched by the ENB and EPD to enable listed companies in Hong Kong to disclose their carbon footprints and share success stories on carbon management and practices. The Group was one of the first movers in disclosing and auditing its carbon footprints through the CFR.

CORPORATE SOCIAL RESPONSIBILITY REPORT

This carbon disclosure initiative is supported by HKEx. In line with the recommended practice under the ESG Reporting Guide promulgated by HKEx, the Group has reported its GHG emissions and intensity, and measures adopted to mitigate such emissions and results achieved on CFR.

COMMUNITY SERVICE

Kerry Properties has a long tradition of serving the community. Community service programmes bring together our management and staff members of all subsidiaries in a concerted effort to contribute positively to society. Through a variety of activities, we apply our skills and enthusiasm to meeting the diverse needs of young people, the elderly, and disadvantaged social groups. In addition to our own programmes, we encourage our staff members to volunteer for other charitable and community service ventures.

Educational and Vocational Aid for Migrant Students in China

Our staff and their family members in Chengdu and Beijing have volunteered to act as mentors to children of migrant workers under the Big Buddy programme. The Big Buddy initiative, launched in 2007 by the Kerry Group Kuok Foundation, aims to broaden migrant students' horizons through mentorship. Through letter-writing, cultural activities and games, the students can communicate with their big buddies in order to further their educational and career pursuits.



Many migrant children have graduated from high school or vocational training facilities with the help of the programme. Prior to their graduation, our staff members further engage them through counselling and corporate visits to help them make the transition into the workplace. Some of our business units have also provided internship and career opportunities to the graduates.

Work and Training Opportunities for Aspiring Youth and Persons with Disabilities

The Group supported several programmes aiming to provide training and job opportunities for youth and the underprivileged. For the second consecutive year, we offered trainee positions for 12 young people with an associate degree or similar qualification under the Customer Services Trainee Programme co-organized by the Labour Department and the Hong Kong Federation of Youth Groups ("HKFYG"). During the second half of 2015, the trainees received intensive classroom and on-the-job training in a variety of skills.



Under the Yuen Long District Secondary School Student Internship Programme 2015, organized by the Hong Kong Coalition of Professional Services and Yuen Long District Secondary School Heads Association, KPMSL assigned six Form 5 students to different properties for two weeks to experience building operations and learn the basics of property management.

Reflecting our support to the community, we continue to employ the Hong Chi Association ("Hong Chi") to provide lettershopping services on a regular basis. Hong Chi is a non-profit-making organization in Hong Kong dedicated to serving 7,000 people of all ages and all levels of intellectual disability and their families.

The Group was nominated to join the 2015-16 "Talent-Wise Employment Charter" and "Inclusive Organisations Recognition Scheme", organized by the Labour and Welfare Bureau ("LWB") in collaboration with the Rehabilitation Advisory Committee, the Hong Kong Joint Council for People with Disabilities, and HKCSS. The programme aims to provide equal employment opportunities and an inclusive work environment to enable persons with disabilities to unleash their potential and fully integrate into the community.

Caring for the Elderly and Underprivileged

Staff members in Hangzhou helped with a charity sale event in June 2015 to raise proceeds to help local children with mental disabilities. Our staff team also visited a special school for the mentally challenged children and played interactive games with them.



In September 2015, staff of our Putian office took the opportunity of the Chung Yeung Festival to show their concern for the elderly by joining hands with the Medical School of Putian University to provide free health check-up services and promote healthcare knowledge for about 300 elderly people in the community.

Some of our staff members engaged in various home visit schemes during the year. Staff members and their family members brightened the Lantern Festival for close to 90 elderly people by bringing them mooncakes, fruit and some daily necessities, and engaging them in cognitive games. The visit was co-organized by Hong Kong Sheng Kung Hui.

Our staff members attended a series of tours, a workshop and talks to learn more about the needs of our elderly and about poverty and housing issues. They visited sub-divided flats in Hong Kong and engaged in sharing sessions with the underprivileged families.

In March 2015, volunteers from the Mid-Levels property management team under KPMSL visited the Caritas Family Crisis Support Centre to understand and support their crisis intervention and counselling service to individuals and families suffering from a relationship crisis or trauma. Also during 2015, volunteers from KPMSL and MMSL visited the homes of 18 elderly people to provide cleaning service for them.

MegaBox Volunteer Team Activities

MegaBox continued to mobilize its staff teams in support of a diverse range of community, environmental protection and charitable causes. It provided a venue for charity sales of Hong Chi, the Society for the Prevention of Cruelty to Animals (Hong Kong), and Save the Children Hong Kong, and for a fundraising event of Médecins Sans Frontières. Meanwhile Mega Ice and the Jockey Club Wah Ming Lutheran Integrated Service Centre invited lower-income families from the Northern District to enjoy a free ice-skating session at the ice rink.

MegaBox staff participated in a range of voluntary service activities including visits to the elderly during the Mid-autumn Festival. In 2015, the team provided over 230 hours of service in total. Hong Kong Children & Youth Services awarded MMSL the "Caring for Communities Award 2015" and the volunteer team received a certificate of appreciation under the 2014-2015 "Hong Kong Citizen Hong Kong Heart" Volunteer Ambassador Programme organized by the Social Welfare Department. During this annual event volunteers made handcrafted gifts for sending to the needy.

The MegaBox volunteer team and MMSL also earned appreciation for participating in the "Social Capital Corporate Volunteer Challenge" organized by LWB. Under this scheme, staff volunteers are encouraged to suggest corporate volunteer services that can help develop social capital. This bottom-up approach originating from staff members enhances staff commitment to volunteering and strengthens their sense of belonging to the corporation.



CORPORATE SOCIAL RESPONSIBILITY REPORT

CHARITABLE DONATIONS AND SPONSORSHIPS

Over the past year, we have contributed to a number of charitable events and causes through donations or sponsorship.

Hong Kong

In Hong Kong, Kerry Centre decorated for Christmas with polar bear plush toys ordered from WWF. The toys were donated to The Salvation Army of Hong Kong after Christmas, adding further meaning to our festive celebration. In another campaign, over 300 personalized boxes filled with love and gifts were donated to help brighten the Spring Festival for underprivileged families. The "Box of Love" initiative was launched in January 2015 with the participation of colleagues from different companies of the Kuok Group. The boxes were individually filled and decorated by our staff members and delivered to children via the connection of HKCSS.



Our commitment to environmental sustainability also takes the form of sponsorships. In April 2015, a "Youth Energy Saving Award" cum "New Energy New Generation Solar Car Competition" was staged by ENB and EMSD to enhance young people's knowledge of renewable energy and energy efficiency. The Group is delighted to have supported this valuable competition by being a Platinum Sponsor.

The Group was also a Bronze Sponsor of the inaugural "Zero Carbon Building Conference" organized by the Construction Industry Council ("CIC") and Zero Carbon Building in October 2015. During the conference, renowned international and local experts offered their insights on ways to decarbonize high-rise buildings in sub-tropical and high density cities.



CIC and HKGBC co-organized the "WorldGBC Congress 2015 Hong Kong" in October. As a Patron Member of the HKGBC, the Group sponsored this global event in the sustainable construction field, hosted for the first time by Hong Kong.

We have been a longstanding supporter of worthy campaigns of The Community Chest of Hong Kong. In March and October 2015 respectively, our colleagues contributed towards the Chest's "Skip Lunch Day" and "Dress Casual Day".

The Group sponsored a construction industry variety show entitled "Build a Better Hong Kong" jointly organized by the Development Bureau and CIC to raise funds for the Construction Charity Fund. The fund aims to foster a caring culture in the construction industry.

Seven properties managed by KPMSL made a joint effort during May and August 2015 to solicit staff and residents to donate clothes to Nepalese children affected by their country's major earthquakes. A total of 940 kilograms of clothing was collected and donated through the Hong Kong Environmental Protection Association.



In November, MegaBox teamed up with Youth Employment Start to host "Think Big@MegaBox Kowloon East Art Park". This year, 16 stores were set up by young entrepreneurs to sell DIY handcrafted products. The Kowloon East Art Park has developed a strong appeal to shoppers, while helping young people enhance their employability.

Donations collected from seven KPMSL managed properties were offered to Lok Sin Tong Benevolent Society's charity walk in November 2015. Meanwhile the Group provided sponsorship to an a cappella musical event of HKFYG.

Mainland China

Our operating units in Chengdu, Shenzhen and Hangzhou echoed the poverty alleviation initiatives of Kerry Group Kuok Foundation and contributed to various local charities during the Spring Festival. The entire staff team of the Chengdu office made a collective donation to aid the poor in Mianzhu, Sichuan Province, while our Shenzhen team donated to help the disadvantaged in Pingnan County, Fujian Province. A total of 145 employees of our Hangzhou office helped raise funds for poor families in Xiushui County, Jiangxi Province.



During the Spring Festival lion dance at Kerry Parkside, Shanghai, red packets from tenants were collected and donated to the Shanghai Healing Home. This charitable organization provides pre- and post-surgical care in a home-like environment to abandoned babies born with surgically correctable deformities.

In addition, Kerry Parkside was the venue sponsor of an event co-hosted by children's charities in Shanghai and artspire, which organized talented young artists to donate paintings and drawings for auction. Funds raised went to help children living in poverty.

Our Nanjing office participated in a business-for-community charitable event to benefit the Red Cross in Qin Huai District in the city. This campaign, which solicited businesses in Nanjing

to donate their profits made in one day, was staged between November 2014 and January 2015. Funds went to poor families to bring them festive cheer during the New Year and Spring Festival.

CARING FOR OUR PEOPLE

Our people play an important role in our success and sustainability. In addition to being a valuable asset, they are change-drivers who bring positive impacts to our organization and the communities in which we operate. In return for their vital contributions, we pledge to provide an equal, open, supportive and fulfilling work environment for all our employees.

Team Building and Communication

A "Buddy Programme" is in place to foster team spirit among members of the property management division in Hong Kong. Now in its third year, this staff care programme helps identify and train enthusiastic staff members to play the role of buddies to new hires, helping them to better adapt to and establish connections in the new environment. This demonstrates to new members that they are welcome and valued, while the buddies themselves can find a sense of achievement through guiding others.

Through our quarterly in-house magazine, *Art of Service*, we continue to inspire our staff to strive for excellence and recognize those who perform well in their jobs. The magazine is also a platform where team members share their work experiences and customer service success stories.

Learning and Personal Enhancement

We support our team members' development and provide a range of learning opportunities for both their personal enhancement and their career development.

Strengthening of professional expertise is a year-round effort. In order to keep our staff updated on the latest technology and practices in the industry, as well as on the related legal developments, nine seminars on different topics were conducted during the year ranging from Building Information Modelling to green building development.

CORPORATE SOCIAL RESPONSIBILITY REPORT

Apart from the command of technical knowledge and skills, a team with good inter-personal skills and self-discipline is crucial to the success of a corporation. A number of soft skills training programmes on effective communication, time management and creative problem solving have therefore been organized.



Extending environmental awareness and practices to all aspects of our operations is one of our core principles, and training in awareness of our EMS is therefore mandatory for the entire staff. Such training aims to raise staff's awareness in general and teach measures that can be taken in the office to help protect the environment. We have also sponsored our staff to attend a wide range of external environmental training courses, such as the Building Environmental Assessment Method professional training and examination and the Green Building Assessment Method.



To instil the habit of thinking out of the box in our staff and to boost their creativity for the purpose of improving our customer service and operational flow, a "Jugaad Workshop" on creativity was developed and was held regularly for the

property management team. To sustain the creative culture, we also hold a bi-monthly "i-Suggest" competition to encourage contribution of creative ideas from staff.



To further strengthen our staff's environmental awareness in everyday life, two workshops, on natural body cream making and growing small plants in the office, have been organized. We also arranged a tour to the Yan Oi Tong Plastic Resources Recycling Centre, where staff had a chance to participate in the preliminary processes of plastic recycling.

The development of each project brings valuable experience for future projects. Quarterly managers' sharing sessions enable different teams to share their experiences gained, while second-tier members can learn for future development. Different department heads also take turns to host business knowledge briefing sessions to keep other teams updated on business operations. This has greatly enhanced overall efficiency.

Knowledge sharing is across borders. As part of the preparation for the opening of the Tianjin Kerry Centre shopping mall, employees from both the front line and back of the house attended an intensive training programme delivered by the Hong Kong Training & Development Department, covering brand values, service mindset and service skills. Valuable exchanges of experience and ideas between the Hong Kong and Tianjin teams have been achieved.

"7-Ups" is a three-month personal effectiveness training programme specially designed for the property management front line team using seven modules comprising workshops on communication skills, creativity and service English.

To facilitate clubhouse staff of our properties to organize residents' activities, a "Make Work Fun Programme" is designed to teach them new skills and tricks, such as festive jelly candles making, magic tricks, and Japanese paper art. All the workshops were led by our own employees who possess these talents and skills. These workshops therefore also act as a platform where our staff can showcase their talents and feel appreciated by their colleagues.



Leadership Development

We constantly invest in leadership and in nurturing the next level of managerial staff to ensure management succession. In 2015, a new round of the "Accelerated Development Programme" for senior staff and managers was completed. Delivered through 11 workshops over 14 months, the programme has successfully instilled in participating staff an understanding of the core knowledge, skills and leadership practices crucial to creating long-term value for the organization, for leading effective teams, and for achieving robust results. Leadership flexibility and resilience are encouraged through the appreciation and application of a broad range of strategic, leadership, networking and management skills.

For the property management team, a four-module "Building a High Performing Team through Effective Leadership Skills Programme" was organized for managers and officers. Topics covered ranged from building a good leadership style to working effectively in a multi-generational environment.

Happy Company

Kerry Centre was among the 270 companies and organizations in Hong Kong pledging to foster a happy workplace culture

under the "Happiness-at-Work Promotional Scheme" jointly organized by the Promoting Happiness Index Foundation and the Hong Kong Productivity Council. This is the third year in which we have been named a Happy Company for our commitment to fostering corporate love, insight, fortitude and engagement.

Healthy Workplace and Work-life Balance

Workplace health and safety are always an important focus for the Group. In July 2015, Kerry Centre made a pledge to comply with the "Workplace Hygiene Charter" of the Occupational Safety & Health Council.

Our Beijing staff team has found a way to stay healthy and green by "Running Beijing Kerry Centre" during their lunch break. During this inter-departmental race and every lunch break, lights and air-conditioning are turned off at the offices to save energy.



Our healthy workplace policy also extends to the maintenance of a sound balance between work and life. Interesting workshops have been arranged for staff members to learn latte art and to make DIY weather forecast bottles, while our staff members in Hong Kong have shown that they have got genuine talent in an in-house singing contest.

AWARDS AND CITATIONS

During the past year, Kerry Properties has been honoured to receive many awards paying tribute to our business achievements and our commitment to excellence across the whole spectrum of our operations. These accolades recognize the success of the Group as a whole, the leading-edge positioning of individual projects, the contributions to society of our corporate social responsibility (“CSR”) policies and practices, and even the impressive sporting prowess of the Group’s employees.



We welcome the recognition reflected in these awards, which reinforces our determination to remain worthy of them. Across the entire span of our diverse activities, they encourage us to serve as a force for good in our industry and the broader society, to maintain our dedication to social responsibility and good corporate citizenship, and to continue to strive for excellence in everything we do.

