新鴻基有限公司
SUN HUNG KAI & CO. LIMITED
(Stock Code: 86)

Excellence ▪ Integrity ▪ Innovation ▪ Prudence ▪ Professionalism

Annual Report 2015

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Lee Seng Huang
(Group Executive Chairman)
Simon Chow Wing Charn
Peter Anthony Curry

Non-Executive Director

Jonathan Andrew Cimino
(Joseph Kamal Iskander as his alternate)

Independent Non-Executive Directors

David Craig Bartlett
Alan Stephen Jones
Jacqueline Alee Leung
Peter Wong Man Kong

EXECUTIVE COMMITTEE

Lee Seng Huang *(Chairman)*
Simon Chow Wing Charn
Peter Anthony Curry

NOMINATION COMMITTEE

Lee Seng Huang *(Chairman)*
David Craig Bartlett
Alan Stephen Jones
Jacqueline Alee Leung
Peter Wong Man Kong

REMUNERATION COMMITTEE

Peter Wong Man Kong *(Chairman)*
David Craig Bartlett
Alan Stephen Jones
Jacqueline Alee Leung

AUDIT COMMITTEE

Alan Stephen Jones *(Chairman)*
David Craig Bartlett
Jacqueline Alee Leung
Peter Wong Man Kong

RISK MANAGEMENT COMMITTEE

Lee Seng Huang *(Chairman)*
Simon Chow Wing Charn
Peter Anthony Curry

COMPANY SECRETARY

Hester Wong Lam Chun

INVESTOR RELATIONS

investor.relations@shkco.com

AUDITOR

Deloitte Touche Tohmatsu

SOLICITORS

Clifford Chance
King & Wood Mallesons
P. C. Woo & Co.

BANKERS

Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
Bank of China (Hong Kong) Limited
Oversea-Chinese Banking Corporation Limited, Hong Kong Branch
OCBC Wing Hang Bank Limited
China Construction Bank (Asia) Corporation Limited
China CITIC Bank International Limited
Fubon Bank (Hong Kong) Limited
Public Bank (Hong Kong) Limited
Dah Sing Bank, Limited
Chong Hing Bank Limited
Wing Lung Bank Limited
Mizuho Bank, Ltd., Hong Kong Branch
Taishin International Bank Co., Ltd.
Mega International Commercial Bank Co., Ltd., Offshore Banking Branch
Far Eastern International Bank, Hong Kong Branch
Bank of China Limited Macau Branch
Industrial and Commercial Bank of China (Macau) Limited
Tai Fung Bank Limited
First Gulf Bank PJSC, Singapore Branch

REGISTRAR

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

REGISTERED OFFICE

42/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

WEBSITES

www.shkco.com
www.shkcredit.com.hk
www.uaf.com.hk
www.uaf.com.cn

Corporate Profile

Sun Hung Kai & Co. Limited (the “Company”, together with its subsidiaries, the “Group”) is an investment and finance firm with a focus on Greater China.

Since its foundation in ***1969***, the Group has owned and operated market-leading businesses in financial services, striving to generate ***long-term capital growth*** for its shareholders. Leveraging on its heritage and operational experience, the Group invests across a ***diverse*** yet ***complementary*** portfolio of ***investment and finance*** businesses. Through an extensive branch and office network in around ***200 locations*** across Hong Kong and Mainland China, the finance business provides funding solutions to individuals, small businesses and corporates.

The Group currently has about HK$18 billion* in shareholders’ equity. It is the major shareholder of leading consumer finance firm ***United Asia Finance Limited*** and a substantial shareholder of ***Sun Hung Kai Financial Group Limited***.

*As of 31 December 2015

Financial Highlights

KEY DATA

(HK$ Million)	2015	2014	Change
Revenue	**4,174.1**	4,177.9	0%
Profit attributable to owners of the Company	**3,896.5**	1,328.4	193%
Per Share Data			
Earnings per share (HK cents)	**173.8**	61.7	
Dividend per share (HK cents)	**26.0**	26.0	
Book value per share (HK$)	**8.1**	6.6	
Financial Ratios			
Return on assets	**12.7%**	5.5%	
Return on shareholders' equity	**21.6%**	8.9%	
Net gearing	**15.2%**	38.1%	

REVENUE ANALYSIS

(HK$ Million)	2015	2014	Change
Revenue	**4,174.1**	4,177.9	0%
Breakdown by Geography			
– Hong Kong	***2,438.8***	*2,341.3*	4%
– Mainland China	***1,697.9***	*1,802.9*	-6%
– Others	***37.4***	*33.7*	11%
Breakdown by Type			
– Interest income	***4,093.6***	*4,107.0*	0%
– Service and commission income	***42.7***	*30.8*	39%
– Others	***37.8***	*40.1*	-6%

PROFIT OR LOSS ANALYSIS

(HK$ Million)	2015	2014	Change
Revenue	**4,174.1**	4,177.9	0%
Operating expenses	**(1,574.2)**	(1,442.5)	9%
As % of revenue ("cost to income")	***38%***	*35%*	
– Brokerage and commission expenses	***(55.9)***	*(46.3)*	21%
– Advertising and promotion expenses	***(106.2)***	*(123.5)*	-14%
– Direct cost and operating expenses	***(58.1)***	*(27.7)*	110%
– Administrative expenses	***(1,354.0)***	*(1,245.0)*	9%
Finance costs	**(478.8)**	(442.1)	8%
Bad and doubtful debts	**(1,570.9)**	(787.2)	100%
Other income	**71.6**	56.7	
Other non operating expenses	**(702.5)**	(12.7)	
Net exchange gain (loss)	**7.5**	11.9	105%
Net profit on financial assets and liabilities	**1,005.6**	112.1	
Associates	**2.4**	5.6	
Joint ventures	**38.4**	33.0	
Profit Before Taxation	**973.2**	**1,712.7**	-43%
Taxation	**(83.7)**	(303.3)	-72%
Non-controlling interests	**(221.8)**	(469.8)	-53%
Profit Attributable to Owners of the Company from Continuing Operations	**667.7**	**939.6**	-29%
Profit from discontinued operations	**3,228.8**	388.8	730%
Profit Attributable to Owners of the Company	**3,896.5**	1,328.4	193%

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

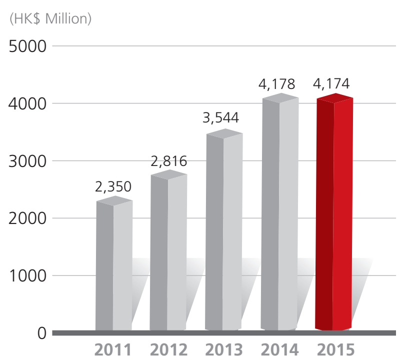
(HK$ Million)	2015	2014	Change
Loan Balances by Segment*	**12,150.8**	14,737.7	-18%
– Consumer finance loans	**8,608.7**	11,391.7	-24%
– Structured finance loans	**3,328.8**	3,346.0	-1%
– Mortgage loans	**213.3**	–	
Total borrowings	**9,894.4**	10,738.4	-8%
– Current	**2,088.7**	3,905.2	-47%
– Long term	**7,805.7**	6,833.2	14%
Bank deposits, cash and cash equivalents	**7,149.0**	5,044.6	42%
Total assets	**32,369.1**	32,760.8	-1%
Shareholders' equity	**18,007.6**	14,927.0	21%