Top 100 Hong Kong Listed Companies Selection 2014

The year began with Kerry Properties being named by Finet Group Limited and QQ.com as one of the “Top 100 Hong Kong Listed Companies”. The selection, made by professional judges, is based on analysis of five major financial performance indicators: turnover, market value, after-tax earnings, return to shareholders and yield, taking the closing prices of 30 September 2014 and data from financial reports closest to 30 June 2014. The 100 companies with the highest composite scores are ranked.

LEED for Core & Shell Development – Gold

Also in January 2015, Kerry Central, Hangzhou, received U.S. Green Building Council (“USGBC”) Leadership in Energy and Environmental Design (“LEED”) recognition at Gold Level. The building is designed to LEED (USGBC) standards and LEED protocols are being strictly enforced during construction.

“LEED for Core & Shell Development” is a green building system designed to provide a set of performance criteria for certifying the sustainable design and construction of speculative developments and core and shell buildings, broadly defined as those comprising basic building elements - structure, envelope and building-level systems such as central heating and air conditioning.

The 15th CAPITAL Outstanding Enterprise Awards – The Outstanding Developer

The Group was delighted to be honoured with this prestigious title in February for the fifth successive year. This annual award, which recognizes Hong Kong enterprises





with outstanding performance and contributions throughout the year, is organized by *Capital Magazine*, an influential business periodical with a wide circulation in Greater China.

4th Outstanding Corporate Social Responsibility Award

Having been awarded the “Outstanding Corporate Social Responsibility Award” by Hong Kong-based monthly magazine *Mirror Post* in previous years, the Group was pleased to repeat its success this year. The winners were selected by a judging committee based on the awardee’s commitment to shareholder interests, customer promise, community outreach, care of staff, environmental protection and leadership. Awardees must be able to exhibit innovation in their approach to CSR.

Security Services Best Training Awards 2014 – Award of Gold

Kerry Property Management Services Limited (“**KPMSL**”) was commended at the “Security Services Best Training Award 2014” presentation, receiving a Gold Award for Larvotto in the “Type I Security Company Licence” category (offering general security service with 500 or less staff). This is the second consecutive year that KPMSL has won this award. Organized by the Vocational Training Council and the Crime Prevention Bureau of the Hong

Kong Police Force, the award aims to motivate the security services industry to raise its standard of security and property management, to provide all citizens with quality security services, and thereby to prevent crime. The scheme also commends individual personnel in the industry for their outstanding performance in helping the Police combat crime during the past year.

LEED for Existing Buildings – Platinum

Following January’s USGBC LEED award in Hangzhou, another of Kerry Properties’ PRC developments, Shenzhen Kerry Plaza, received recognition in March for LEED, signifying that the daily operation of the property complies with and promotes environmental protection concepts. LEED is a green building certification programme that recognizes best-in-class building strategies and practices.

AWARDS AND CITATIONS

MERCURY Excellence Awards 2014-2015 – Multiple Awards

The Group was exceptionally thrilled to receive multiple recognition in the world-renowned “MERCURY Excellence Awards”. The Dragons Range image brochure garnered the Grand Award and Best of Show in the category of “Promotion/Marketing: Brochure/Mailer”. This exquisite coffee table book, accompanied by an oversize brochure, introduces potential customers to a newly-developed residential project.

The Dragons Range roadshow and interactive games booth was Bronze Winner in the “Exhibitions” category. The interactive games booth was also designated as Bronze Winner in the “Promotion/Marketing: Residential Project” category, while the Group’s corporate website was honoured as Bronze Winner in the “Websites/Emerging Media: Corporate” category.

Established in 1987, MerComm, Inc. was founded to promote excellence in various fields of communications. As the world’s only independent awards organization, its “MERCURY Excellence Awards” are considered internationally as the most prestigious prize in the industry. This year, over 650 entries were received worldwide from 18 countries.

VANTAGE Hotel Awards 2015 – Best Hotel Serviced Apartment

As the leading bilingual prestige lifestyle magazine, *VANTAGE* keeps a close eye on the latest trends and developments in the hospitality industry. The inaugural edition of the “VANTAGE

Hotel Awards” celebrates the excellent service of the finest luxury hotels and resorts in Greater China. Several hundred hoteliers participated in the award presentation ceremony held in Shanghai in April 2015, at which Beijing Kerry Residence was honoured.

ASTRID Awards 2015 – Multiple Awards

Following our “MERCURY Excellence Awards” wins in March, we were pleased to receive multiple awards in another competition organized by MerComm, Inc. in April. The “ASTRID Awards” are one of the largest worldwide competitions honouring achievements in design, open to a wide range of corporations, government agencies, non-profit organizations and associations producing communications materials all over the world. Over 520 entries from 14 countries around the world were received and reviewed this year, among which the Silver Award in the category of “Special Projects: Green Marketing” went to MegaBox Development Company Limited for the MegaBox X Ocean Park Animal Discovery Fest 2014. A Bronze Award in “Promotion: Event Opening” category was given to MegaBox’s Candy Crush Summer Wonderland 2014, while the Group’s 2015 calendar received Honours in the “Calendars: Corporate” category.

The 5th Annual China Hotel Awards – Best Serviced Apartments

Beijing Kerry Residence scored another success in April when the “5th Annual China Hotel Awards” (“CHA”) winners were announced in Beijing. Created and hosted by *LifeStyle*



Magazine, CHA is an annual award ceremony for top hotels and resorts in the Greater China area. The aim is to show all facets of China's hospitality development to the world, and to reflect the diversity of hospitality brands available to a growing group of affluent Chinese travellers. The winners are decided by a professional judging panel and online voting. *LifeStyle Magazine* is a leading brand in the high-end periodical market and the top publication with both English and Chinese language distributed in the Mainland market.

Hong Kong Environmental Protection Association – Honorary Certificate

Also in April, an Honorary Certificate was presented to KPMSL in special recognition of consistently excellent performance in respect of sustainability projects and management processes. KPMSL has received the association's "Hong Kong Green Mark" for three years in a row. The "Hong Kong Green Mark" was developed to raise industry's interest in green management and to recognize companies that excel in environmental management.

Hong Kong Association of Property Management Companies Annual Football Challenge Tournament – First Runner-up

Turning from the business arena to a completely different field, the Kerry Football Team, comprising 14 staff from the Group, KPMSL and MegaBox Management Services Limited ("MMSL"), was among the 21 property management companies participating in the association's annual tournament, putting on a strong performance to reach the final of the event.

21st Considerate Contractors Site Award Scheme – Appreciation of Contract Supervisory Team

The contractor of the planned residential development at TMTL 423, Area 48, Castle Peak Road, So Kwun Wat, Tuen Mun, Hong Kong (The Bloomsway), earned an Award of Merit under the "Considerate Contractors Site Award Scheme" and Kerry Project Management (H.K.) received appreciation for its supervisory effort. The scheme was established in 2011 by the Development Bureau and Construction Industry Council to promote a considerate attitude and good site safety, health and environmental practices for both public works and non-public works sites.

QUESTAR Awards 2015 – Gold and Bronze Awards

Having already earned multiple awards for its Dragons Range communications programme, the Group picked up two more in MerComm, Inc.'s "QUESTAR Awards 2015", which honoured the most illustrious, creative and effective works in video communications. The Gold Award in "Corporations: Real Estate" category went to Dragons Range's designers' interview video, while the Dragons Range roadshow and interactive game video received the Bronze Award in the "Emerging Media – Events" category. Now in their twenty-first year, the "QUESTAR Awards" symbolize the creative energy that is transformed by the craft, innovation, and skill of the awardee into the excellence of the video medium.



AWARDS AND CITATIONS

Metro Awards for Eco-Business

This award, presented to the Group by *Metro Daily* and *Metro Prosperity*, aims to encourage enterprises to promote green building and to reduce their carbon footprints. The award scheme seeks to engage the business sector in taking up responsibility for caring for the earth. The judges commented that the award winners have demonstrated a strong sense of environmental responsibility and have contributed to this goal.

China Real Estate Value Report – Top 10 Hong Kong Invested & Listed Companies

The Group was named by *China Business News* as one of the “Top 10 Hong Kong Invested & Listed Companies”, based on market value. The nomination reflects the Group’s success in maintaining a balanced development strategy which has helped it to sustain earnings growth. Its sound financial position has also earned investor confidence.

Autodesk BIM Awards 2015 – Honourable Mentions

The annual “Autodesk BIM Awards” honour the creative ability of talented professionals and students in using Building Information Modelling (“BIM”) to push the envelope. The awards recognize the people who have used BIM to overcome challenges that might have been difficult or impossible to tackle using traditional 2D design. The programme aims to inspire other organizations and individuals to deploy BIM to improve the productivity, efficiency, safety and quality of their projects. The Group’s residential development project The Bloomsway received an Honourable Mention.

GREEN^{PLUS} Award 2015 – Certificates of Merit

Organized by CLP, the “GREEN^{PLUS} Award” programme rewards efforts towards energy saving and environmental protection awareness in the workplace. A remarkable 11 properties under KPMSL’s management were awarded Certificates of Merit: 15 Homantin Hill, Bayview, Camellia Court, Constellation Cove, Enterprise Square, Enterprise Square Two, Enterprise Square Three, Lions Rise, Ocean Pointe, Primrose Hill and Regency Park.

Best Managed Property Projects in Shenzhen 2015

Towers 1, 2 and 3 of Shenzhen Kerry Plaza were named as one of the Best Managed Property Projects by the Shenzhen Property Management Association. The participants were recommended by the district offices of Shenzhen Municipal Housing and Construction Bureau, then assessed through site reviews by expert judges and customer satisfaction surveys.

Best Security Services Awards 2014-2015 – Multiple Awards



KPMSL and MMSL participated in the Best Security Services Awards and a number of properties under their management received awards in their regions. MegaBox was named as an Outstanding Partner Property, while six security guards under MMSL were presented with the Outstanding Security Guard award in the “Kowloon East Best Security Services Awards 2014-2015”. Five properties under KPMSL received the “Hong Kong Island Region Best Security Services Award (Residential Property Management) 2014-2015” and one of their security guards was presented with the Best Security Personnel award and two with the Outstanding Security Personnel award.

The awards scheme was organized by the Crime Prevention Bureau and Regional Crime Prevention Offices of the Hong Kong Police Force. It honours personnel in the security services industry for outstanding performance in helping the Police to combat crime during the past year.

LACP Vision Awards Annual Report Competition 2014 – Gold Award

The “Vision Awards Annual Report Competition 2014” organized by the League of American Communications Professionals (“LACP”), drew one of the largest numbers of submissions ever, representing a broad range of industries and organizational sizes. This year’s event saw nearly 1,000 participating organizations representing upwards of two dozen countries. Against this exceptionally tough competition the Group’s 2014 Annual Report scored 98 out of a total 100 points, winning a Gold Award in the competition.

Hong Kong Green Awards 2015 – Green Management Award (Corporate) – Silver Award and Sustained Performance 6 Years +

The Green Council confers the “Green Management Award” on participating companies that have pursued and achieved outstanding performance and results in the areas of green purchasing, green management and green governance. It seeks to encourage corporations in Hong Kong to include environmental considerations, responsibility, management, performance, continuous improvement and leadership in their operations, thereby enabling them to present themselves as businesses with strong and desirable environmental performance

improvement priorities and accomplishments. The Group is proud to have been honoured with the award for six consecutive years.

GALAXY Awards 2015 – Silver and Honours Awards

The “GALAXY Awards” programme, organized by MerComm, Inc., honours excellence in product and service marketing. With peers in the profession as judges, each individual entry is not compared directly against others, but judged on its own merits, based on the degree to which it achieves its intended purpose. Judging is based not on budget, but on the values of creativity, effectiveness, performance and success. Over 700 entries were received this year from 20 countries. The Group received the Silver Award in “Corporations: Real Estate” for Dragons Range’s designers’ interview video, while the Group’s corporate website earned an Honours Award.

Chinese Green Building Evaluation Standard 2015 – 1-star Design Label

The architectural design of Putian Arcadia Court received a “1-star Design Label” from the Chinese Society for Urban Studies under the “Chinese Green Building Evaluation Standard 2015” for its compliance with green construction related technical requirements. The award marks further recognition of the Group’s green efforts and its progress towards sustainability.



AWARDS AND CITATIONS

Commendation Scheme on Source Separation of Domestic Waste 2014/2015 – Bronze Award

KPMSL's waste separation measures in Regency Park earned it this award from the Hong Kong SAR Government's Environmental Protection Department. The scheme was launched territory-wide in 2005 to encourage more people to engage in waste separation for recycling, in order to reduce the pressure on Hong Kong's landfills. KPMSL has contributed to achieving this goal by utilizing various means of domestic waste separation and recovery at Regency Park to facilitate convenient and cost-effective waste separation for residents.

Outstanding Property Service Project of the Year in Tangshan City

Seeking to enhance the standard of its property services industry, the Property Management Division of Tangshan Municipal Housing and Urban-Rural Development Bureau undertook a comprehensive review and assessment of enrolled properties in the city between June and November 2015. We were delighted that Tangshan Arcadia Court was evaluated as "The Outstanding Property Service Project of the Year" in Tangshan in December 2015. The evaluation was carried out by professional judges and was co-organized by the Industry Association of Tangshan Property Service and the Property Management Office of Lubei District in Tangshan.

Luxury Homes of China 2015 Awards – Best Homes of Beijing

Beijing Kerry Residence was recognized as one of the Best Homes of Beijing at the "Luxury Homes of China 2015 Awards" in December. The award was organized by City Weekend, a leading English lifestyle and entertainment magazine in China. The judging team, consisting of professionals and experts from the real estate industry, chose winners among serviced apartments and villas of five major cities in China, including Shanghai, Beijing, Suzhou, Hangzhou and Guangzhou.

Sustainable Business Award 2015

Also in December, the Group was honoured to be among the ten winners of the inaugural "Sustainable Business Award". The award was instituted by the World Green Organization in response to new guidelines requiring all listed companies in Hong Kong to provide more detailed Environmental, Social and Governance ("ESG") reporting from 2016 onwards. The award scheme aims to promote greater transparency in ESG reporting and to encourage enterprises to pursue sustainable development goals. Winners are selected by a panel of eminent judges based on defined criteria including the quality of the work environment, environmental protection measures, operating practices and social investment.



CORPORATE GOVERNANCE REPORT

During the financial year ended 31 December 2015, 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 since 21 September 2015, Mr Wong Siu Kong, the Chairman of the Company, has also been appointed as 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 2015.

A. DIRECTORS

A.1 The Board of Directors of the Company (the “Board”)

- The Board is responsible for:
 - the leadership and control of the Company;
 - overseeing the Group’s businesses, strategic directions and financial performance;
 - setting the Company’s values and standards;
 - ensuring that its obligations to the Company’s shareholders (the “**Shareholders**”) are understood and met; and
 - strategy formulation, corporate governance and performance monitoring.
- 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 2015, 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
Chin Siu Wa, Alfred	4/4
Bryan Pallop Gaw	4/4
Non-executive Director:	
Kuok Khoon Hua (<i>appointed on 15 June 2015</i>)	2/2
Independent Non-executive Directors:	
Ku Moon Lun	4/4
Wong Yu Pok, Marina, JP	4/4
Chang Tso Tung, Stephen	4/4
Lau Ling Fai, Herald (<i>retired on 7 May 2015</i>)	1/1

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

CORPORATE GOVERNANCE REPORT

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 ("**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 ("**NED**") 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 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 2015, the Chairman and CEO has held three 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 2015, a NC meeting was held on 15 January 2015 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
	Lau Ling Fai, Herald (retired on 7 May 2015)	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.

CORPORATE GOVERNANCE REPORT

- 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 2015. 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.
- 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 2015, 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	✓	✓	✓
Chin Siu Wa, Alfred	✓	✓	✓
Bryan Pallop Gaw	✓	✓	✓
NED: Kuok Khoon Hua (<i>appointed on 15 June 2015</i>)	✓	✓	✓
INED: Ku Moon Lun	✓	✓	✓
Wong Yu Pok, Marina, JP	✓	✓	✓
Chang Tso Tung, Stephen	✓	✓	✓
Lau Ling Fai, Herald (<i>retired on 7 May 2015</i>)	✓	✓	✓

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

- 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.
- 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 2015, a RC meeting was held on 15 January 2015 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
	Lau Ling Fai, Herald (<i>retired on 7 May 2015</i>)	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 2015 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 34 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.

CORPORATE GOVERNANCE REPORT

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 2015, the Board has reviewed the financial projections of the Group in respect of the five financial years ending 31 December 2020. 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 2015, all members of the Board have been provided with monthly updates to enable them to discharge their duties.

C.2 Internal Controls

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

In order to comply with the new Listing Rules requirements, the Board has resolved that with effect from the financial year ending 31 December 2016, the Audit and Corporate Governance Committee (the "ACGC") be authorized to review the effectiveness of the risk management and internal controls systems annually with the assistance of the Company's Internal Audit Department and/or delegated party whenever necessary and report and/or make recommendation, if any, to the Board accordingly.

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 2015 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
	Lau Ling Fai, Herald (retired on 7 May 2015)	1/1

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 2015, 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	8,061
Non-audit services: Tax services	1,754

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.

CORPORATE GOVERNANCE REPORT

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 2015 and some of them are set out below:–

Event	Venue
BNP Paribas Asia Pacific Financials & Property Conference	Hong Kong
UBS Greater China Conference 2015	Shanghai
Credit Suisse Asian Investment Conference	Hong Kong
J.P. Morgan Asia Pacific Real Estate Conference	Singapore
UBS HK/China Property Conference 2015	Hong Kong
DBS Vickers Pulse of Asia Conference	Hong Kong
Macquarie Greater China Conference	Hong Kong
Barclays Asia Financial and Property Conference	Hong Kong
HSBC's 3rd Annual Asia Investor Forum	London
Citi Asia Pacific Property Conference	Hong Kong
Bank of America Merrill Lynch 2015 Global Real Estate Conference	New York
Morgan Stanley 14th Annual Asia Pacific Summit	Singapore
Credit Suisse 2015 APAC Financials and Property Conference	Hong Kong

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 2015. 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.

CORPORATE GOVERNANCE REPORT

5. During the financial year ended 31 December 2015, the Company held an AGM on 7 May 2015 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
	Chin Siu Wa, Alfred	1/1
	Bryan Pallop Gaw	1/1
NED:	Kuok Khoon Hua (<i>appointed on 15 June 2015</i>)	N/A
INED:	Ku Moon Lun	1/1
	Wong Yu Pok, Marina, JP	1/1
	Chang Tso Tung, Stephen	1/1
	Lau Ling Fai, Herald (<i>retired on 7 May 2015</i>)	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 2015, 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 2015:–

- (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 2015.
- (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 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, qualifications and experience of staff of the Group’s accounting and financial reporting function and their training programmes and budget 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.

AUDIT AND CORPORATE GOVERNANCE COMMITTEE REPORT

Set out below is a summary of the corporate governance work performed by the ACGC during the financial year ended 31 December 2015:–

- (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 ensured that good corporate governance practices and procedures are established.

During the financial year ended 31 December 2015, 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 9 March 2016, the ACGC also reviewed the financial statements of the Group for the year ended 31 December 2015 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, 18 March 2016

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 2015, the RC held a meeting on 15 January 2015 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 2015; and
- (ii) the payment of bonuses to the ED, which amounted to HK\$65,600,000 in respect of the financial year ended 31 December 2014.

MEMBERS OF THE REMUNERATION COMMITTEE

Wong Yu Pok, Marina, JP (Chairman)

Wong Siu Kong

Ku Moon Lun

Chang Tso Tung, Stephen

Hong Kong, 18 March 2016

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 individual suitably qualified to become Board members and the assessment of the independence of the INEDs.

During the year, the NC has recommended the appointment of a Non-executive Director, namely, Mr. Kuok Khoon Hua, to the Board for approval.

The Company adopted a board diversity policy (“**Policy**”) in 2013 which sets out the approach to achieve diversity on the Board. The Policy is summarized 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, 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 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 2015, 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, 18 March 2016

INTERNAL CONTROLS

The Board is responsible for maintaining and reviewing the effectiveness of the Group's system of internal controls. The internal controls 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 to achieve business objective and can only provide reasonable and not absolute assurance against misstatements or losses. The Group's internal control framework 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 (iv) the establishment of clear lines of accountability.

Strategies and objectives of the Group as a whole are determined by the Board. Budgets are prepared annually and financial projections of the Group over a period of the next eight 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 business units within the Group. 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.

Monthly financial information is provided to the Executive 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 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.

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 business unit of the Group. 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.

In order to better review and evaluate the adequacy and effectiveness of the Group's existing system of internal controls, an internal self-assessment and certification process was formulated during the financial year ended 31 December 2015. Under this process, each division of the Group was requested to assess the effectiveness of their fundamental operating controls over all aspects of their operations, financial controls, risk management controls and contingency measures. Each division of the Group then submitted to the Audit and Corporate Governance Committee ("**ACGC**") a written report on the adequacy and effectiveness of its internal controls, which were discussed at the ACGC Meeting of 17 November 2015.

A review of the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget was conducted during the financial year ended 31 December 2015. Under this review process, each business division of the Group was requested to assess such adequacy at its own level by submitting an internal questionnaire report to the ACGC, which was discussed at the ACGC Meeting of 17 November 2015.

In addition to the above, the Board also monitors its internal controls through a programme of internal audits. The Internal Audit Department reviews the major operational, financial and risk management controls of the Group on a continuing basis, and aims to cover all major operations of the Group on a rotational basis. The scope of review and the audit programme of the Internal Audit 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 Company's senior management.

The internal audit function reports directly to the ACGC. Accordingly, regular internal audit reports are circulated to the ACGC members, the Chief Financial Officer and the external auditor for their review in accordance with the approved internal audit programme.

During the financial year ended 31 December 2015, there were no significant control failings, weaknesses or significant areas of concern identified which might affect the shareholders' stakes in the Company.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS



Mr Wong Siu Kong

Aged 64, 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 September 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 67, 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 September 2015. Mr Ho is also an executive director of Kerry Properties (H.K.) Limited (the principal Hong Kong property company of the Group), a 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 Chin Siu Wa, Alfred (former name: Mr Qian Shaohua)

Aged 59, is an Executive Director of the Company and a member of the Executive Committee of the Company. Mr Chin has been a Director of the Company since 2007 and an Executive Director of the Company since 2009. He was a Co-Managing Director of the Company from 2013 to 2015. Mr Chin is also a non-executive director of Kerry Logistics Network Limited (a listed company in Hong Kong). Mr Chin received his tertiary education in the PRC and completed an international advanced management programme at Harvard Business School.

DIRECTORS (Continued)

EXECUTIVE DIRECTORS (Continued)



Mr Bryan Pallop Gaw

Aged 39, 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.

NON-EXECUTIVE DIRECTOR



Mr Kuok Khoon Hua

Aged 37, has been a Non-executive Director of the Company since June 2015. Mr Kuok is an executive director of Kerry Logistics Network Limited (a listed Company in Hong Kong) since 2013. He is also a director of Kerry Holdings Limited ("KHL") since 2010 and a director of Kerry Wines Limited (a subsidiary of Kerry Group Limited ("KGL")) since 2011. Mr Kuok became the deputy managing director of KHL and a director of KGL since 2012. He joined KHL in 2004 and is currently involved in the management of KHL, including KHL's investment, legal, human resources and wine divisions. From 2003 to 2004, Mr Kuok was a business development executive with Kuok Oils & Grains Pte Ltd and was also a director of Kuok (Singapore) Limited from 2003 to 2007. Both KGL and KHL are the controlling shareholders of the Company. Mr Kuok obtained a bachelor's degree in economics from Harvard University in 2003. 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 65, 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 Ascott Residence Trust Management Limited in Singapore and 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.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS (Continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)



Ms Wong Yu Pok, Marina, JP

Aged 67, 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) and 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.



Mr Chang Tso Tung, Stephen

Aged 67, 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). He was formerly an independent non-executive director of China Pacific Insurance (Group) Co., Ltd. (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 2015.

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 2015, 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\$599,000.

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 2015, the reserves of the Company available for distribution amounted to approximately HK\$17,500,934,000 (2014: HK\$17,405,239,000).

REPORT OF DIRECTORS

Share Capital

The movements in the share capital of the Company during the year are set out in note 33 to the financial statements.

Bonds

Details of the bonds of the Group are set out in note 29 to the financial statements.

Subsidiaries and Associates

Particulars of the Company's principal subsidiaries and the Group's principal associates as at 31 December 2015 are set out in note 44 to the financial statements.

Particulars of Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Group and the Company as at 31 December 2015 are set out in notes 28 and 41 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 Chin Siu Wa, Alfred
Mr Bryan Pallop Gaw

Non-executive Director

Mr Kuok Khoon Hua (*appointed on 15 June 2015*)

Independent Non-executive Directors

Mr Ku Moon Lun
Ms Wong Yu Pok, Marina, JP
Mr Chang Tso Tung, Stephen
Mr Lau Ling Fai, Herald (*retired on 7 May 2015*)

Mr Wong Siu Kong, Ms Wong Yu Pok, Marina and Mr Chang Tso Tung are due to retire from the Board by rotation in accordance with bye-law 99 of the Company's bye-laws ("**Bye-laws**") and Mr Kuok Khoon Hua, who was appointed as a Non-executive Director of the Company on 15 June 2015, is also due to retire from the Board in accordance with Bye-law 102 at the forthcoming Annual General Meeting to be held on 9 May 2016 (the "**2016 AGM**"). All the retiring Directors, being eligible, offer themselves for re-election.

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 2015, 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

Directors	Number of ordinary shares			Total	Approximate % of shareholding ⁶
	Personal interests ¹	Family interests ²	Other interests ⁴		
Wong Siu Kong	448,000	–	50,000	498,000	0.03
Ho Shut Kan	360,000	–	50,000	410,000	0.03
Chin Siu Wa, Alfred	–	–	50,000	50,000	0.00
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	0.53

(ii) Associated Corporations

Associated Corporations	Directors	Number of ordinary shares/Amount of debentures				Number of underlying ordinary shares held under equity derivatives ⁵	Total	Approximate % of shareholding
		Personal interests ¹	Family interests ²	Corporate interests ³	Other interests ⁴			
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
	Chin Siu Wa, Alfred	500,000	–	500,000	–	1,000,000	2,000,000	0.13 ⁷
	Bryan Pallop Gaw	1,500,000	134,394,995	–	45,899,988	2,000,000	183,794,983	12.06 ⁷
	Kuok Khoon Hua	5,000	–	–	180,294,982	1,995,000	182,294,982	11.96 ⁷
Kerry Logistics Network Limited	Wong Siu Kong	306,000	–	–	675,000	–	981,000	0.06 ⁸
	Ho Shut Kan	200,000	–	–	675,000	–	875,000	0.05 ⁸
	Chin Siu Wa, Alfred	–	–	–	675,000	200,000	875,000	0.05 ⁸
	Bryan Pallop Gaw	50,000	3,588,449	–	1,266,024	–	4,904,473	0.29 ⁸
	Kuok Khoon Hua	101,000	–	–	4,485,155	1,000,000	5,586,155	0.33 ⁸
Medallion Corporate Limited	Wong Yu Pok, Marina	–	–	–	–	200,000	200,000	0.01 ⁸
	Bryan Pallop Gaw	26	26	–	–	–	52	5.2 ⁹
	Kuok Khoon Hua	48	–	–	–	–	48	4.8 ⁹
SCMP Group Limited	Kuok Khoon Hua	–	–	–	620,000	–	620,000	0.04 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	US\$1,000,000 5% Notes due 2017	–	–	–	N/A	US\$1,000,000 5% Notes due 2017	N/A

REPORT OF DIRECTORS

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 2015 (i.e. 1,445,856,228 ordinary shares).
7. The percentage has been compiled based on the total number of ordinary shares of KGL in issue as at 31 December 2015 (i.e. 1,524,403,043 ordinary shares).
8. The percentage has been compiled based on the total number of ordinary shares of KLN in issue as at 31 December 2015 (i.e. 1,694,414,612 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 2015 (i.e. 1,000 ordinary shares).
10. The percentage has been compiled based on the total number of ordinary shares of SCMP Group Limited in issue as at 31 December 2015 (i.e. 1,561,057,596 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 2015 (i.e. 4,764,056,287).
12. The percentage has been compiled based on the total number of ordinary shares of Vencedor Investments Limited in issue as at 31 December 2015 (i.e. 100 ordinary shares).

Details of share options of the Company (the "Share Options"), duly granted to the Directors pursuant to the share option 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 2015, 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 2015, 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 2015 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 2015, 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	824,150,013 ⁱ	Long position	57.00
Kerry Holdings Limited	Interest of controlled corporations	744,835,378 ⁱ	Long position	51.52
Caninco Investments Limited	Beneficial owner	312,248,193 ⁱ	Long position	21.60
Darmex Holdings Limited	Beneficial owner	256,899,261 ⁱ	Long position	17.77
Moslane Limited	Beneficial owner	73,821,498 ⁱ	Long position	5.11
Schroders Plc	Investment Manager	72,780,106	Long position	5.03

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 2015 (i.e. 1,445,856,228 Shares).*

Apart from the aforesaid, as at 31 December 2015, 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.

REPORT OF DIRECTORS

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 2015, the Company and its subsidiaries had approximately 7,600 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.