* On continuing operations

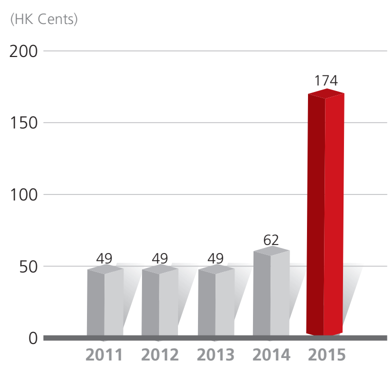
SHARE INFORMATION

	2015	2014
Number of shares in issue at year end (million)	**2,229.0**	2,253.6
Weighted average number of shares (million)	**2,241.4**	2,152.5
Earnings per share (HK cents)	**173.8**	61.7
Dividend per share (HK cents)	**26.0**	26.0
– Second interim/final	**14.0**	14.0
– Interim	**12.0**	10.0
– Special	**–**	2.0
Share price (HK$)		
– High	**8.60**	6.99
– Low	**4.50**	4.22
– Close	**5.10**	5.92
Market capitalisation (HK$ million)	**11,367.9**	13,341.3

Revenue*

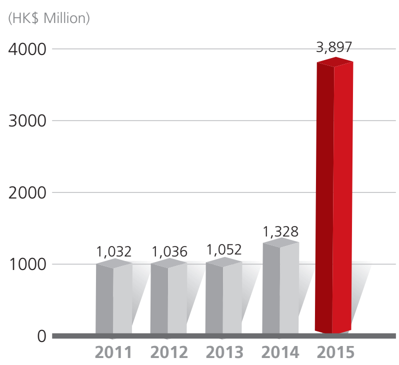


Basic Earnings per Share

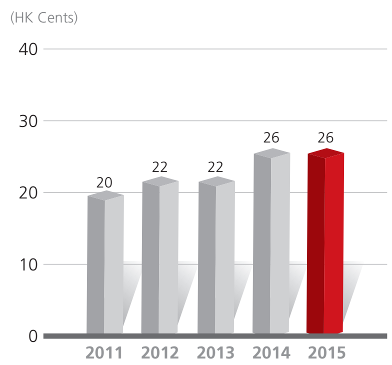


* Restated for operations discontinued in 2015

Profit attributable to owners of the Company



Dividend per Share



FIVE-YEAR FINANCIAL SUMMARY

For the year ended 31 December (HK$ Million)	2011	2012	2013	2014	2015
RESULTS					
Revenue*	2,350.1	2,815.8	3,544.2	4,177.9	**4,174.1**
Profit attributable to owners of the Company	1,032.4	1,036.4	1,051.6	1,328.4	**3,896.5**
Retained profits carried forward	3,968.0	4,518.5	4,925.9	5,545.2	**8,724.0**

As at 31 December (HK$ Million)	2011	2012	2013	2014	2015
ASSETS AND LIABILITIES					
Current assets	14,230.6	16,288.7	17,550.7	21,746.8	**17,612.0**
Total assets	22,494.4	25,255.6	27,804.1	32,760.8	**32,369.1**
Current liabilities	4,115.2	4,701.1	4,942.1	7,047.2	**2,779.9**
Total liabilities	8,091.4	9,290.3	10,984.8	14,093.5	**10,778.3**

* The comparative figures of revenue in 2011 to 2014 have been restated for the operations discontinued in 2015.

Letter from the Chairman

Dear Shareholders,

2015 was an important milestone for the Group as we achieved a record profit attributable to shareholders. On 2 June 2015 we completed the sale of 70% equity interest in Sun Hung Kai Financial Group Limited to Everbright Securities Financial Holdings Limited ("Everbright Securities") for a total consideration of HK$4,095 million resulting in a gain of HK$3,033.5 million for the Group. Not only did we crystallise the embedded value of the market leading independent wealth management and brokerage platform in Hong Kong, more importantly, we have set the stage for greater growth prospects for this business with its improved market access to Mainland China. We continue to be committed to the wealth management sector through our 30% equity interest.

As a consequence, Sun Hung Kai & Co. Limited (the "Company", with its subsidiaries, "the Group") recorded a profit attributable to shareholders of HK$3,896.5 million for 2015 (2014: HK$1,328.4 million). Based on continuing operations, the profit attributable to shareholders was HK$667.7 million (2014: HK$939.6 million). Earnings per share was HK173.8 cents (2014: HK61.7 cents). The Board of Directors has declared a second interim dividend of HK14 cents. Including the first interim dividend, the total dividend per share was HK26 cents for the year (2014: HK26 cents). In addition, in August 2015, the Board announced a plan to allocate up to HK$1 billion to repurchase the Company's shares on market. For the year and up to the date of this report, a total of 31.9 million shares of the Company were repurchased and cancelled for a consideration of HK$167.7 million. The net asset value per share was HK$8.1 at the end of 2015, an increase of 23% over 2014.

Since the Group's foundation in 1969, we have owned and operated market leading financial services businesses and produced long term capital appreciation for our shareholders. The past year was one where we crystallised a significant release of value from one of our businesses. At the same time, it is also an opportunity for us to reposition ourselves for future growth.

Principal Investments has become a more significant part of the Group's strategy and the benefit is twofold. Firstly, we can seek to generate enhanced returns through investments that allow us to utilise our experience, expertise and relationships from the businesses that we operate. Secondly, the growth plans of our operating businesses can be facilitated through these new investments. Changes are taking place rapidly especially relating to the fintech arena. This is both a threat and an opportunity for our Consumer Finance business and we need to stay at the forefront of any developments. The Principal Investments segment achieved a satisfactory return overall in the volatile environment, with pre-tax profit contribution of HK$469.9 million representing a 10.6% return on the average assets employed. In addition, we have made new investments in the financial sector as well as the healthcare and pharmaceutical sectors through direct investment or partner funds. We remain positive about the continued development and growth of China in the medium term, particularly the continued liberalisation of the financial markets, the disruptive growth in online business models, the rise of the middle class and increased domestic consumption. The Group's investment portfolio is aligned with these macro themes.

From our portfolio of finance businesses, we aim to generate steady returns on capital. At the end of 2015, total loans outstanding amounted to HK$12 billion, generating gross interest income of over HK$4 billion. Through our Structured Finance and Consumer Finance businesses, we provide financing solutions to corporates, small businesses and individuals where their needs are not met by traditional banking channels. In October 2015, Sun Hung Kai Credit Limited ("SHK Credit"), a new subsidiary, was established to focus on the mortgage loan business in Hong Kong, a niche market with solid growth prospects. With a solid balance sheet, household brand recognition, and deep operating experience, the Group is well positioned to capture a significant share of the market. During the year, we have also established a Shanghai based car finance leasing venture. Our Chinese partners possess strong distribution and financial expertise. The venture, LSS Financial Leasing (Shanghai), in which the Group owns a 30% interest, commenced operations in January 2016. Looking ahead, we shall continue to seek growth and diversification opportunities that complement the existing businesses.

This year however, was not without challenges. The Group's Consumer Finance business conducted through United Asia Finance Limited ("UAF") delivered solid results with increased market share in Hong Kong. However, with the slowing economic growth in Mainland China, UAF's business there was confronted with significant challenges amidst an industry wide rationalisation in a difficult credit environment. In particular, small businesses, which had been an important growth driver of UAF's loan portfolio in Mainland China, were adversely affected impacting loan credit quality and our profitability. Management has since revised our operational and credit strategies to reduce overall risk and to realign our cost structure to the current economic environment. However, we have not changed our long term view on the Mainland Chinese consumer finance market. We have continued to invest and improve our infrastructure. UAF China has also become one of the first micro loan companies in Mainland China to be granted direct access to the nationwide credit database hosted by the People's Bank of China allowing us to greatly enhance our credit approval process. We also established several partnerships with online portals such as Rong360（融360：北京融世紀信息技術有限公司）to utilise their customer profiling data to cultivate the demand for loan products. Though still at the pilot phase, the business volume is encouraging.

Looking ahead, the year 2016 will be another challenging and volatile one for the global economy and financial markets. Nevertheless, given our solid financial position and diversified investment and loan portfolios, we are confident that we will be able to navigate through the near term uncertainties.

On behalf of the Board, I would like to thank our customers, shareholders and business partners for their support and trust. I would also like to express my gratitude to our management team and dedicated staff for their diligence and professionalism. I hope that many more new record years will be set for the Group in the coming years.

Lee Seng Huang
Group Executive Chairman

Hong Kong, 17 March 2016

RESULTS OVERVIEW

Following the sale of the Group's 70% equity interest in Sun Hung Kai Financial Group Limited ("SHKFGL Transaction"), the Group's earnings drivers have been repositioned. The Group's strategy is to achieve a steady growth in profit as well as long term value accretion for shareholders through our financing and investment strategy.

The Group will continue to develop our finance businesses through expansion in China when appropriate as well as expansion into other market segments and related businesses. Building upon our operating expertise in financial services and with a view to achieving higher returns on capital, we will actively seek investments in new financial platforms.

During the year 2015, the Group achieved record earnings driven from the HK$3,033.5 million gain from the SHKFGL Transaction, which was completed on 2 June 2015. SHKFGL's contribution to the Group up to the completion date has been classified under discontinued operations and 2014 comparatives have been restated accordingly. After the completion date, SHKFGL became a 30% owned associate of the Group and its contribution is included under Principal Investments.

The Group's revenue, mainly consisting of interest income, was HK$4,174.1 million, similar to the level achieved in 2014. Total operating expenses increased by 9% as a result of an increase in general administrative expenses. Finance costs amounted to HK$478.8 million (2014: HK$442.1 million) with higher average borrowing costs.

Bad and doubtful debt expenses amounted to HK$1,570.9 million (2014: HK$787.2 million) and the increases were from the Structured Finance and Consumer Finance businesses, especially the latter in view of a weak Mainland China economy. This had an adverse impact on the overall performance of the Group's finance business.

Loan Balances and Interest Income

(HK$ Million)	31 Dec 2015	31 Dec 2014	Change
Loan Balances by Segment*			
Consumer Finance	8,608.7	11,391.7	-24%
Structured Finance	3,328.8	3,346.0	-1%
Mortgage Loans	213.3	–	
Total	**12,150.8**	**14,737.7**	**-18%**
Interest Income by Segment for the year			
Consumer Finance	3,671.8	3,742.5	-2%
Structured Finance	400.2	353.4	13%
Mortgage Loans	2.9	–	
Others	18.7	11.1	68%
Total	**4,093.6**	**4,107.0**	

* Based on continuing operations only

Given the weak economic conditions in Mainland China, the Group has adopted a revised credit approach and reduced the average loan size of the portfolio. Total loan balances and the corresponding interest income from Mainland China were lower than 2014 as a result. The Hong Kong consumer finance business remained solid during the year.

In October 2015, a new business, SHK Credit, was launched to focus on the non-bank mortgage market in Hong Kong. Business momentum since then remained strong and we anticipate that it will become a significant part of the Group's total loan portfolio in the coming years.

Overall, the results of the Group's finance business were affected by the higher bad debt expenses during the year. However, the investment business had a satisfactory performance.

The Group's pre-tax profit amounted to HK$973.2 million (2014: HK$1,712.7 million).

Profit from discontinued operations was HK$3,228.8 million (2014: HK$388.8 million) reflecting the profit from SHKFGL and includes the sale gain.

Based on continuing operations, the Group's profit attributable to owners of the Company was HK$667.7 million (2014: HK$939.6 million).

BUSINESS REVIEW

Segment Information

The following changes were made to the Group's segment information presentation during 2015:

– The Wealth Management and Brokerage and Capital Markets segments have been removed from the analysis as these units which are under SHKFGL were deconsolidated.

– The newly launched SHK Credit business is reported separately under Mortgage Loans.

– To present the Group's earnings drivers more clearly, the Group Management and Support section, previously included under Principal investments, is now presented as a separate segment. It reflects support and treasury costs that are not fully allocated to other business segments.

Contribution to pre-tax profit by segment:

(HK$ Million)	2015	2014	Change
Structured Finance	93.2	102.7	-9%
Consumer Finance	609.5	1,407.7	-57%
Mortgage Loans	(8.3)	–	
Principal Investments	469.9	229.2	105%
Group Management and Support	(191.1)	(26.9)	
Total	**973.2**	**1,712.7**	**-43%**

STRUCTURED FINANCE

The Structured Finance segment provides corporate and high net worth customers with innovative funding solutions. These may include pre-IPO financing, bridging loans, funding for mergers and acquisitions, privatisations as well as share pledges. The majority of the loan book is backed by collateral. Total loans amounted to HK$3.3 billion.