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 18 March 2016 (the date of this Annual Report), a total of 104,000,348 Shares (representing approximately 7.21% of the issued share capital of the Company as at 18 March 2016) 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 2015 are listed below in accordance with Rule 17.07 of the Listing Rules:

Category	Date of grant	Tranche	Number of Share Options				As at 31/12/2015	Exercise Price HK\$	Exercise Period
			As at 01/01/2015	Transfer to other category during the year	Transfer from other category during the year	Exercised			
(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
Chin Siu Wa, Alfred	02/04/2008	I	200,000	-	-	-	200,000	47.70	02/04/2009 – 01/04/2018
	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
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 (appointed on 15 June 2015)	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
2. Continuous Contract Employees									
	17/03/2005	I	95,000	-	-	(95,000)	-	18.74	17/03/2006 – 16/03/2015
	17/03/2005	II	70,000	-	-	(70,000)	-	18.74	17/03/2007 – 16/03/2015
	02/04/2008	I	812,500	-	-	-	812,500	47.70	02/04/2009 – 01/04/2018
	02/04/2008	II	812,500	-	-	-	812,500	47.70	02/04/2010 – 01/04/2018
	02/04/2008	III	1,625,000	-	-	-	1,625,000	47.70	02/04/2011 – 01/04/2018
	06/02/2009	I	310,000	-	-	(50,000)	260,000	17.58	06/02/2010 – 05/02/2019
	06/02/2009	II	390,000	-	-	(45,000)	345,000	17.58	06/02/2011 – 05/02/2019
3. Others									
	17/03/2005	I	25,000	-	-	(25,000)	-	18.74	17/03/2006 – 16/03/2015
	17/03/2005	II	35,000	-	-	(35,000)	-	18.74	17/03/2007 – 16/03/2015
	02/04/2008	I	500,000	(75,000)	-	-	425,000	47.70	02/04/2009 – 01/04/2018
	02/04/2008	II	500,000	(75,000)	-	-	425,000	47.70	02/04/2010 – 01/04/2018
	02/04/2008	III	1,000,000	(150,000)	-	-	850,000	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:			11,545,000	(300,000)	300,000	(320,000)	11,225,000		

REPORT OF DIRECTORS

Share Options (Continued)

Category	Date of grant	Tranche	Number of Share Options			As at 31/12/2015	Exercise	
			As at 01/01/2015	Exercised	Lapsed		Price HK\$	Exercise Period
(ii) 2011 Share Option Scheme (Note b):								
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
Chin Siu Wa, Alfred	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
2. Continuous Contract								
Employees	30/04/2012	I	3,840,000	-	(225,000)	3,615,000	35.45	31/10/2012 – 29/04/2022
	30/04/2012	II	3,900,000	-	(225,000)	3,675,000	35.45	31/10/2013 – 29/04/2022
	08/01/2014	I	4,275,000	(568,000)	(125,000)	3,582,000	26.88	08/07/2014 – 07/01/2024
	08/01/2014	II	4,295,000	(315,000)	(125,000)	3,855,000	26.88	08/01/2015 – 07/01/2024
3. Others								
	30/04/2012	I	4,135,000	-	-	4,135,000	35.45	31/10/2012 – 29/04/2022
	30/04/2012	II	4,535,000	-	-	4,535,000	35.45	31/10/2013 – 29/04/2022
	30/04/2012	V	50,000	-	(50,000)	-	35.45	01/04/2013 – 29/04/2022
	30/04/2012	VI	50,000	-	(50,000)	-	35.45	31/10/2013 – 29/04/2022
Total:			36,880,000	(883,000)	(800,000)	35,197,000		

Notes:

- During the year, no Share Option was granted, granted for adjustment, cancelled or lapsed under the 2002 Share Option Scheme.
- During the year, no Share Option was granted, granted for adjustment, transferred from/to other category or cancelled under the 2011 Share Option Scheme.
- During the year, the weighted average closing price of the shares of the Company immediately before the dates on which the Share Options were exercised was HK\$30.30. 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 2016 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 2015, 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 believe 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 believe 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 believe 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.

REPORT OF DIRECTORS

Continuing Connected Transactions

(i) Hotel Management Agreements

- (a) Shangri-La International Hotel Management Limited (“**SLIM**”), an indirect wholly-owned subsidiary of SA, and its fellow subsidiaries are currently providing hotel management, marketing, communication and reservation services (the “**Hotel Management Services**”) to Kerry Hotel, Beijing pursuant to the hotel management, marketing and related agreements (the “**Beijing Hotel Management Agreements**”) entered into between Beijing Kerry Hotel Co., Ltd. (“**BKH**”) and SLIM on 30 June 1998 (as modified by an addendum dated 26 January 2004). The Beijing Hotel Management 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 are connected persons of the Company. Accordingly, the provision of the Hotel Management Services by SLIM to BKH is treated as a continuing connected transaction of the Company under the Listing Rules.

During the remaining tenure of the Beijing Hotel Management Agreements, the annual aggregate fee payable by the Group pursuant to the Beijing Hotel Management 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 Hotel Management Agreements for the year ended 31 December 2015 amount to approximately HK\$28,592,000 which is within Cap A.

- (b) SLIM is also providing the Hotel Management Services to Jing An Shangri-La Hotel pursuant to the hotel management agreement (the “**Jing An Hotel Management Agreement**”) entered into between Shanghai Ji Xiang Properties Co., Ltd. (“**SJXP**”) and SLIM on 17 October 2012. The Jing An Hotel Management 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 are connected persons of the Company. Accordingly, the provision of the Hotel Management Services by SLIM to SJXP is treated as a continuing connected transaction of the Company under the Listing Rules.

During the remaining tenure of the Jing An Hotel Management Agreement, the annual aggregate fee payable by the Group pursuant to the Jing An Hotel Management 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 Hotel Management Agreement for the year ended 31 December 2015 amount to approximately HK\$50,212,000 which is within Cap B.

Continuing Connected Transactions (Continued)

(ii) Tenancy and Licence Agreements

On 25 October 2013, Kerry Properties (H.K.) Limited, a wholly-owned subsidiary of the Company, had entered into tenancy and licence agreements (the "**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 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 car parking space and HK\$2,500 per month for each floating car parking space.

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 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 Agreements for each of the financial years ending 31 December 2016 is not expected to exceed HK\$55,000,000 ("**Cap C**"). The aggregate amount paid by the Group under the Agreements for the year ended 31 December 2015 amount to approximately HK\$51,376,000 which is within Cap C.

(iii) Framework Agreement

On 28 July 2014, the Company had entered into a framework agreement (the "**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 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 Tower III, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Hong Kong; and (iv) Unit at Tavistock, 10 Tregunter Path, Hong Kong (together, the "**Leased Premises**"); and (b) the provision of such services to be provided by the KLN Group to the Group pursuant to the 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 Framework Agreement was entered into for a term from 1 August 2014 to 31 December 2016 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 2015 are not expected to exceed HK\$19,700,000 ("**Cap D**") and HK\$12,000,000 ("**Cap E**") respectively. The rental income under the Framework Agreement for the year ended 31 December 2015 amount to approximately HK\$10,551,000 which is within Cap D. The service fees under the Framework Agreement for the year ended 31 December 2015 amount to approximately HK\$6,820,000 which is within Cap E.

REPORT OF DIRECTORS

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

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, 18 March 2016

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KERRY PROPERTIES LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Kerry Properties Limited (the "Company") and its subsidiaries set out on pages 91 to 187, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT

OPINION

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 18 March 2016

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
Turnover	5	10,392,897	14,663,725
Cost of sales		(3,809,898)	(5,986,013)
Direct operating expenses		(2,671,797)	(2,469,780)
Gross profit	5	3,911,202	6,207,932
Other income and net gains	6	487,119	1,375,025
Administrative and other operating expenses		(1,070,637)	(1,236,334)
Increase in fair value of investment properties		2,466,154	2,511,448
Operating profit before finance costs	7	5,793,838	8,858,071
Finance costs	8	(551,053)	(626,917)
Operating profit		5,242,785	8,231,154
Share of results of associates		2,017,565	1,302,897
Profit before taxation		7,260,350	9,534,051
Taxation	9	(1,189,871)	(1,698,338)
Profit for the year		6,070,479	7,835,713
Profit attributable to:			
Company's shareholders		5,529,963	6,773,636
Non-controlling interests		540,516	1,062,077
		6,070,479	7,835,713
Earnings per share			
– Basic	11	HK\$3.83	HK\$4.69
– Diluted	11	HK\$3.82	HK\$4.69

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
Profit for the year		6,070,479	7,835,713
Other comprehensive income			
Items that may be reclassified to profit or loss			
Cash flow hedges	36	(99,646)	(39,726)
Fair value gain on available-for-sale investments	36	168,574	80,530
Share of other comprehensive income of associates	36	(353,634)	(200,213)
Net translation differences on foreign operations		(3,463,547)	(1,520,809)
Other comprehensive income for the year, net of tax		(3,748,253)	(1,680,218)
Total comprehensive income for the year		2,322,226	6,155,495
Total comprehensive income attributable to:			
Company's shareholders		2,546,335	5,460,789
Non-controlling interests		(224,109)	694,706
		2,322,226	6,155,495

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	5,404,614	5,039,271
Investment properties	15	57,064,707	55,519,240
Leasehold land and land use rights	16	1,269,770	1,198,161
Properties under development	17	13,749,425	33,409,489
Land deposits		3,467,542	1,262,258
Associates	19	20,007,616	19,212,346
Derivative financial instruments	20	46,837	197,560
Available-for-sale investments	21	2,134,726	1,944,752
Long-term receivables	22	252,128	346,966
Intangible assets	23	122,504	122,504
		103,519,869	118,252,547
Current assets			
Properties under development	17	30,496,298	8,023,927
Completed properties held for sale	24	4,698,188	3,589,081
Accounts receivable, prepayments and deposits	22	1,135,784	3,680,659
Tax recoverable		112,756	177,630
Tax reserve certificates		170,471	127,746
Listed securities at fair value through profit or loss	25	190,857	177,100
Derivative financial instruments	20	27,918	12,213
Restricted bank deposits	26	348,404	68,962
Cash and bank balances	26	10,516,413	11,322,392
		47,697,089	27,179,710
Current liabilities			
Accounts payable, deposits received and accrued charges	27	10,015,448	7,527,274
Taxation		1,167,667	1,844,279
Short-term bank loans and current portion of long-term bank loans	28	9,641,826	3,091,575
Fixed rate bonds	29	3,253,716	–
Derivative financial instruments	20	1,317	–
		24,079,974	12,463,128
Net current assets		23,617,115	14,716,582
Total assets less current liabilities		127,136,984	132,969,129
Non-current liabilities			
Long-term bank loans	28	17,198,633	20,954,453
Fixed rate bonds	29	6,951,344	10,192,580
Amounts due to non-controlling interests	30	2,430,386	2,345,775
Derivative financial instruments	20	90,372	–
Deferred taxation	31	6,303,995	6,062,024
		32,974,730	39,554,832
ASSETS LESS LIABILITIES		94,162,254	93,414,297

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	33	1,445,856	1,444,653
Share premium	35	12,426,503	12,384,496
Other reserves	36	11,947,898	14,723,124
Retained profits		55,533,102	51,526,245
		81,353,359	80,078,518
Non-controlling interests		12,808,895	13,335,779
TOTAL EQUITY		94,162,254	93,414,297

The financial statements on pages 91 to 187 were approved by the Board of Directors on 18 March 2016 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 2015

	Note	2015 HK\$'000	2014 HK\$'000
Operating activities			
Net cash generated from operations	37(a)	5,587,972	8,694,089
Interest paid		(1,283,753)	(1,235,718)
Income tax paid		(1,269,825)	(2,006,781)
Net cash generated from operating activities		3,034,394	5,451,590
Investing activities			
Additions of property, plant and equipment		(87,285)	(169,551)
Additions of investment properties		(1,171,483)	(771,007)
Additions of properties under development		(2,375,884)	(3,777,277)
Increase in land deposits		(2,394,152)	(54,049)
Acquisition of subsidiaries	37(b)	–	151,319
Increase in investments in associates		–	(39,864)
Dividends received from associates		565,787	332,120
Additional loans to associates, net		(72,417)	(436,425)
Addition of available-for-sale investments		(21,400)	–
Decrease in long-term receivables		96,011	18,286
Interest received		329,548	336,998
Increase in restricted bank deposits		(283,139)	(55,597)
Decrease/(increase) in short-term bank deposits maturing after more than three months		957,340	(578,034)
Dividends received from listed and unlisted investments		97,965	91,197
Proceeds from sale of property, plant and equipment		3,493	4,007
Proceeds from sale of investment properties		120,838	1,413,854
Net cash used in investing activities		(4,234,778)	(3,534,023)
Financing activities			
Proceeds from issue of shares		29,622	7,305
Repayment of bank loans		(25,855,554)	(13,653,461)
Drawdown of bank loans		29,091,560	13,063,462
Dividends paid		(1,301,116)	(1,227,746)
Capital injection from non-controlling interests		67,194	283,380
Dividends of subsidiaries paid to non-controlling interests		(369,969)	(773,058)
Increase/(decrease) in loans from non-controlling interests		84,611	(174,680)
Net cash generated from/(used in) financing activities		1,746,348	(2,474,798)
Increase/(decrease) in cash and cash equivalents		545,964	(557,231)
Effect of exchange rate changes		(391,865)	(171,125)
Cash and cash equivalents at 1 January		10,344,132	11,072,488
Cash and cash equivalents at 31 December	26(b)	10,498,231	10,344,132

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Note	Attributable to the shareholders of the Company					Non-controlling interests	Total equity
		Share capital	Share premium	Other reserves	Retained profits	Total		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	36	-	-	(99,646)	-	(99,646)	-	(99,646)
Fair value gain on available-for-sale investments	36	-	-	168,574	-	168,574	-	168,574
Share of reserves of associates	36	-	-	(353,634)	-	(353,634)	-	(353,634)
Net translation differences on foreign operations	36	-	-	(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	36	-	-	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

	Attributable to the shareholders of the Company							
	Note	Share capital	Share premium	Other reserves	Retained profits	Total	Non-controlling interests	Total equity
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2014		1,444,293	12,350,197	15,979,337	45,981,399	75,755,226	13,120,187	88,875,413
Profit for the year		–	–	–	6,773,636	6,773,636	1,062,077	7,835,713
Cash flow hedges	36	–	–	(39,726)	–	(39,726)	–	(39,726)
Fair value gain on available-for-sale investments	36	–	–	80,530	–	80,530	–	80,530
Share of reserves of associates	36	–	–	(200,213)	–	(200,213)	–	(200,213)
Net translation differences on foreign operations	36	–	–	(1,153,438)	–	(1,153,438)	(367,371)	(1,520,809)
Total comprehensive income for the year ended 31 December 2014		–	–	(1,312,847)	6,773,636	5,460,789	694,706	6,155,495
Issue of share capital – exercise of share options		360	34,299	(27,354)	–	7,305	–	7,305
Employee share option scheme – value of employee services	36	–	–	82,944	–	82,944	–	82,944
Dividends paid		–	–	–	(1,227,746)	(1,227,746)	(773,058)	(2,000,804)
Transfer	36	–	–	1,044	(1,044)	–	–	–
Acquisition of a subsidiary		–	–	–	–	–	10,564	10,564
Capital injection from non-controlling interests		–	–	–	–	–	283,380	283,380
Total transactions with owners		360	34,299	56,634	(1,228,790)	(1,137,497)	(479,114)	(1,616,611)
Balance at 31 December 2014		1,444,653	12,384,496	14,723,124	51,526,245	80,078,518	13,335,779	93,414,297

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 18 March 2016.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(i) Adoption of amendments to existing standards

The following amendments to existing standards have been published that are effective for the accounting period of the Group beginning on 1 January 2015:

- Amendment to HKAS 19 (2011), 'Defined benefit plans – employee contributions'
- Annual improvements 2010 – 2012 cycle
- Annual improvements 2011 – 2013 cycle

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

(ii) New Hong Kong Companies Ordinance (Cap. 622)

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

(iii) 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 2016, but the Group has not early adopted them:

	Applicable for accounting periods beginning on/after
Annual improvements 2012 – 2014 cycle	1 January 2016
HKFRS 14, 'Regulatory deferral accounts'	1 January 2016
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 HKFRS 10, HKFRS 12 and HKAS 28, 'Investment entities: applying the consolidation exception'	1 January 2016
Amendment to HKFRS 11, 'Accounting for acquisitions of interests in joint operations'	1 January 2016
Amendment to HKAS 1, 'Disclosure initiative'	1 January 2016
Amendments to HKAS 16 and HKAS 38, 'Clarification of acceptable methods of depreciation and amortisation'	1 January 2016
Amendment to HKAS 27, 'Equity method in separate financial statements'	1 January 2016
HKFRS 15, 'Revenue from contracts with customers'	1 January 2018
HKFRS 9, 'Financial instruments'	1 January 2018

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(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.

(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.