(HK$ Million)	2015	2014	Change
Revenue	**405.4**	**375.8**	**8%**
Operating costs	(14.1)	(65.3)	-78%
Cost to income (% Revenue)	*3.5%*	*17.4%*	
Finance costs^	(189.5)	(165.3)	15%
Bad and doubtful debts	(103.6)	–	
Loss from financial asset and liabilities	(5.0)	(42.5)	
Pre-tax Contribution	**93.2**	**102.7**	**-9%**

^ Includes internal

The Structured Finance business provides funding solutions to corporates and high net worth individuals. At the end of 2015, total loans outstanding amounted to HK$3,328.8 million (2014: HK$3,346 million). Interest income increased by 13% in 2015 reflecting the higher average loan balance during the year as we also facilitated shorter term bridging loans.

68% of the portfolio represents loans to investment holding companies. The remainder is business related loans. 91% of the loan book is secured and 42% is due within one year.

A provision for bad debts of HK$103.6 million was recorded during 2015 (2014: nil). This included a small provision for a previous loan, as well as a provision for a current loan backed by real estate collateral. The total provision amount is equivalent to approximately 3% of the total Structured Finance loan portfolio.

A HK$5.0 million loss from financial assets (2014: HK$42.5 million) was incurred as a result of a mark-to-market valuation of a small equity position from a previous debt-plus-equity loan.

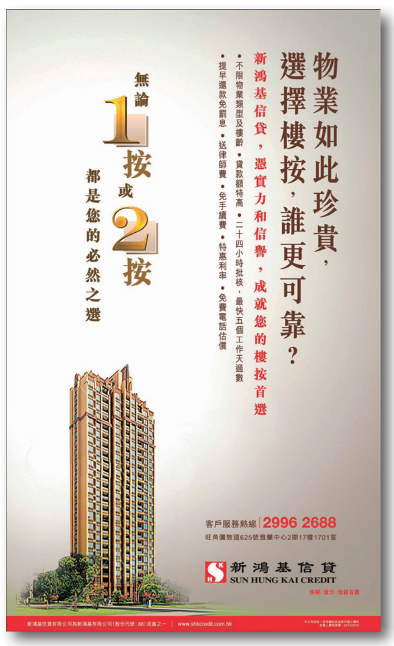
Liquidity conditions for medium sized enterprises are likely to remain tight in the current market and there should be a healthy demand for alternative funding solutions. With a solid financial position, the Group is well positioned to capitalise on opportunities when they arise.

MORTGAGE LOANS

The newly launched Mortgage Loans business offers first and second mortgage loan products to home owners and property investors in Hong Kong.

Sun Hung Kai Credit Limited ("SHK Credit") is an 86% owned subsidiary of the Group. Business commenced in October 2015 providing mortgage services and lending solutions to home owners and property investors in Hong Kong. The business is funded by the Group's internal cash resources.

As at 31 December 2015, total loans outstanding amounted to HK$213.3 million. A small loss of HK$8.3 million was incurred as a result of the set up costs. We are pleased with the progress of the business and expect it to be profitable in 2016. Additional marketing and a new branch is planned for 2016.



SHK Credit offers mortgage and property equity loan products to home owners and investors who seek flexible and personalised financing options that traditional banks cannot provide. Customer demand is diverse and not necessarily driven by property purchases. Property is the largest asset class of most Hong Kong households' net worth. By utilising property assets as security, SHK Credit can offer lending solutions to a risk segment lower than the unsecured personal loans segment, thereby adding diversification to the Group's total loan portfolio. With our strong balance sheet and brand recognition, we are optimistic that this business will become a more substantial part of the Group's loan business in the near future.

CONSUMER FINANCE

United Asia Finance Limited ("UAF") is a 58% owned subsidiary of the Group. It provides non-bank financing solutions to individuals and small businesses.

UAF is a market leader in Hong Kong. Its Mainland China operations date back to 2007 and its annual loan origination in China surpass RMB4.3 billion.

At year end, it serviced 180,000 customers through 208 branches in Hong Kong and Mainland China.

United Asia Finance Limited ("UAF"), a 58% indirectly owned subsidiary, conducts consumer finance business through an extensive branch network in Hong Kong and Mainland China. It offers both unsecured and secured loan products to individual consumers and small businesses.

Hong Kong Business

In Hong Kong, UAF's core unsecured personal loans business performed well with an increased overall market share and business volume. The profitability of this business achieved a record high in 2015 despite keen market competition. As part of its strategy to add to the "Online to Offline" presence, UAF launched the first "One Click to Loan" mobile app in September 2015 which enables customers to complete the entire loan transaction on the mobile application platform. As a market leader in consumer finance, UAF is committed to providing innovative customer service to consumers.

However, overall there was a drop in the Hong Kong loan book due to a reduction in the mortgage loan portfolio. With the tight regulatory stance from the government on bank related funding for the property market, UAF will focus its business on unsecured loans going forward in order to maintain our funding flexibility and advantage.

For 2016, we have seen a steady start to the year for the Hong Kong business. However, drawing on our experience from previous cycles, the unemployment rate is a risk factor for the business and management will remain vigilant to adjust our strategy should there be any deterioration in the operating environment.

Mainland China Business

The downturn in economic activity in Mainland China has hurt the financial results of our business there. The small business enterprises segment which we had focused upon was especially affected. Under this difficult operating environment, UAF has tightened up credit to small businesses in order to reduce its risk exposure and in the meantime, its business strategy is focused on the marketing of smaller loans to salaried workers which is considered to be a more resilient customer group. Promotion campaigns were launched to target specific clusters of customers based on our analysis of demographic and social factors. By reducing the average loan size, we aim to reduce the overall credit risk of our portfolio. As a result of this strategy, the average loan outstanding balance per account reduced from RMB57,835 as of the end of 2014 to RMB34,895 as of the end of 2015.

During 2015, UAF China originated 74,209 loans which was a number higher than the total in 2014. However, the total loan amount originated was RMB4,350.7 million, which was 28% lower than 2014 as we reduced approval amounts. As a result of the revised approach and also the write off of delinquent balances, the gross loan balance in China declined by 42%. The decline in the loan book has also contributed to a much higher Charge Off ratio.

In the near term, the environment in Mainland China is likely to remain challenging. With the new credit strategy, UAF China's Charge Off amounts have peaked in the third quarter of 2015, and we are likely to maintain our conservative approach under current economic conditions. Cost rationalisation measures have also been put in place as we position the business for an eventual recovery.

Branch network as at 31 December 2015

City/Province	Newly opened during 2015	Closed during 2015	Number of branches at year end
Hong Kong	–	–	50
Shenzhen	–	–	43
Shenyang	3	–	12
Chongqing	–	(2)	10
Tianjin	–	(1)	6
Chengdu	2	(1)	12
Yunnan province	3	–	13
Dalian	–	(2)	7
Beijing	1	–	7
Wuhan	3	(1)	11
Shanghai	3	–	10
Fuzhou	1	–	6
Harbin	–	–	5
Nanning	3	–	5
Qingdao	2	–	4
Jinan	1	–	2
Guangzhou*	2	–	3
Foshan*	1	–	1
Dongguan*	1	–	1
Total	**26**	**(7)**	**208**

* Loan marketing branches

During the year, UAF closed seven underperforming branches and added 26 new branches to expand our business reach. A total of 208 branches were operating at the end of 2015. UAF's loan marketing and guarantee business launched in October 2014 has expanded to a five-branch operation at the year end and achieved a satisfactory business volume with HK$188.6 million (2014: HK$31.7 million) loans originated during the year.

As economic headwinds in Mainland China persist, the China business's profitability is likely to remain subdued in the coming year. While we see this period as a short term setback, the industry has begun to consolidate and with more rational competition, this should improve the return profile for UAF in the future. With a solid financial position and the experience of managing through past cycles, we are confident in the medium term prospects as the Mainland economy stabilises.

Segment results and key metrics

(HK$ Million)	2015	2014	Change
Revenue	**3,706.4**	**3,763.6**	**-2%**
Operating Costs	(1,373.2)	(1,344.9)	2%
Cost to income (% Revenue)	*37.0%*	*35.7%*	
Finance cost^	(285.0)	(263.8)	8%
Bad and doubtful debts	(1,463.3)	(787.2)	86%
Other (expenses) income – net	(4.1)	4.3	
Exchange gain	28.7	35.7	
Pre-tax Contribution	**609.5**	**1,407.7**	**-57%**

^ Includes internal

Pre-tax contribution for 2015 amounted to HK$609.5 million, a drop of 57% over last year as a result of the drop in loan business in Mainland China. Revenue declined by 2% on a slower loan business. A HK$28.7 million exchange gain was recorded during the year (2014: HK$35.7 million), from a lower translation of RMB denominated debt into Hong Kong dollars.

Total bad and doubtful debts expenses increased to HK$1,463.3 million (2014: HK$787.2 million) during the year. The charges include bad debts written off net of recoveries, as well as the charges to the impairment allowance (which is calculated based on the historical Charge Off rates and loan growth amount). For unsecured loans, the entire loan amount is written off after a six month delinquency. During the period, bad debts written off, net of recoveries (the "Charge Off") amounted to HK$1,234.2 million (2014: HK$624.7 million) of which HK$967.1 million (2014: HK$353.7 million) was incurred in the China loan business, undermining the business's profitability.

Bad and doubtful debts and impairment allowances

(HK$ Million)	2015	2014
a. Amount written off	**(1,363.7)**	(738.9)
b. Recoveries	**129.5**	114.2
c. Charge to impairment allowance^	**(229.1)**	(162.5)
Total charges for bad and doubtful debts	**(1,463.3)**	(787.2)
Impairment allowance at year end	**949.0**	756.6
Gross loan balance	**9,557.7**	12,148.3
Net charge off (a+b) as % of average gross loans	**11.4%**	5.5%
Impairment allowance as % of year end gross loans	**9.9%**	6.2%

^ HK$17.6 million (2014: nil) incurred in guarantee business

Aging analysis for loans and advances to Consumer Finance segment customers that were past due but not impaired:

(HK$ Million)	As at 31 December 2015	Note	As at 31 December 2014	Note
Less than 31 days	**562.1**	6.5%	805.2	7.1%
31 – 60 days	**147.0**	1.7%	278.3	2.4%
61 – 90 days	**124.7**	1.5%	101.6	0.9%
91 – 180 days	**397.6**	4.6%	232.8	2.1%
Over 180 days	**103.5**	1.2%	36.9	0.3%
Total	**1,334.9**	15.5%	1,454.8	12.8%

Note: amount as a % of net loan balance.

Key Operating Data	2015	2014	Change
Loan balances (HK$ Million)			
Net loan balance	**8,608.7**	11,391.7	-24%
Gross loan balance	**9,557.7**	12,148.3	-21%
– Hong Kong	**6,625.4**	7,081.6	-6%
– Mainland China	**2,932.3**	5,066.7	-42%
Guaranteed loans	**139.2**	30.2	
Loan book metrics			
Total return on loans			
(revenue/average gross loan balance)	**34.2%**	33.0%	
– Hong Kong	**29.4%**	28.2%	
– Mainland China	**42.3%**	40.6%	
Net charge-off ratio			
(on average gross loan balance)	**11.4%**	5.5%	
– Hong Kong	**3.9%**	3.9%	
– Mainland China	**24.2%**	8.0%	
Average gross balance per loan (HK$)	**51,890**	67,770	-23%
– Hong Kong (HK$)	**58,224**	64,875	-10%
– Mainland China (RMB)	**34,895**	57,835	-40%

PRINCIPAL INVESTMENTS

Principal Investments is an important part of the Group's growth strategy. Leveraging on the industry insights and experience from other Group operations, we aim to achieve higher returns on capital. At the same time, through this platform we also seek to incubate other business opportunities for the Group. The segment comprises three portfolios – Principal, Long Term Investment, and Real Estate.

For the year 2015, the Principal Investments segment made a pre-tax contribution of HK$469.9 million, equivalent to 10.6% of average assets allocated to the segment, a reasonable return overall given volatile financial markets. The year end carrying value was HK$7,593.9 million.

Portfolio composition and return

(HK$ Million)	Period end value	Average value	Pre-tax contribution (2015)	Return on average value	Pre-tax contribution (2014)
Principal Portfolio	4,522.0	2,333.4	333.5	14.3%	126.9
Long Term Investment Portfolio	2,094.2	1,186.8	75.6	6.4%	38.6
Real Estate Portfolio	977.7	897.9	60.8	6.8%	63.7
Total	**7,593.9**	**4,418.1**	**469.9**	**10.6%**	**229.2**

Principal Portfolio

For the year 2015, the Principal Portfolio achieved a profit of HK$333.5 million, or a 14.3% return over the average balance, a satisfactory return given that the Hang Seng Index declined 7.2% during the year. The portfolio includes externally managed partner funds as well as an internally managed portfolio of market positions and direct investments.

Partner funds account for around half of the Principal Portfolio's carrying value. We invest in a selection of partner hedge and private equity funds chosen based on their track records, strategic fit as well as access to deals and co-investment opportunities. For our internally managed assets, our team manages a multi asset class portfolio aimed towards enhancing returns.

CMI – through a convertible bond subscription, we invested in a minority position in CM International Holding Pte. Ltd. ("CMI"), an investment holding company under China Minsheng Investment Co., Ltd., a leading large scale investment company. It is dedicated to lead and guide the investment of China's private capital, the driving of economic transition and upgrading of the national economy. Its approach is complementary to our existing investment and growth strategy and allows us to diversify our portfolio and to work with leading partners. With our experience in diversified financial service businesses, we look forward to further cooperation opportunities with them.

WuXi PharmaTech – together with a group of investors, through a special purpose vehicle we invested in a deal to privatise WuXi PharmaTech (Cayman) Inc. The deal was successfully completed in December 2015. This is a special situation investment in a market leading enterprise in a sector with very strong industry dynamics.