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) Partial disposal

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint 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. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

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 assets' 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.

NOTES TO THE FINANCIAL STATEMENTS

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 asset's 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) 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) 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 and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

(l) 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) 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.

(m) 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)

(n) 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 36. 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) 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.

(o) 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.

(p) 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.

(q) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) 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.

(s) 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) 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.

(t) 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.

(u) 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)

(v) 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.

(w) 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) 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.

(y) 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.

(z) 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.

(aa) 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

(l) 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\$2,942,564,000 (2014: HK\$1,278,326,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

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 (2014: 25) basis points and all other variables were held constant, the profit of the Group would have decreased or increased by approximately HK\$10,534,000 (2014: HK\$2,888,000) 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\$99,202,000 (2014: HK\$97,403,000) lower or higher if the year end share prices of the above-mentioned investments were to differ by 20% (2014: 20%).

The carrying amount of unlisted portion of available-for-sale investments would be an estimated HK\$102,366,000 (2014: HK\$91,037,000) lower or higher if the year end underlying fair value of the above-mentioned investments were to differ by 20% (2014: 20%).

The carrying amount of listed securities at fair value through profit or loss would be an estimated HK\$38,171,000 (2014: HK\$35,420,000) lower or higher if the year end share prices of the above-mentioned investments were to differ by 20% (2014: 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 93% (2014: 95%) of the funds are placed in banks with high credit rankings, ranging from BBB to AA, and the remaining 7% (2014: 5%) in local banks in different countries with close monitoring by the management and there is no concentration in any particular bank.

(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.

NOTES TO THE FINANCIAL STATEMENTS

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 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

	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 2014					
Amounts due to associates	–	57,244	–	–	57,244
Bank loans	3,696,605	9,955,224	11,166,154	1,025,357	25,843,340
Fixed rate bonds	576,883	3,833,479	5,178,569	2,531,131	12,120,062
Amounts due to non-controlling interests	–	2,362,701	–	–	2,362,701
Accounts payable, deposits received and accrued charges	5,273,918	–	–	–	5,273,918
Total	9,547,406	16,208,648	16,344,723	3,556,488	45,657,265

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 2015 and 2014 were as follows:

	2015	2014
Net debt (HK\$ million)	26,181	22,847
Equity attributable to the Company's shareholders (HK\$ million)	81,353	80,079
Gearing ratio	32.2%	28.5%

(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).

NOTES TO THE FINANCIAL STATEMENTS

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 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

The following table presents the Group's financial assets that are measured at fair value at 31 December 2014:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Derivative financial instruments	–	209,773	–	209,773
Available-for-sale investments	487,013	–	1,457,739	1,944,752
Listed securities at fair value through profit or loss	177,100	–	–	177,100
Total assets	664,113	209,773	1,457,739	2,331,625

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	
	2015 HK\$'000	2014 HK\$'000
At 1 January	1,457,739	1,380,575
Gains recognised in comprehensive income	159,578	77,164
Additions	21,400	–
At 31 December	1,638,717	1,457,739

NOTES TO THE FINANCIAL STATEMENTS

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 and option pricing models, 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 2015 was HK\$10,659,907,000 (2014: HK\$10,921,846,000).

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 the realisability of these properties, taking into account estimated costs to completion based on past experience and committed contracts and estimated net sales/rental value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Critical accounting estimates and assumptions (Continued)

(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(v)(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 rate. The Group estimates the future cash flows based on certain assumptions, such as market competition and development and the expected growth in business.

(vi) Impairment of trade receivables

The Group assesses whether there is objective evidence as stated in note 2(m) 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:

	2015 HK\$'000	2014 HK\$'000
Turnover		
Sale of properties	5,084,479	10,274,006
Rental and others	3,801,379	3,168,560
Hotel revenue	1,507,039	1,221,159
	10,392,897	14,663,725

NOTES TO THE FINANCIAL STATEMENTS

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	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Principal activities:				
Property rental and others				
– PRC property	2,896,899	2,293,335	2,271,894	1,821,296
– Hong Kong property	904,480	875,225	674,691	662,997
	3,801,379	3,168,560	2,946,585	2,484,293
Property sales (Note (i))				
– PRC property	3,357,944	3,141,766	602,173	759,287
– Hong Kong property	1,726,535	7,132,240	608,510	2,899,834
	5,084,479	10,274,006	1,210,683	3,659,121
Hotel operations				
– PRC property	1,507,039	1,221,159	153,934	64,518
	10,392,897	14,663,725	4,311,202	6,207,932
Less: Provision for impairment of properties under development – PRC property (Note (ii))	–	–	(400,000)	–
	10,392,897	14,663,725	3,911,202	6,207,932
Principal markets:				
– PRC	7,761,882	6,656,260	2,628,001	2,645,101
– Hong Kong	2,631,015	8,007,465	1,283,201	3,562,831
	10,392,897	14,663,725	3,911,202	6,207,932

Note (i): Sales of investment properties for the year ended 31 December 2015 amounting to HK\$120,838,000 (2014: HK\$1,413,854,000), comprising sales from PRC investment properties of HK\$120,838,000 (2014: HK\$33,854,000) and sales from Hong Kong investment properties of HK\$nil (2014: HK\$1,380,000,000), are excluded from turnover.

Note (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.

NOTES TO THE FINANCIAL STATEMENTS

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

(d) An analysis of the Group's financial results by operating segment is as follows:

	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)

(d) An analysis of the Group's financial results by operating segment is as follows: (Continued)

	2014				
	PRC Property HK\$'000	Hong Kong Property HK\$'000	Total Operating Segments HK\$'000	Others HK\$'000	Total HK\$'000
Revenue					
Turnover	6,656,260	8,007,465	14,663,725	–	14,663,725
Results					
Segment results – gross profit	2,645,101	3,562,831	6,207,932	–	6,207,932
Other income and net gains					1,375,025
Administrative and other operating expenses					(1,236,334)
Increase in fair value of investment properties					2,511,448
Operating profit before finance costs					8,858,071
Finance costs					(626,917)
Operating profit					8,231,154
Share of results of associates					1,302,897
Profit before taxation					9,534,051
Taxation					(1,698,338)
Profit for the year					7,835,713
Profit attributable to:					
Company's shareholders					6,773,636
Non-controlling interests					1,062,077
					7,835,713
Depreciation and amortisation	339,716	20,787	360,503	3,759	364,262

NOTES TO THE FINANCIAL STATEMENTS

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

(e) An analysis of the Group's financial positions by operating segment is as follows:

	2015						
	PRC	Hong Kong	Overseas	Total	Others	Eliminations	Consolidated
	Property HK\$'000	Property HK\$'000	Property HK\$'000	Operating Segments HK\$'000	HK\$'000	HK\$'000	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)

(e) An analysis of the Group's financial positions by operating segment is as follows: (Continued)

	2014						
	PRC	Hong Kong	Overseas	Total	Others	Eliminations	Consolidated
	Property	Property	Property	Operating			
HK\$'000	HK\$'000	HK\$'000	Segments	HK\$'000	HK\$'000	HK\$'000	
Segment assets	75,800,143	51,633,413	189,337	127,622,893	45,077,822	(49,464,771)	123,235,944
Associates	6,297,849	1,938,881	1,149,875	9,386,605	9,825,741	-	19,212,346
Derivative financial instruments	-	-	-	-	209,773	-	209,773
Available-for-sale investments	470	941,726	1,002,556	1,944,752	-	-	1,944,752
Long-term receivables	-	346,966	-	346,966	-	-	346,966
Tax recoverable	175,818	1,805	-	177,623	7	-	177,630
Tax reserve certificates	-	1,082	-	1,082	126,664	-	127,746
Listed securities at fair value through profit or loss	-	176,904	196	177,100	-	-	177,100
Total assets	82,274,280	55,040,777	2,341,964	139,657,021	55,240,007	(49,464,771)	145,432,257
Segment liabilities	30,986,617	23,279,401	7,387	54,273,405	2,718,640	(49,464,771)	7,527,274
Bank loans	6,400,916	870,000	-	7,270,916	16,775,112	-	24,046,028
Fixed rate bonds	-	-	-	-	10,192,580	-	10,192,580
Taxation and deferred taxation	6,659,982	1,002,905	115,211	7,778,098	128,205	-	7,906,303
Amounts due to non-controlling interests	1,508,574	837,826	-	2,346,400	(625)	-	2,345,775
Total liabilities	45,556,089	25,990,132	122,598	71,668,819	29,813,912	(49,464,771)	52,017,960
Segment non-current assets*	66,994,537	37,785,902	1,149,875	105,930,314	9,832,955	-	115,763,269

* Other than derivative financial instruments, available-for-sale investments and long-term receivables.

NOTES TO THE FINANCIAL STATEMENTS

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*	
	2015 HK\$'000	2014 HK\$'000
PRC	59,072,990	66,994,537
Hong Kong	29,070,562	36,088,964
Others	2,997,959	2,846,813
	91,141,511	105,930,314

* Other than derivative financial instruments, available-for-sale investments and long-term receivables.

6 OTHER INCOME AND NET GAINS

	2015 HK\$'000	2014 HK\$'000
Dividend income		
– Available-for sale investments	88,376	80,674
– Listed securities at fair value through profit or loss	9,589	10,523
	97,965	91,197
Interest income	324,906	323,244
Gain on disposal of property, plant and equipment	282	226
Gain on sale of investment properties net of selling expenses	29,624	888,790
Gain on remeasurement of previously held equity interest in acquiree companies	–	8,201
Fair value gain on listed securities at fair value through profit or loss	13,793	8,414
Exchange loss, net	(141,089)	(61,331)
Others	161,638	116,284
	487,119	1,375,025

7 OPERATING PROFIT BEFORE FINANCE COSTS

Operating profit before finance costs is stated after charging the following:

	2015 HK\$'000	2014 HK\$'000
Cost of sales of properties	3,809,898	5,986,013
Direct operating expenses in respect of investment properties	615,959	625,543
Depreciation of property, plant and equipment and amortisation of leasehold land and land use rights	424,138	364,262
Hotel direct operating expenses	1,353,105	1,156,641
Operating lease charges		
– land and buildings	51,436	48,978
Provision for impairment of receivables	–	95
Auditors' remuneration		
– audit services	9,568	11,504
– non-audit services	2,370	2,536

8 FINANCE COSTS

	2015 HK\$'000	2014 HK\$'000
Interest expense		
– bank loans	748,994	672,921
– fixed rate bonds (note 29)	593,874	594,385
– derivative financial instruments	(6,266)	(25,917)
– others (Note)	(35,706)	11,560
Total finance costs incurred	1,300,896	1,252,949
Less: amount capitalised in properties under development and investment properties under construction	(876,904)	(670,288)
	423,992	582,661
Fair value loss on derivative financial instruments		
– cash flow hedge, transfer from equity (note 36)	11,125	16,888
– not applying hedge accounting	115,936	27,368
Total finance costs expensed during the year	551,053	626,917

The capitalised interest rate applied to funds borrowed and used for the development of properties is between 2.4% and 7.7% per annum (2014: between 2.4% and 7.7% per annum).

Note: The amount included net exchange gains from financing activities of HK\$62,439,000 (2014: HK\$15,540,000) for the year ended 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

9 TAXATION

Hong Kong and overseas profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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% (2014: 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:

	2015 HK\$'000	2014 HK\$'000
PRC taxation		
– Current	(444,161)	(449,570)
– (Under)/over-provision in prior years	(2,174)	70
– Deferred	(543,367)	(556,710)
	(989,702)	(1,006,210)
Hong Kong profits tax		
– Current	(148,645)	(661,777)
– (Under)/over-provision in prior years	(2,252)	31,177
– Deferred	(29,163)	(36,584)
	(180,060)	(667,184)
Overseas taxation		
– Current	(8,326)	(7,326)
– Under-provision in prior years	–	(6,254)
– Deferred	(11,783)	(11,364)
	(20,109)	(24,944)
	(1,189,871)	(1,698,338)

The Group's share of associates' taxation for the year of HK\$362,270,000 (2014: HK\$218,343,000) 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:

	2015 HK\$'000	2014 HK\$'000
Profit before taxation	7,260,350	9,534,051
Less: Share of results of associates	(2,017,565)	(1,302,897)
	5,242,785	8,231,154
Calculated at Hong Kong profits tax rate of 16.5% (2014: 16.5%)	865,060	1,358,140
Tax effect of different taxation rates in other countries	253,243	259,446
Utilisation of previously unrecognised tax losses	(148,206)	(48,506)
Tax effect of net income/expenses that are not taxable/deductible in determining taxable profit	47,381	(83,544)
Tax loss not recognised	72,876	91,536
Under/(over)-provision of taxation in prior years	4,426	(24,993)
	1,094,780	1,552,079
Withholding tax on distributed/undistributed profits	56,852	50,309
Land appreciation tax	50,986	127,933
Tax effect of deduction of land appreciation tax	(12,747)	(31,983)
Taxation charge	1,189,871	1,698,338

NOTES TO THE FINANCIAL STATEMENTS

10 DIVIDENDS

	2015 HK\$'000	2014 HK\$'000
Interim, paid, of HK\$0.3 (2014: HK\$0.3) per ordinary share (note (a))	433,757	433,355
Final, proposed, of HK\$0.6 (2014: HK\$0.6) per ordinary share (note (b))	867,514	866,792
Additional prior year final dividend arising from the increase in number of ordinary shares in issue on the related record date (note (b))	567	30
	1,301,838	1,300,177

- (a) Amounts shown in respect of the interim dividend for the year ended 31 December 2015 reflect the cash dividend of HK\$0.3 (2014: HK\$0.3) per ordinary share.
- (b) At a meeting held on 18 March 2016, the Directors proposed a final dividend of HK\$0.6 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 2015, as referred to above, is calculated on the basis of 1,445,856,228 ordinary shares in issue as at 31 December 2015, and at a final dividend of HK\$0.6 per ordinary share. The actual amount of final dividend payable in respect of the year ended 31 December 2015 will be subject to the actual number of ordinary shares in issue on the record date, which is expected to be on or about 13 May 2016.

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.

	2015	2014
Weighted average number of ordinary shares in issue	1,445,520,168	1,444,419,033

	2015 HK\$'000	2014 HK\$'000
Profit attributable to shareholders	5,529,963	6,773,636
Basic earnings per share	HK\$3.83	HK\$4.69

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.

	2015	2014
Weighted average number of ordinary shares in issue	1,445,520,168	1,444,419,033
Adjustment for share options	239,022	378,547
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,445,759,190	1,444,797,580

	2015 HK\$'000	2014 HK\$'000
Profit attributable to shareholders	5,529,963	6,773,636
Diluted earnings per share	HK\$3.82	HK\$4.69

12 EMPLOYEE BENEFIT EXPENSE

	2015 HK\$'000	2014 HK\$'000
Staff costs, including directors' emoluments	1,109,124	1,088,447
Share options granted to directors and employees	–	82,944
Pension costs – defined contribution plans (note 32)	73,450	60,422
	1,182,574	1,231,813

NOTES TO THE FINANCIAL STATEMENTS

13 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and senior management's emoluments

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)

(a) Directors' and senior management's emoluments (Continued)

The remuneration of the Directors for the year ended 31 December 2014, 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	22,000	120	28,840
Mr Ho Shut Kan	–	5,520	20,000	120	25,640
Mr Chin Siu Wa, Alfred	–	5,520	19,000	120	24,640
Mr Bryan Pallop Gaw	–	3,120	4,600	120	7,840
Mr Lau Ling Fai, Herald	530	–	–	–	530
Mr Ku Moon Lun	490	–	–	–	490
Ms Wong Yu Pok, Marina, JP	490	–	–	–	490
Mr Chang Tso Tung, Stephen	490	–	–	–	490
Mr Chan Wai Ming, William ¹	–	1,417	–	40	1,457

¹ Resigned during the year 2014

* Chairman

NOTES TO THE FINANCIAL STATEMENTS

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 34), 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 year ended 31 December 2015, there was no (2014: 6,500,000) share options granted to the Directors.

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

As at 31 December 2014, 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
1,325,000	47.70	02/04/2009 – 01/04/2018
1,325,000	47.70	02/04/2010 – 01/04/2018
2,650,000	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 2015 was HK\$21.15 (2014: HK\$28.15) 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 (2014: three) Directors. The emoluments payable to the five highest paid individuals during the year are as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries	24,840	25,080
Discretionary bonuses	63,800	72,110
Pension contributions	480	480
	89,120	97,670

The emoluments fell within the following bands:

	Number of individuals	
	2015	2014
HK\$8,500,001 – HK\$9,000,000	–	1
HK\$9,500,001 – HK\$10,000,000	–	1
HK\$10,000,001 – HK\$10,500,000	2	–
HK\$20,500,001 – HK\$21,000,000	1	–
HK\$22,500,001 – HK\$23,000,000	1	–
HK\$24,500,001 – HK\$25,000,000	–	1
HK\$25,000,001 – HK\$25,500,000	1	–
HK\$25,500,001 – HK\$26,000,000	–	1
HK\$28,500,001 – HK\$29,000,000	–	1
	5	5

Pursuant to the 2002 Share Option Scheme and the 2011 Share Option Scheme of the Company (note 34), 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

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 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

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 2014	4,508,652	400,000	30,628	64,476	223,049	5,226,805
Additions	140,357	–	–	–	29,194	169,551
Acquisition of a subsidiary	–	–	–	–	270	270
Disposals	(15,346)	–	(2,532)	(49)	(6,595)	(24,522)
Transfer and reclassification	361,365	–	–	(6,867)	8,171	362,669
Exchange adjustment	(117,716)	–	(811)	(22)	(3,916)	(122,465)
At 31 December 2014	4,877,312	400,000	27,285	57,538	250,173	5,612,308
Aggregate depreciation and accumulated impairment losses						
At 1 January 2014	105,168	–	6,146	38,119	117,045	266,478
Charge for the year	278,924	12,121	1,277	5,694	35,844	333,860
Disposals	(13,967)	–	(487)	(38)	(6,249)	(20,741)
Transfer and reclassification	341	–	–	–	(341)	–
Exchange adjustment	(4,088)	–	(182)	(23)	(2,267)	(6,560)
At 31 December 2014	366,378	12,121	6,754	43,752	144,032	573,037
Net book value as at 31 December 2014	4,510,934	387,879	20,531	13,786	106,141	5,039,271
Net book value as at 1 January 2014	4,403,484	400,000	24,482	26,357	106,004	4,960,327

As at 31 December 2015, property, plant and equipment with an aggregate net book value of HK\$1,847,108,000 (2014: HK\$2,098,652,000) were pledged as security for bank loan facilities granted to the Group (note 41).

NOTES TO THE FINANCIAL STATEMENTS

15 INVESTMENT PROPERTIES

	2015 HK\$'000	2014 HK\$'000
At 1 January	55,519,240	53,670,734
Additions	1,171,429	771,807
Increase in fair value	2,466,154	2,511,448
Disposals	(84,574)	(513,962)
Exchange adjustment	(2,007,542)	(920,787)
At 31 December	57,064,707	55,519,240

(a) As at 31 December 2015, investment properties amounting to HK\$16,153,996,000 (2014: HK\$16,543,820,000) were pledged as securities for bank loan facilities granted to the Group (note 41).

(b) Valuation of investment properties

	Completed residential properties Hong Kong HK\$'000	Completed commercial properties		Commercial properties under development PRC HK\$'000	Total HK\$'000
		Hong Kong HK\$'000	PRC 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

	Completed residential properties Hong Kong HK\$'000	Completed commercial properties		Commercial properties under development PRC HK\$'000	Total HK\$'000
		Hong Kong HK\$'000	PRC HK\$'000		
At 1 January 2014	10,036,300	8,367,930	31,028,000	4,238,504	53,670,734
Additions	115,455	14,267	250,833	391,252	771,807
Net gains from fair value adjustment	419,845	716,063	987,435	388,105	2,511,448
Disposals	-	(492,000)	(21,962)	-	(513,962)
Exchange adjustment	-	-	(806,868)	(113,919)	(920,787)
At 31 December 2014	10,571,600	8,606,260	31,437,438	4,903,942	55,519,240

15 INVESTMENT PROPERTIES (Continued)

(b) Valuation of investment properties (Continued)

Valuation processes of the Group

The Group measures its investment properties at fair value. The investment properties were revalued by DTZ Debenham Tie Leung 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 2015. 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 generally 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. 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.

NOTES TO THE FINANCIAL STATEMENTS

15 INVESTMENT PROPERTIES (Continued)

(b) Valuation of investment properties (Continued)

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 2015, capitalisation rates of 3.3% to 5.5% (2014: 3.3% to 5.5%) and 7% to 9% (2014: 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 31 December 2015 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

	2015 HK\$'000	2014 HK\$'000
At 1 January	1,198,161	1,261,637
Amortisation	(34,308)	(30,796)
Transfer	178,159	–
Exchange adjustment	(72,242)	(32,680)
At 31 December	1,269,770	1,198,161

As at 31 December 2015, leasehold land and land use rights with an aggregate net book value of HK\$719,935,000 (2014: HK\$778,715,000) were pledged as security for bank loan facilities granted to the Group (note 41).

17 PROPERTIES UNDER DEVELOPMENT

	2015 HK\$'000	2014 HK\$'000
At 1 January	41,433,416	41,562,659
Additions	10,085,859	6,032,484
Acquisition of subsidiaries	–	308,419
Transfer	(5,623,545)	(5,913,738)
Exchange adjustment	(1,250,007)	(556,408)
Provision for impairment (note 5(b))	(400,000)	–
At 31 December	44,245,723	41,433,416

	2015 HK\$'000	2014 HK\$'000
The above are represented by:		
Amount included in non-current assets		
Hong Kong	6,015,481	14,558,022
Outside Hong Kong (note (a))	7,733,944	18,851,467
	13,749,425	33,409,489
Amount included in current assets		
Hong Kong	18,773,850	3,539,743
Outside Hong Kong	11,722,448	4,484,184
	30,496,298	8,023,927
	44,245,723	41,433,416

- (a) As at 31 December 2015, the balance included land use rights amounting to HK\$901,814,000 (2014: HK\$811,442,000) 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 2015, properties under development amounting to HK\$2,967,988,000 (2014: HK\$4,834,336,000) were pledged as securities for bank loan facilities granted to the Group (note 41).

NOTES TO THE FINANCIAL STATEMENTS

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 2015

	2015 HK\$'000	2014 HK\$'000
Current		
Assets	587,046	493,978
Liabilities	(1,819,398)	(1,734,594)
Total current net liabilities	(1,232,352)	(1,240,616)
Non-current		
Assets	14,778,237	15,437,120
Liabilities	(5,491,865)	(6,278,160)
Total non-current net assets	9,286,372	9,158,960
Net assets	8,054,020	7,918,344

18 SUMMARISED FINANCIAL INFORMATION OF A SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

Summarised statement of comprehensive income for the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
Revenue	1,829,282	1,453,710
Profit before income tax	819,760	242,506
Income tax expenses	(191,502)	(64,232)
Profit for the year	628,258	178,274
Other comprehensive income	(284,758)	(109,065)
Total comprehensive income	343,500	69,209
Total comprehensive income allocated to non-controlling interests	168,315	33,913

Summarised cash flows for the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
Cash flows from operating activities		
Cash generated from operations	889,155	663,838
Interest paid	(266,501)	(320,100)
Net cash generated from operating activities	622,654	343,738
Net cash generated from/(used in) investing activities	2,637	(36,196)
Net cash used in financing activities	(518,376)	(62,928)
Net increase in cash and cash equivalents	106,915	244,614
Cash and cash equivalents at 1 January	394,892	157,576
Effect of exchange rate changes	(21,750)	(7,298)
Cash and cash equivalents at 31 December	480,057	394,892

The information above is the amount before inter-company eliminations.

NOTES TO THE FINANCIAL STATEMENTS

19 ASSOCIATES

	2015 HK\$'000	2014 HK\$'000
Unlisted investments	7,873,645	7,613,456
Listed equity securities, in Hong Kong	8,046,596	7,734,520
Listed equity securities, outside Hong Kong	1,299,028	1,148,399
Share of net assets, including goodwill (note (a))	17,219,269	16,496,375
Amounts due from associates (note (b))	2,851,123	2,773,215
Amounts due to associates (note (c))	(62,776)	(57,244)
	20,007,616	19,212,346

- (a) Details of principal associates are set out in note 44(b).
- (b) The amounts due from associates are unsecured, interest-free except for amounts totalling HK\$2,460,186,000 (2014: HK\$2,394,743,000) 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 2015

	2015 HK\$'000	2014 HK\$'000
Current		
Assets	8,981,460	8,934,073
Liabilities	(6,440,707)	(5,142,392)
Total current net assets	2,540,753	3,791,681
Non-current		
Assets	20,657,549	18,905,600
Liabilities	(4,121,596)	(4,248,311)
Total non-current net assets	16,535,953	14,657,289
Net assets	19,076,706	18,448,970

19 ASSOCIATES (Continued)

(d) (Continued)

Summarised consolidated statement of comprehensive income for the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
Revenue	21,079,494	21,115,249
Operating expenses and others	(17,955,975)	(18,255,214)
Depreciation and amortisation	(487,453)	(470,483)
Interest income	45,073	30,180
Interest expense	(134,650)	(102,419)
Profit before taxation	2,546,489	2,317,313
Taxation	(401,323)	(352,981)
Profit for the year	2,145,166	1,964,332
Other comprehensive income	(340,721)	(300,585)
Total comprehensive income	1,804,445	1,663,747
Dividends received from the associate	100,568	122,118

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

	2015 HK\$'000	2014 HK\$'000
Opening net assets as at 1 January	15,182,178	14,242,996
Profit for the year attributable to shareholders	1,804,445	1,658,830
Other comprehensive income attributable to shareholders	(555,470)	(201,926)
Dividends paid	(237,051)	(287,378)
Changes in other reserves	(290,095)	(265,097)
Others	43,025	34,753
Closing net assets as at 31 December	15,947,032	15,182,178
Interest in the associate (approximately 42.39%) (2014: 42.47%)	6,759,947	6,447,871
Goodwill	1,286,649	1,286,649
Carrying value as at 31 December	8,046,596	7,734,520

As at 31 December 2015, the fair value of the Group's interest in Kerry Logistics, which is listed on the Hong Kong Stock Exchange, was HK\$8,117,253,000 (2014: HK\$8,835,594,000).

NOTES TO THE FINANCIAL STATEMENTS

19 ASSOCIATES (Continued)

- (e) Set out below are the summarised financial information for the associate of the Group, Pembroke Development Investments Limited ("Pembroke 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 2015

	2015 HK\$'000	2014 HK\$'000
Current		
Assets	5,710,393	519,198
Liabilities	(4,129,679)	(1,056,483)
Total current net assets/(liabilities)	1,580,714	(537,285)
Non-current		
Assets	–	7,656,558
Liabilities	–	(7,203,101)
Total non-current net assets	–	453,457
Net assets/(liabilities)	1,580,714	(83,828)

Summarised statement of comprehensive income for the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
Revenue	11,212,896	–
Operating expenses and others	(8,523,141)	(83,762)
Interest income	4,468	3
Interest expense	(56,177)	–
Profit/(loss) before taxation	2,638,046	(83,759)
Taxation	(373,504)	–
Profit/(loss) for the year and total comprehensive income	2,264,542	(83,759)
Dividends received from the associate	240,000	–

The information above reflects the amounts presented in the financial statements of Pembroke 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

	2015 HK\$'000	2014 HK\$'000
Opening net liabilities as at 1 January	(83,828)	(69)
Profit/(loss) for the year	2,264,542	(83,759)
Dividends paid	(600,000)	–
Closing net assets/(liabilities) as at 31 December	1,580,714	(83,828)
Interest in the associate (40%) (2014: 40%)	632,286	(33,531)
Carrying value as at 31 December	632,286	(33,531)

(f) The aggregate amount of the Group's share of results of its associates which are individually immaterial are as follows:

	2015 HK\$'000	2014 HK\$'000
Profit for the year	346,844	598,392
Other comprehensive income	(118,170)	(112,086)
Total comprehensive income	228,674	486,306

NOTES TO THE FINANCIAL STATEMENTS

20 DERIVATIVE FINANCIAL INSTRUMENTS

	2015		2014	
	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))	46,637	276	144,919	–
Derivative financial instruments not applying hedge accounting				
Cross currency swap and forward exchange contracts, at fair value (note (b))	200	90,096	52,641	–
Sub-total	46,837	90,372	197,560	–
Current				
Cash flow hedges				
Cross currency swap contract, at fair value (note (a))	–	–	12,213	–
Derivative financial instruments not applying hedge accounting				
Cross currency swap and forward exchange contracts, at fair value (note (b))	27,918	1,317	–	–
Sub-total	27,918	1,317	12,213	–
Total	74,755	91,689	209,773	–

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) Cross currency and interest rate swap contracts that qualify for hedge accounting – cash flow hedges

The changes in fair value of cross currency and interest rate swap contracts that are designated and qualified as cash flow hedges amounting to a loss of HK\$110,771,000 (2014: HK\$56,614,000) are recognised in hedging reserve in equity. Under cash flow hedges, the amount of HK\$11,125,000 (2014: HK\$16,888,000) 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.

(ii) Hedge for New Zealand dollar bank borrowings

During the year ended 31 December 2011, the Company entered into cross currency swap contract amounting to NZD51,282,000, under which the principal amount was exchanged at inception in March 2011 and was re-exchanged on expiring date in March 2015 at an exchange rate of NZD 1 to HK\$5.85. Under the contract, the floating Hong Kong dollar interest rate on the exchanged Hong Kong dollar principal amount had been paid and the floating New Zealand dollar interest rate on the New Zealand dollar principal amount had been received.

(iii) 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.

(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 2015 are US\$220,000,000 (2014: US\$220,000,000) and RMB900,000,000 (2014: nil).

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 were no principal exchange at inception but will have 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 would be paid and the fixed rate of 6.375% per annum on the United States dollar principal amounts would be received.

NOTES TO THE FINANCIAL STATEMENTS

20 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(b) Cross currency swap and forward exchange contracts not applying hedge accounting (Continued)

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 were 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 2015 are US\$425,000,000 (2014: US\$425,000,000) and RMB525,400,000 (2014: nil).