Crowdnetic – we have invested in a small equity interest in Crowdnetic Corporation and obtained the rights to form a joint venture together in China. Crowdnetic is a leading provider of technology and market data solutions to the marketplace-lending and securities-based crowdfunding industries.

Long Term Investment Portfolio

This portfolio consists of associates and available-for-sale investments that have sound investment or strategic value to the Group. The year end carrying value was HK$2,094.2 million. Most of the associated companies are financial services firms. This portfolio contributed to HK$75.6 million to profit. Some notable investments include:

Sun Hung Kai Financial – Subsequent to the stake sale, Sun Hung Kai Financial Group Limited is classified as a 30% owned associate of the Group. In 2015, the strong market sentiment that started the year took a turn in the second half. However, synergies and ample cost savings opportunities are expected at Sun Hung Kai Financial as a part of Everbright Securities and the Company continues to render our full support to their business. Sun Hung Kai Financial accounts for the majority of the value of the Long Term Investment Portfolio. The accounting treatment of the revaluation of our stake has resulted in a net gain of HK$57.3 million. Details are explained later in this report under "Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures".

LSS Financial Leasing (Shanghai) – The Company invested in a 30% stake of financial leasing company 陸金申華融資租賃(上海)有限公司 ("陸金申華"), with Lujiazui International Trust Co. Ltd ("Lujiazui International") (a financial services firm) and Shanghai Shenhua Holdings Co. Ltd ("Shanghai Shenhua") (a well-established conglomerate who operates multi car dealerships) as our partners. This venture is an effective way for the Group to diversify its financing business in China. Initially focusing on financing for car leases and the car manufacturing supply chain, its offering will include financing services for other industries as well.

Real Estate Portfolio

This consists of commercial real estate mainly in Hong Kong and recurring income is generated from rental. Total revaluation gain of HK$38.3 million was also recorded during the period (2014: HK$43.7 million).

OUTLOOK

The outlook for earnings for 2016 will be challenging. As the Chinese economy continues to consolidate and undergo transformation, UAF China's recovery will be closely tied to economic environment in China. On the positive side, the Group's Hong Kong loan businesses including Structured Finance and Consumer Finance are expected to perform steadily barring any rapid deterioration of the local economy. The newly launched Mortgage Loans business should contribute to overall growth in our finance business as the business expands.

For the Group's investment business, despite the volatile mark-to-market movements, with our portfolio of existing investments and newly added positions, we are confident of their long term prospects and hope to crystallise their values at the appropriate time.

Keeping the short term challenges in mind, management remains optimistic of the Group's long term prospects and will continue to seek new opportunities through its financing and investment model to position the business for continued value accretion.

FINANCIAL REVIEW

Financial Resources, Liquidity and Capital Structure

(HK$ Million)	As at 31 December 2015	As at 31 December 2014	Change
Equity attributable to owners of the Company	**18,007.6**	14,927.0	21%
Total cash position	**7,149.0**	5,044.6	42%
Total borrowings	**9,894.4**	10,738.4	-8%
Net debt	**2,745.4**	5,693.8	-52%
Net debt to equity ratio	**15.2%**	38.1%	
Net asset value per share	**HK$8.1**	HK$6.6	23%

The Group's cash position was strengthened with the sale proceeds from the SHKFGL Transaction. As total borrowings were lower in 2015, the net debt to equity ratio declined.

In view of an uncertain operating environment, upcoming debt repayment obligations as well as future growth plans, the Group is likely to maintain a prudent financial position in the short term.

For the year 2015, the Company repurchased and cancelled 24.6 million shares involving a total consideration (including expenses) of HK$134.7 million. In August, the Board has approved a plan to utilise up to HK$1 billion to repurchase the Company's shares on the market. The buyback program will continue as long as the shares trade below the Company's intrinsic value.

As at 31 December 2015, total borrowings of the Group amounted to HK$9,894.4 million (31 December 2014: HK$10,738.4 million). Of this amount, 21% is repayable within one year (31 December 2014: 36.4%). The Group maintains a balanced mix of funding from various sources. Fixed coupon US dollar denominated notes amounted to HK$2,986.3 million and RMB-denominated notes equivalent to HK$595.4 million were outstanding at the end of the period. Bank borrowings are at floating interest rates and these are denominated in Hong Kong dollars, US dollars and RMB. There are no known seasonal factors in the Group's borrowing profiles.

The Group maintained foreign currency positions to cater for its present and potential investment and operating activities. Any exchange risks are closely monitored by the Group and held within approved limits.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

On 2 June 2015, the Group completed the sale of 70% equity interest of SHKFGL to Everbright Securities ("SHKFGL Transaction" mentioned above). Total consideration was HK$4,095.0 million and a gain of HK$3,033.5 million was recognised. For more details of the SHKFGL Transaction please refer to the Company's circular dated 27 February 2015, the announcement dated 2 June 2015 and Note 16 to the consolidated financial statements. SHKFGL has become a 30% associate of the Group under the Principal Investments segment with a carrying value of HK$1,644.0 million upon completion of the SHKFGL Transaction. During the year, an impairment of HK$538.7 million, included in "other expenses", was incurred from the revaluation of this equity stake. As part of the SHKFGL Transaction, the Group negotiated a put option on the 30% equity interest of SHKFGL to Everbright Securities. This put option recorded a valuation gain of HK$596.0 million classified under gain on financial assets. Both of these items are recorded under Principal Investments – Long Term Investments, with a net positive impact of HK$57.3 million. This net gain implicitly reflects the guaranteed return from the option, and timing differences.

Sun Hung Kai Venture Capital Limited, an indirectly wholly-owned subsidiary of the Company, has invested in a joint venture in Shanghai providing car finance leasing service. The venture, LSS Financial Leasing (Shanghai) Co., Ltd.（陸金申華）has a registered capital of RMB200 million and the Group has invested RMB60 million for an equity interest of 30%. Shanghai Shenhua and Lujiazui International hold the remaining 45% and 25% respectively. Further details on the venture can be found in the Company's announcement dated 7 September 2015.

Charges on Group Assets

Properties of the Group with a total book value of HK$475.0 million were pledged by subsidiaries to banks for facilities granted to them with a total outstanding loan balance of HK$14.0 million as at 31 December 2015.

Contingent Liabilities

Details regarding the contingent liabilities are set out in Note 41 to the consolidated financial statements.

HUMAN RESOURCES AND TRAINING

As at 31 December 2015, the Group's headcount was 5,880, compared to 7,197 at 31 December 2014. This net decrease in headcount mainly reflects the reclassification of SHKFGL as a 30% owned associate post the Group's sale of its 70% equity interest and a reduction of headcount at UAF. Staff costs based on continuing operations (including Directors' emoluments), contributions to retirement benefit schemes and expenses recognised for the SHK Employee Ownership Scheme ("EOS") amounted to approximately HK$845.0 million (2014: HK$815.5 million).

The Group operates various compensation schemes to reflect job roles within the organisation. For sales staff/sales consultants, packages consist of a base pay and commission/bonus/performance-based incentives as appropriate. For non-sales staff, the compensation comprises either a base salary with bonus/share-based/performance-based incentives or base salary, as appropriate.

Under the EOS, selected employees or directors of the Group (the "Selected Grantees") were awarded shares of the Company. Following management's recommendation, a total of 282,000 shares were granted to the Selected Grantees during the period subject to various terms including, amongst other things, the vesting scale whereby awarded shares will vest and become unrestricted in various vesting periods. As at 31 December 2015, the outstanding awarded shares under the EOS (excluding shares awarded, but subsequently forfeited) amounted to 1,516,000 (including 536,000 under Sun Hung Kai & Co. Limited and 980,000 under Sun Hung Kai Financial Limited), out of which 293,000 shares were awarded to Directors. In alignment with the Group's vision and mission, its core values are integral to the selection, assessment, recognition, remuneration and training of its people.

The Group is committed to fostering a culture of continuous learning in our organisation. Heavy emphasis is placed on staff training which is tailored to equip our workforce with the necessary knowledge and skills relevant for their work, as well as to build our talent pool. Management is involved, together with professional trainers, in designing training programmes to meet the demands of the work place environment. Training content and topics are set to cover the key aspects of our operations. Periodic development initiatives currently include courses on the prevention of bribery, bankruptcy laws, the data privacy, the Money Lenders Ordinance, debt collection skills, product knowledge, computer skills, customer service techniques, communication and complaints handling. Workshops for managerial and supervisory staff are provided and are intended to enhance our employees' career development.

CORPORATE SUSTAINABILITY

The Group has adopted a sustainability policy outlining our principles towards various aspects of our business including workplace and staff, business and integrity, the environment and community. Whilst aiming to deliver long term, sustainable value creation for our shareholders, we also wish to make a positive impact through the way we run our business.

Owing to the nature of our business, we only have a "second degree" impact on the environment, hence our environmental policy is focused on minimising consumption of paper and electricity in the workplace and encouraging recycling of office supplies and waste.

RELATIONSHIP WITH KEY STAKEHOLDERS

Staff

Being in the financial services industry, our staff is our most important asset that will drive the long term performance of the Group. An account of staff relationships is included in the "Human Resources and Training" section above.

Customers

Across the Group we have approximately 180,000 customers the majority of which is from the UAF business in Hong Kong and Mainland China. As a market leader in Hong Kong, UAF runs an extensive advertising and promotion campaign. Customer relationship programs such as "member-get-members", bonus point schemes are in place. Customers can access UAF's loan services through our extensive branch network, phone application as well as on-line means in Hong Kong such as E-cash Revolving Loans and the newly launched mobile app.

Community

The Sun Hung Kai & Co. Foundation (Formerly the SHKF foundation) was established in March 2010. It serves as a platform for the Group and its business associates and partners to support our community, in particular, to improve the lives of the underprivileged. The Foundation's principal interests are in the areas of poverty relief, education and the environment. As we look to the future, we will continue to devote our time, resources and capital to fostering a stronger and sustainable Hong Kong. Total charitable donations by the Group amounted to HK$2.7 million in 2015.

Apart from direct donations, we also encourage our staff to enroll in charitable and community services. During the year, the Group and our staff participated in several events and services including visits to elderly homes, children-care programs, charity runs and youth nurturing programs. UAF, the Group's principal subsidiary, has been named a "Caring Company" by the Hong Kong Council of Social Services for ten consecutive years.

Investors

An account of the Company's relationship with shareholders can be found in the Corporate Governance Report.

PRINCIPAL RISKS, RELEVANT LAWS AND REGULATIONS

The Group adopts a comprehensive risk management framework. Risk management policies and procedures are regularly reviewed and updated to react to changes in market conditions and the Group's business strategy. The Risk Management Committee, a standing committee reporting to the Board of Directors, supervises risk-related policies necessary for monitoring and controlling major risks, arising from the Group's business activities, changing external risks and the regulatory environment.

Financial Risk

Financial risk is designed to manage market risk, credit risk and liquidity risk. Market risk concerns that the value of an investment will change due to movements in market factors and which can be further divided into equity risk, interest rate risk and foreign exchange risk.

Credit risk is the risk of losses arising from clients or counterparties failing to make payments as contracted.

Liquidity risk concerns that a given security or asset cannot be traded readily in the market to prevent a loss or make the required profit.

Further discussion on financial risk management is outlined in Note 43 to the condensed consolidated financial statements.

Operational Risk

Operational risk is concerned with possible losses caused by inadequate or failed internal processes, people, systems or external events.

Operational risk is mitigated and controlled through establishing robust internal controls, setting out clear lines of responsibility, proper segregation of duties and effective internal reporting and contingency planning. It is our corporate culture that the business and operating line management are fully aware of, and responsible for, managing the operational risks of their business units on a day-to-day basis.

Independent monitoring and reviews are conducted by the Group's Internal Auditor which reports regularly to the Group's senior management and the Audit Committee of the Board.

Relevant Laws and Regulations

The Group is highly committed to comply with laws and regulations that govern our businesses. As a listed company we abide to the listing rules of The Stock Exchange of Hong Kong Limited. Our loan businesses in Hong Kong are governed by the Money Lenders Ordinance. The lending businesses in the PRC are operated in accordance with the regional guidelines announced by the provincial governments under the Guiding Opinions of the China Banking Regulatory Commission and the People's Bank of China on the Pilot Operation of Small Loan Companies.

EXECUTIVE DIRECTORS

Lee Seng Huang, aged 41, was appointed as an Executive Director and has been the Group's Executive Chairman of the Company since 1 January 2007. Mr. Lee was educated at the University of Sydney in Australia and has wide ranging financial services and real estate investment experience in the Asian region. He is currently the executive chairman of Mulpha International Berhad (a Malaysian listed conglomerate with operations in Malaysia, Australia and the United Kingdom) as well as Mulpha Australia Limited, and the non-executive chairman of Aveo Group, a leading retirement group listed on the Australian Securities Exchange. He is also a non-executive director of Mudajaya Group Berhad, a company listed on the Bursa Malaysia Securities Berhad. Mr. Lee is a trustee of Lee and Lee Trust, a discretionary trust owning a controlling interest in Allied Group Limited ("AGL"), a holding company of the Company through its interest in Allied Properties (H.K.) Limited ("APL"). Both AGL and APL are companies listed on The Stock Exchange of Hong Kong Limited. Mr. Lee is also a director of United Asia Finance Limited, a subsidiary of the Company.