The outstanding forward exchange contracts as at 31 December 2015, to buy US\$425,000,000 (equivalent to approximately HK\$3,289,615,000) at the average exchange rate of US\$1 to approximately HK\$7.740 and to buy RMB525,400,000 (equivalent to approximately HK\$631,061,000) at the average exchange rate of RMB1 to approximately HK\$1.201, are to be settled in the years 2016 to 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

	2015 HK\$'000	2014 HK\$'000
Listed equity securities, at fair value	496,009	487,013
Unlisted equity securities, at fair value	1,638,717	1,457,739
	2,134,726	1,944,752

22 LONG-TERM RECEIVABLES AND ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

	2015 HK\$'000	2014 HK\$'000
Trade receivables (note (a))	264,016	2,774,159
Prepayments	306,053	344,175
Second mortgage loans receivable	262,507	358,518
Others	555,336	550,773
	1,387,912	4,027,625
Less: Long-term receivables (note (c))	(252,128)	(346,966)
Current portion	1,135,784	3,680,659

The carrying amounts of accounts receivable approximate their fair value.

The carrying amounts of the Group's long-term receivable and accounts receivable, prepayments and deposits are denominated in the following currencies:

	2015 HK\$'000	2014 HK\$'000
Hong Kong dollar	867,696	3,412,480
Renminbi	487,813	587,409
United States dollar	32,403	27,736
	1,387,912	4,027,625

NOTES TO THE FINANCIAL STATEMENTS

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 2015, 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:

	2015 HK\$'000	2014 HK\$'000
Below 1 month	242,232	1,240,793
Between 1 month and 3 months	12,883	802,904
Over 3 months	8,901	730,462
	264,016	2,774,159

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 2015, trade receivables of HK\$77,755,000 (2014: HK\$77,398,000) 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:

	2015 HK\$'000	2014 HK\$'000
Up to 3 months	68,854	61,621
Over 3 months	8,901	15,777

- (b) As of 31 December 2015, trade receivables of HK\$nil (2014: HK\$nil) were impaired and fully provided. The individually impaired receivables mainly relate to those customers which are in unexpected difficult economic situations.

Movements on the provision for impairment of receivables are as follows:

	2015 HK\$'000	2014 HK\$'000
At 1 January	–	1,204
Provision for impairment of receivables	–	95
Receivables written off during the year as uncollectible	–	(1,298)
Release of provision	–	(1)
At 31 December	–	–

The creation and release of provision for impaired receivables have been included in administrative expenses in the consolidated income statement. Amounts charged to the allowance account are written off when there is no expectation of recovery.

22 LONG-TERM RECEIVABLES AND ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

(Continued)

- (c) The amount represents non-current portion of second 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 second mortgage loans receivable, the Group does not hold any collateral as security.

The trade receivables, second mortgage loans receivable, other receivables and deposits do not contain impaired asset.

23 INTANGIBLE ASSETS

	2015 HK\$'000	2014 HK\$'000
At 1 January	122,504	122,528
Impairment	–	(24)
At 31 December	122,504	122,504

24 COMPLETED PROPERTIES HELD FOR SALE

	2015 HK\$'000	2014 HK\$'000
Leasehold land and land use rights	1,341,841	1,432,273
Other development costs	3,356,347	2,156,808
	4,698,188	3,589,081

These completed properties held for sale are located in Hong Kong and the PRC.

25 LISTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 HK\$'000	2014 HK\$'000
Listed securities		
– Hong Kong	190,663	176,904
– Malaysia	194	196
	190,857	177,100

NOTES TO THE FINANCIAL STATEMENTS

26 RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

(a) Restricted bank deposits

	2015 HK\$'000	2014 HK\$'000
Restricted bank deposits (note (i))	348,404	68,962

- (i) As at 31 December 2015, the Group's bank balances amounting to approximately HK\$348,404,000 (2014: HK\$68,962,000) were deposited in certain banks respectively as guarantee deposits for bank facilities of the Group, including mortgage loan facilities (note 40(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

	2015 HK\$'000	2014 HK\$'000
Cash at bank and in hand	6,188,002	3,648,514
Short-term bank deposits (note (i))	4,328,411	7,673,878
Cash and bank balances (note (ii))	10,516,413	11,322,392
Less: short-term bank deposits maturing after more than three months	(18,182)	(978,260)
Cash and cash equivalents	10,498,231	10,344,132

Cash and bank balances are denominated in the following currencies:

	2015 HK\$'000	2014 HK\$'000
Renminbi	8,355,302	7,354,648
Hong Kong dollar	1,257,754	3,163,158
United States dollar	902,667	803,622
Other currencies	690	964
	10,516,413	11,322,392

- (i) The effective interest rate on short-term bank deposits was 2.18% (2014: 2.97%) per annum; these deposits have an average maturity of less than 3 months.
- (ii) Cash and short-term bank deposits of HK\$8,658,587,000 (2014: HK\$7,247,792,000) are held in the PRC and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

27 ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	2015 HK\$'000	2014 HK\$'000
Trade payables	798,399	203,772
Construction costs payable	2,295,241	2,605,089
Rental deposits	1,070,605	1,045,843
Sales deposits	4,138,734	2,253,356
Others	1,712,469	1,419,214
	10,015,448	7,527,274

The ageing analysis of trade payables of the Group as at 31 December 2015 is as follows:

	2015 HK\$'000	2014 HK\$'000
Below 1 month	718,880	181,013
Between 1 month and 3 months	64,925	16,211
Over 3 months	14,594	6,548
	798,399	203,772

The carrying amounts of the Group's accounts payable, deposits received and accrued charges are denominated in the following currencies:

	2015 HK\$'000	2014 HK\$'000
Renminbi	8,185,652	6,207,104
Hong Kong dollar	1,822,985	1,306,287
United States dollar	6,314	12,773
Other currencies	497	1,110
	10,015,448	7,527,274

NOTES TO THE FINANCIAL STATEMENTS

28 BANK LOANS

	2015 HK\$'000	2014 HK\$'000
Non-current		
Bank loans		
– unsecured	12,261,060	15,847,433
– secured (note 41)	4,937,573	5,107,020
	17,198,633	20,954,453
Current		
Bank loans		
– unsecured	8,853,747	2,161,199
– secured (note 41)	788,079	930,376
	9,641,826	3,091,575
Total bank loans	26,840,459	24,046,028

The maturity of bank loans is as follows:

	2015 HK\$'000	2014 HK\$'000
Within 1 year	9,641,826	3,091,575
Between 1 and 2 years	2,056,527	9,493,112
Between 2 and 5 years	13,650,961	10,489,784
Repayable within 5 years	25,349,314	23,074,471
Over 5 years	1,491,145	971,557
	26,840,459	24,046,028

The effective annual interest rates of the major bank borrowings at the end of the reporting period were as follows:

	2015		2014	
	HK\$	RMB	HK\$	RMB
Bank loans	1.29%	5.12%	1.30%	6.55%

The carrying amounts of all bank loans approximate their fair value.

28 BANK LOANS (Continued)

The carrying amounts of the bank loans are denominated in the following currencies:

	2015 HK\$'000	2014 HK\$'000
Hong Kong dollar	18,505,357	17,481,200
Renminbi	8,335,102	6,208,190
New Zealand dollar	–	310,113
United States dollar	–	46,525
	26,840,459	24,046,028

29 FIXED RATE BONDS

	2015 HK\$'000	2014 HK\$'000
Non-current	6,951,344	10,192,580
Current	3,253,716	–
Total fixed rate bonds	10,205,060	10,192,580

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 are guaranteed by the Company as to repayment, and carry a coupon rate of 6.375% per annum and have a maturity term of 10 years.

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.

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 2015 was HK\$10,659,907,000 (2014: HK\$10,921,846,000). The fair value of the fixed rate bonds is within Level 1 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

30 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\$1,000,620,000 (2014: HK\$991,474,000) 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 (2014: 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\$625,529,000 (2014: HK\$504,689,000) 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:

	2015 HK\$'000	2014 HK\$'000
Hong Kong dollar	1,907,020	1,826,660
United States dollar	521,025	519,115
Other currencies	2,341	–
	2,430,386	2,345,775

31 DEFERRED TAXATION

	2015 HK\$'000	2014 HK\$'000
At 1 January	6,062,024	5,630,222
Deferred taxation charged to consolidated income statement	584,313	604,658
Exchange adjustment	(342,342)	(172,856)
At 31 December	6,303,995	6,062,024

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\$2,980,001,000 (2014: HK\$2,832,401,000) to be carried forward in offsetting the future taxable profits. These tax losses have no expiry dates except for the tax losses of HK\$1,286,457,000 (2014: HK\$1,000,843,000) which will expire at various dates up to and including year 2020 (2014: year 2019).

As at 31 December 2015, the aggregate amount of unrecognised deferred tax liabilities associated with investments in subsidiaries and associates totalled approximately HK\$901,518,000 (2014: HK\$853,046,000), 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.

31 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 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

	Revaluation HK\$'000	Accelerated depreciation allowances HK\$'000	Tax losses HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2014	5,146,104	379,878	(233,998)	338,238	5,630,222
Deferred taxation charged to consolidated income statement	505,021	46,730	11,387	41,520	604,658
Exchange adjustment	(130,849)	(3,651)	5,649	(44,005)	(172,856)
At 31 December 2014	5,520,276	422,957	(216,962)	335,753	6,062,024

32 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.

NOTES TO THE FINANCIAL STATEMENTS

32 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 (2014: 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\$1,210,000 (2014: HK\$2,747,000) were utilised leaving HK\$51,000 (2014: HK\$329,000) 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.

33 SHARE CAPITAL

	Authorised Ordinary shares of HK\$1 each	
	Number of shares	HK\$’000
At 31 December 2014 and 2015	10,000,000,000	10,000,000

	Issued and fully paid Ordinary shares of HK\$1 each			
	2015		2014	
	Number of shares	HK\$’000	Number of shares	HK\$’000
At 1 January	1,444,653,228	1,444,653	1,444,293,228	1,444,293
Issue of shares as a result of exercise of share options (note (a))	1,203,000	1,203	360,000	360
At 31 December	1,445,856,228	1,445,856	1,444,653,228	1,444,653

Note:

- (a) During the year, a total of 1,203,000 share options were exercised at exercise prices of HK\$18.74, HK\$17.58 and HK\$26.88 per share. Details of movements in share options during the year are set out in note 34. Total amount of proceeds of HK\$29,621,640 received in respect of the shares issued following the exercise of the share options were used as additional working capital for the Group.

34 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:

	2015		2014	
	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	45.13	11,545,000	44.72	12,610,000
Exercised during the year (note (i))	18.40	(320,000)	17.93	(265,000)
Lapsed during the year	–	–	47.70	(800,000)
At 31 December (note (ii))	45.89	11,225,000	45.13	11,545,000

As at 31 December 2015, 11,225,000 (2014: 11,545,000) outstanding share options granted under the 2002 Share Option Scheme were exercisable (note (ii)). For the share options exercised during the year, the related weighted average share price at the time of exercise was HK\$28.15 (2014: HK\$27.39) and the total amount of proceeds received was HK\$5,886,600 (2014: HK\$4,751,500). No share option was granted or granted for adjustment or cancelled during the year (2014: nil).

NOTES TO THE FINANCIAL STATEMENTS

34 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	
	2015	2014
18.74	225,000	80,000
17.58	95,000	185,000
	320,000	265,000

- (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	
		2015	2014
17/03/2006 – 16/03/2015	18.74	–	120,000
17/03/2007 – 16/03/2015	18.74	–	105,000
02/04/2009 – 01/04/2018	47.70	2,637,500	2,637,500
02/04/2010 – 01/04/2018	47.70	2,637,500	2,637,500
02/04/2011 – 01/04/2018	47.70	5,275,000	5,275,000
06/02/2010 – 05/02/2019	17.58	280,000	330,000
06/02/2011 – 05/02/2019	17.58	395,000	440,000
		11,225,000	11,545,000

34 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:

	2015		2014	
	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	31.95	36,880,000	35.45	22,970,000
Granted during the year	–	–	26.88	15,400,000
Exercised during the year (note (i))	26.88	(883,000)	26.88	(95,000)
Lapsed during the year	32.77	(800,000)	34.01	(1,395,000)
At 31 December (note (ii))	32.06	35,197,000	31.95	36,880,000

As at 31 December 2015, 35,197,000 (2014: 29,335,000) outstanding share options granted under the 2011 Share Option Scheme were exercisable (note (ii)). For the share options exercised during the year, the related weighted average share price at the time of exercise was HK\$31.55 (2014: HK\$29.10) and the total amount of proceeds received was HK\$23,735,040 (2014: HK\$2,553,600). No share option was granted for adjustment or cancelled during the year (2014: nil).

NOTES TO THE FINANCIAL STATEMENTS

34 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	
	2015	2014
26.88	883,000	95,000
	883,000	95,000

(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	
		2015	2014
31/10/2012 – 29/04/2022	35.45	10,400,000	10,625,000
01/04/2013 – 29/04/2022	35.45	–	50,000
31/10/2013 – 29/04/2022	35.45	10,860,000	11,135,000
08/07/2014 – 07/01/2024	26.88	6,832,000	7,525,000
08/01/2015 – 07/01/2024	26.88	7,105,000	7,545,000*
		35,197,000	36,880,000

* Outstanding options that were not exercisable at the end of the reporting period.

35 SHARE PREMIUM

	2015 HK\$'000	2014 HK\$'000
At 1 January	12,384,496	12,350,197
Arising from exercise of share options (note 34)	28,419	6,945
Transfer from share options reserve (note 36(a))	13,588	27,354
At 31 December	12,426,503	12,384,496

36 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 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
Fair value gain on available-for-sale investments	–	168,574	–	–	168,574
Share of exchange 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 35)	–	–	–	(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

NOTES TO THE FINANCIAL STATEMENTS

36 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 2014	–	1,253,651	190,433	14,535,253	15,979,337
Cash flow hedges:					
– Fair value losses	–	–	(56,614)	–	(56,614)
– Transfer to finance costs (note 8)	–	–	16,888	–	16,888
Fair value gain on available-for-sale investments	–	80,530	–	–	80,530
Share of exchange reserve of associates	–	–	–	(124,888)	(124,888)
Share of other reserves of associates	34,752	–	–	(110,077)	(75,325)
Net translation differences on foreign operations	–	–	–	(1,153,438)	(1,153,438)
Transfer to share premium (note 35)	–	–	–	(27,354)	(27,354)
Value of employee services	–	–	–	82,944	82,944
Transfer from retained profits	–	–	–	1,044	1,044
At 31 December 2014	34,752	1,334,181	150,707	13,203,484	14,723,124

36 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	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 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 35)	-	(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
At 1 January 2014	7,935,251	426,998	5,807,703	18,206	7,868	339,227	14,535,253
Share of exchange reserve of associates	-	-	(124,888)	-	-	-	(124,888)
Share of other reserves of associates	-	-	-	10,878	-	(120,955)	(110,077)
Net translation differences on foreign operations	-	-	(1,153,438)	-	-	-	(1,153,438)
Transfer to share premium (note 35)	-	(27,354)	-	-	-	-	(27,354)
Value of employee services	-	82,944	-	-	-	-	82,944
Transfer from retained profits	-	-	-	1,044	-	-	1,044
At 31 December 2014	7,935,251	482,588	4,529,377	30,128	7,868	218,272	13,203,484

- (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 and 2002 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.

NOTES TO THE FINANCIAL STATEMENTS

37 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before taxation to net cash generated from operations

	2015 HK\$'000	2014 HK\$'000
Profit before taxation	7,260,350	9,534,051
Depreciation of property, plant and equipment and amortisation of leasehold land and land use rights	424,138	364,262
Dividend income on available-for-sale investments	(88,376)	(80,674)
Dividend income on listed securities at fair value through profit or loss	(9,589)	(10,523)
Interest income	(324,906)	(323,244)
Gain on disposal of property, plant and equipment	(282)	(226)
Gain on sale of investment properties	(36,264)	(899,893)
Fair value gain on listed securities at fair value through profit or loss	(13,793)	(8,414)
Provision for impairment of goodwill	–	24
Provision for impairment of properties under development	400,000	–
Increase in fair value of investment properties	(2,466,154)	(2,511,448)
Finance costs	551,053	626,917
Share of results of associates	(2,017,565)	(1,302,897)
Gain on remeasurement of previously held equity interest in acquiree companies	–	(8,201)
Operating profit before working capital changes	3,678,612	5,379,734
(Increase)/decrease in properties under development, completed properties held for sale and accounts receivable, prepayments and deposits	(293,834)	3,445,262
Increase/(decrease) in accounts payable, deposits received and accrued charges	2,203,194	(130,907)
Net cash generated from operations	5,587,972	8,694,089

(b) Analysis of the net cash inflow in respect of the acquisition of subsidiaries – business combinations

	2015 HK\$'000	2014 HK\$'000
Cash consideration paid	–	(65,158)
Cash and bank balances acquired	–	216,477
Net cash inflow in respect of the acquisition of subsidiaries	–	151,319

38 RELATED PARTY TRANSACTIONS

The following significant transactions were carried out with related parties during the year:

(a) Purchases of services/lease of premises

	2015 HK\$'000	2014 HK\$'000
Marketing, consultancy and administrative management fees expense (note (i))	97,231	76,763
Rental expense (note (ii))	54,040	54,123
Logistics, insurance brokerage and service fee paid (note (iii))	6,820	6,117
Rental income (note (iv))	10,551	12,467

- (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.
- (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

	2015 HK\$'000	2014 HK\$'000
Salaries and other short-term benefits	78,620	87,897
Post-employment benefits	480	520
	79,100	88,417

NOTES TO THE FINANCIAL STATEMENTS

38 RELATED PARTY TRANSACTIONS (Continued)

(c) Year-end balances

	2015 HK\$'000	2014 HK\$'000
Receivables from related parties:		
Associates (note 19)	2,851,123	2,773,215
Payables to related parties:		
Included under amounts due to non-controlling interests (note 30)		
– Subsidiaries of SA	1,000,620	991,474
– Subsidiaries of Kerry Holdings Limited	241,684	241,684
Associates (note 19)	62,776	57,244

(d) 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 2015 amounted to approximately HK\$1,582,256,000 (2014: HK\$3,208,477,000). The total amount of such facilities covered by the Group's guarantees as at 31 December 2015 amounted to approximately HK\$2,470,547,000 (2014: HK\$5,298,533,000). The above-mentioned amounts are also reflected in the guarantees given by the Group for banking and other facilities disclosed in note 40(a).

39 COMMITMENTS

- (a) At 31 December 2015, the Group had capital and other commitments in respect of property, plant and equipment, investment properties, leasehold land and land use rights and properties under development contracted for at the end of the year but not provided for in these financial statements as follows:

	2015 HK\$'000	2014 HK\$'000
Property, plant and equipment	–	9,965
Investment properties	536,354	1,567,685
Leasehold land and land use rights	2,889,925	342,636
Properties under development	11,971,037	11,432,447
	15,397,316	13,352,733

39 COMMITMENTS (Continued)

- (b) At 31 December 2015, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2015 HK\$'000	2014 HK\$'000
Land and buildings:		
Within one year	55,401	55,425
In the second to fifth year, inclusive	13,912	55,054
Over five years	13,040	7,149
	82,353	117,628

- (c) At 31 December 2015, the Group had future aggregate minimum lease rental receivable under non-cancellable operating leases as follows:

	2015 HK\$'000	2014 HK\$'000
Land and buildings:		
Within one year	2,782,226	2,540,542
In the second to fifth year, inclusive	3,621,228	4,164,487
Over five years	474,020	671,104
	6,877,474	7,376,133

40 CONTINGENT LIABILITIES

(a) Guarantees for banking and other facilities

	2015 HK\$'000	2014 HK\$'000
Guarantees for banking and other facilities of certain associates (note (i))	1,582,256	3,208,477
Guarantees to certain banks for mortgage facilities granted to first buyers of certain properties in the PRC (note (ii))	1,711,670	728,455
	3,293,926	3,936,932

NOTES TO THE FINANCIAL STATEMENTS

40 CONTINGENT LIABILITIES (Continued)

(a) Guarantees for banking and other facilities (Continued)

- (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 2015 amounted to approximately HK\$1,582,256,000 (2014: HK\$3,208,477,000). The total amount of such facilities covered by the Group's guarantees as at 31 December 2015 amounted to approximately HK\$2,470,547,000 (2014: HK\$5,298,533,000).
- (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 2015 amounted to approximately HK\$1,711,670,000 (2014: HK\$728,455,000).

(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.

- (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.

40 CONTINGENT LIABILITIES (Continued)

(b) Other guarantees and undertakings (Continued)

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).

41 PLEDGE OF ASSETS

At 31 December 2015, the Group's total bank loans of HK\$26,840,459,000 (2014: HK\$24,046,028,000) included an aggregate amount of HK\$21,114,807,000 (2014: HK\$18,008,632,000) which is unsecured and an aggregate amount of HK\$5,725,652,000 (2014: HK\$6,037,396,000) 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.

42 ULTIMATE HOLDING COMPANY

The Directors regard Kerry Group Limited, a company incorporated in the Cook Islands, as being the ultimate holding company.

NOTES TO THE FINANCIAL STATEMENTS

43 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

Statement of financial position of the Company as at 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		5,832	5,858
Subsidiaries		27,771,681	26,267,526
Associate		1,992,842	1,992,783
Derivative financial instruments		200	52,641
		29,770,555	28,318,808
Current assets			
Dividends receivable		1,300,000	1,300,000
Accounts receivable, prepayments and deposits		2,620	14,125
Derivative financial instruments		27,918	12,213
Cash and bank balances		916,801	2,472,014
		2,247,339	3,798,352
Current liabilities			
Accounts payable and accrued charges		84,188	90,071
Current portion of a long-term bank loan		–	310,113
Derivative financial instruments		1,317	–
		85,505	400,184
Net current assets		2,161,834	3,398,168
Total assets less current liabilities		31,932,389	31,716,976
Non-current liabilities			
Derivative financial instruments		90,096	–
ASSETS LESS LIABILITIES		31,842,293	31,716,976
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	33	1,445,856	1,444,653
Share premium	35	12,426,503	12,384,496
Other reserves	(Note (a))	10,904,383	10,920,008
Retained profits	(Note (b))	7,065,551	6,967,819
TOTAL EQUITY		31,842,293	31,716,976

43 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 (note (ii)) HK\$'000	Capital redemption reserve (note (ii)) HK\$'000	Hedging reserve HK\$'000	Total HK\$'000
At 1 January 2015	10,427,515	482,588	7,868	2,037	10,920,008
Transfer to share premium (note 35)	–	(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
At 1 January 2014	10,427,515	426,998	7,868	(377)	10,862,004
Transfer to share premium (note 35)	–	(27,354)	–	–	(27,354)
Value of employee services	–	82,944	–	–	82,944
Cash flow hedge					
– Fair value gain	–	–	–	(14,676)	(14,676)
– Transfer to finance costs	–	–	–	17,090	17,090
At 31 December 2014	10,427,515	482,588	7,868	2,037	10,920,008

Notes:

- (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 and 2002 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

	2015 HK\$'000	2014 HK\$'000
At 1 January	6,967,819	6,774,020
Profit for the year	1,398,848	1,421,545
Dividends paid	(1,301,116)	(1,227,746)
At 31 December	7,065,551	6,967,819

NOTES TO THE FINANCIAL STATEMENTS

44 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES

(a) Principal Subsidiaries

As at 31 December 2015, 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/ establishment/ operation	Principal activities	Issued share capital ⁽¹⁾ / Registered capital	Indirect interest held unless denoted with*	Notes
Property Division – PRC					
Beijing Jia Ao Real Estate Development Co., Ltd.	PRC	Property investment	US\$77,967,600	71.25%	(4)(6)
Beijing Kerry Hotel Co., Ltd.	PRC	Hotel ownership and operation	US\$33,000,000	71.25%	(4)(6)
Beijing Kerry Huayuan Real Estate Development Co., Ltd.	PRC	Property trading	RMB178,500,000	71%	(3)(4)(6)
Changsha Guang Yue Real Estate Co., Ltd.	PRC	Property development	RMB218,000,000	100%	(3)(4)(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)(4)(5)
Huiyao Real Estate (Hangzhou) Co., Ltd.	PRC	Property development	RMB2,470,000,000	100%	(3)(4)(5)
Jian'an Real Estate (Kunming) Co., Ltd.	PRC	Property development	RMB400,000,000	55%	(3)(4)(5)
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)(4)(5)
Kerry Development (Chengdu) Ltd.	PRC	Property trading	RMB675,000,000	55%	(3)(4)(5)
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)(4)(5)
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	BVI	Investment holding	HK\$4,554,642,958	100%*	
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)(4)(5)
Kerry Properties Development Management (Shanghai) Co., Ltd.	PRC	Real estate and project management	RMB8,962,190	100%	(4)(5)
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)(4)(5)
Million Palace Development (Chengdu) Co., Ltd.	PRC	Property development	RMB1,085,000,000	55%	(3)(4)(5)
Million Palace Development (Shenzhen) Co. Ltd.	PRC	Property investment	RMB3,980,000,000	100%	(3)(4)(5)
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%	(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)

44 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) Principal Subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Principal activities	Issued share capital ⁽¹⁾ / Registered capital	Indirect interest held unless denoted with*	Notes
Property Division – PRC (Continued)					
Wealthy Plaza Development (Chengdu) Ltd.	PRC	Property development	RMB750,000,000	55%	(3)(4)(5)
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)(4)(5)
Zhanfeng Real Estate (Yingkou) Co., Ltd.	PRC	Property development	RMB250,000,000	65%	(3)(4)(5)
Zhanye Real Estate (Yingkou) Co., Ltd.	PRC	Property development	RMB330,000,000	65%	(3)(4)(5)
Zhengzhou Yuheng Real Estate Co., Ltd.	PRC	Property development	RMB600,000,000	55%	(3)(5)
Property Division – Hong Kong					
All First Investments Limited	BVI	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%	
Capital Rise Investments Limited	HK	Property trading	HK\$1	71%	
Chain Base Limited	HK	Property trading	HK\$1	71%	
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	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%	
Join Sky Investment Limited	HK	Property trading	HK\$1	71%	
Kerry D. G. Warehouse (Kowloon Bay) Limited	HK	Warehouse ownership	HK\$20,000,000	100%	
Kerry Project Management (Macau) Limited	Macau	Project management and construction management	MOP1,000,000	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 (Hong Kong) Limited	BVI	Investment holding	HK\$413,179	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%	

NOTES TO THE FINANCIAL STATEMENTS

44 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) Principal Subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Principal activities	Issued share capital ⁽¹⁾ / Registered capital	Indirect interest held unless denoted with*	Notes
Property Division – Hong Kong (Continued)					
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	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%	
Mid-Levels Portfolio (Aigburth) Limited	Cook Islands	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 8 Limited	BVI	Property development	US\$1	100%	
Newick Limited	HK	Property trading	HK\$1	71%	
Panawin Limited	HK	Property trading	HK\$1	71%	
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%	
Shun On Properties Limited	HK	Property trading	HK\$1	71%	
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	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%	

44 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) Principal Subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Principal activities	Issued share capital ⁽¹⁾ / Registered capital	Indirect interest held unless denoted with*	Notes
Property Division – Overseas					
Amble Aim Sdn. Bhd.	Malaysia	Investment holding	MYR2	100%	(3)
Kerry Properties (Sydney) Pty Ltd	Australia	Investment holding	AUS1	100%	
Kerry Properties International Limited	BVI	Investment holding	HK\$1	100%*	
Travel Aim Investment B.V.	Netherlands	Investment holding	EUR18,000	100%	(3)
Other Divisions					
Apex Ally Limited	HK	Group financing	HK\$1	100%	
Dragon Fame Limited	HK	Group financing	HK\$1	100%	
Gain Silver Finance Limited	BVI	Group financing	US\$1	100%	
Kerry Corporate Services Limited	HK	Provision of corporate services	HK\$1	100%	
Kerry Estate Management Limited	BVI	Investment holding	HK\$10,000	100%*	
Kerry Infrastructure Limited	BVI	Investment holding	HK\$595,026,381	100%*	
Kerry Project Management (H.K.) Limited	HK	Project management	HK\$300,000	100%	
Kerry Properties (Beijing) Development Co. Ltd. (Formerly known as Kerry Properties (North China) Development Co. Ltd.)	PRC	Project management	RMB5,000,000	100%	(3)(4)(5)
Kerry Properties Treasury Limited	BVI	Investment holding and group financing	HK\$4,670,665,187	100%*	
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%	
Wing Tsing Financial Services Limited	BVI	Group financing	US\$1	100%	
Wiseyear Holdings Limited	BVI	Group financing	US\$1	100%	

NOTES TO THE FINANCIAL STATEMENTS

44 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(b) Principal Associates

As at 31 December 2015, 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/ establishment/ 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	RMB1,836,575,900	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%	(4)(6)
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%	(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)
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)
Pembroke Development Investments Limited	BVI	Property development	Ordinary Non-voting deferred	40%	
Sky Vision Development Limited	HK	Property investment	Ordinary	47.37%	(3)
Time Rank Limited	HK	Property trading	Ordinary	50%	(9)
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)(9)

44 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(b) Principal Associates (Continued)

Name	Place of incorporation/ establishment/ operation	Principal activities	Class of shares/ Registered capital	Indirect interest held unless denoted with*	Notes
Property Division – Overseas					
Jacksons Landing Development Pty. Limited	Australia	Property investment	Ordinary	25%	(3)(9)
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)	Integrated logistics and international freight forwarding business	Ordinary	42.39%*	(7)
Hohhot Chunhua KVV Water Treatment Company Limited	PRC	Water treatment facilities ownership and management	RMB192,329,200	13%	(3)(4)(6)(8)
Hohhot Chunhua VVK Water Operation Company Limited	PRC	Water treatment facilities operation and maintenance	RMB14,000,000	19.50%	(3)(4)(6)(8)
Kerry CQ Water (Hohhot) Limited	HK	Investment holding	Ordinary	50%	(3)
KVV Investment Company Limited	HK	Investment holding	Ordinary	25.50%	(3)
Western Harbour Tunnel Company Limited	HK	Tunnel operation and management	Ordinary	15%	(3)(8)(9)

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) English translation of name only
- (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) companies having a financial accounting period which is not coterminous with the Group

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:

	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Results					
Turnover ¹	10,392,897	14,663,725	33,157,961	34,513,046	20,660,363
Profit attributable to shareholders	5,529,963	6,773,636	13,154,389	6,960,931	5,348,032
Assets and liabilities					
Non-current assets	103,519,869	118,252,547	117,070,145	101,906,308	86,266,763
Net current assets	23,617,115	14,716,582	10,718,512	19,022,357	16,611,532
Total assets less current liabilities	127,136,984	132,969,129	127,788,657	120,928,665	102,878,295
Long-term liabilities and non-controlling interests	(45,783,625)	(52,890,611)	(52,033,431)	(50,177,098)	(38,980,838)
Shareholders' funds	81,353,359	80,078,518	75,755,226	70,751,567	63,897,457

Note: The above figures are based on the latest published financial statements.

¹ 2011 to 2013 figures include discontinued operations

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