Simon Chow Wing Charn, aged 61, was appointed as an Executive Director of the Company on 3 June 2015. He joined the Company as the Group Deputy Chief Executive Officer of the Company on 1 December 2014. Mr. Chow has more than 25 years' experience in the banking and financial services industry. Prior to joining the Group, he has been with Citibank for 18 years and his last position was the country manager for China consumer bank of Citibank. Before that, Mr. Chow held senior roles with UBS, Lehman Brothers, British Columbia Hydro and Power Authority and PricewaterhouseCoopers. He is a member of the Institute of the Chartered Accountants of Canada. Mr. Chow holds a Bachelor of Science and a Licentiate in Accounting Degree from the University of British Columbia. He also holds directorship in various subsidiaries of the Company.

Peter Anthony Curry, aged 63, was appointed as an Executive Director of the Company on 1 January 2011. He joined the Company as the Group Chief Financial Officer in November 2010. He graduated from the University of New South Wales with a Bachelor Degree of Commerce in 1974 and a Bachelor Degree of Laws in 1976. He became a chartered accountant and a barrister (non-practising) in Australia in 1978. He was elected as a fellow of The Institute of Directors in Australia in 1989. In 2002, he completed the PS 146 Compliance Program organised by Securities Institute in Australia. Mr. Curry has over 40 years of business experience. He joined Peat Marwick Mitchell (now known as KPMG) in Australia in 1974 upon graduation and worked as Tax Partner in 1983. Since that time he has worked in different listed and unlisted companies in Australia as executive director/managing director specialising in natural resources, corporate finance, mergers and acquisitions, etc. Since 1995, Mr. Curry has been a director and shareholder in a corporate advisory firm which holds an Australian Financial Services licence. He has been involved in a range of public and private capital raisings, initial public offering related services and providing corporate and financial advisory services in relation to a range of business transactions including a wide range of mining projects. Mr. Curry is currently an alternate director to Mr. Lee Seng Hui (a non-executive director of APAC Resources Limited, a company listed on The Stock Exchange of Hong Kong Limited). Mr. Curry also holds directorships in various subsidiaries of the Company.

NON-EXECUTIVE DIRECTOR

Jonathan Andrew Cimino, aged 63, was appointed as a Non-Executive Director of the Company on 25 January 2016. He is currently the chief executive officer of Dubai Group LLC (the "Dubai Group") and was formerly the chief operating officer and the managing director of Finance of Dubai Group since 2008. As at the date of this report, the Dubai Group, through its subsidiary, Dubai Ventures LLC, is interested in 166,000,000 shares of the Company. Mr. Cimino is experienced in financial management, debt restructuring and asset management and has been an investment banker and stockbroker having spent a large part of his career as head of Investment Banking, chief executive officer and country head of SBC Warburg and UBS in New Zealand. He had worked extensively on privatisation mandates for the New Zealand Government. Upon leaving UBS in 2001 he formed his own boutique investment bank Cimino Partners which undertook various M&A and capital market transactions including being the lead manager for the IPO of the New Zealand Stock Exchange. He had formerly been a public company director in New Zealand for listed companies in the transportation, environmental, biotechnology and private equity sectors. He currently represents Dubai Group on the boards of Acacia Investments in Bahrain and Lafarge Emirates Cement in the United Arab Emirates. Mr. Cimino holds a Bachelor of Finance and Administration from Victoria University of Wellington, New Zealand and completed the Advanced Management Program at Harvard Business School.

Joseph Kamal Iskander, aged 40, was appointed as an Alternate Director to Mr. Jonathan Andrew Cimino on 25 January 2016. He graduated from Helwan University in Egypt with a degree in Accounting and Finance with high distinction. He is currently a managing director of asset management at Dubai Group LLC (the "Dubai Group") and the former head of research at Dubai Capital Group until 2009. He joined the Dubai Group as an investment manager in 2004 and had worked on a range of mergers and acquisitions, advisory services, asset management and private equity transactions. As at the date of this report, the Dubai Group, through its subsidiary, Dubai Ventures LLC is interested in 166,000,000 shares of the Company. Prior to joining the Dubai Group, Mr. Iskander headed the research team for Prime Investments at Egypt and was earlier an investment advisor at the Commercial International Bank. He began his career at Deloitte & Touche (Egypt) as an auditor and has over 15 years of experience in the financial services industry, covering various areas such as banking, audit, research, private equity and asset management. Mr. Iskander represents the Dubai Group on the board of Oasis Capital Bank in Bahrain, Nouvelair in Tunisia, EFG-Hermes Holdings SAE (a company listed on Cairo Stock Exchange) and Marfin Investment Group Holdings SA (a company listed on Athens Stock Exchange). He had been an Alternate Director to Mr. Fevzi Timucin Engin and Mr. Ahmed Mohammed Aqil Qassim Alqassim, both were former Non-Executive Directors of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

David Craig Bartlett, aged 50, was appointed as an Independent Non-Executive Director of the Company on 26 November 1999. Mr. Bartlett graduated with honours in law from Exeter University in the United Kingdom in 1988 and subsequently qualified as a solicitor in England & Wales, the Republic of Ireland and the Hong Kong Special Administrative Region. A former partner of the international law firm Clyde & Co., he regularly acted for and advised the Company and its subsidiaries before leaving private practice for a career in industry. Now based primarily in Europe, Mr. Bartlett is also an independent non-executive director of each of Allied Group Limited and Allied Properties (H.K.) Limited, the holding companies of the Company and the securities of which are listed on The Stock Exchange of Hong Kong Limited.

Alan Stephen Jones, aged 72, was appointed as an Independent Non-Executive Director of the Company on 3 January 2006. Mr. Jones, a chartered accountant, has extensive experience in management, administration, accounting, property development, carpark management, finance and trading, and has been involved in successful mergers and acquisitions of a number of public companies in Australia and internationally. He is also an independent non-executive director of each of Allied Group Limited and Allied Properties (H.K.) Limited, the holding companies of the Company, and the securities of which are listed on The Stock Exchange of Hong Kong Limited. Mr. Jones is also an independent non-executive director of Mount Gibson Iron Limited, a company listed on the Australian Securities Exchange and a non-executive chairman of Air Change International Limited, a company listed on the National Stock Exchange of Australia, as well as a non-executive director of Mulpha Australia Limited.

Jacqueline Alee Leung, aged 55, was appointed as an Independent Non-Executive Director of the Company on 1 November 2014. Ms. Leung is currently the president and managing director of Leighton Investments Limited and Leighton Textiles Company Limited. She was with Deloitte Touche Tohmatsu from February 2001 to August 2014. Prior to that, she worked at the mergers and acquisitions department of Oppenheimer & Co. Inc. in New York City. Ms. Leung is an active community leader and volunteer and has served as a member of the Vetting Committee for the Allocation of Sites and Start-up Loan for Post-secondary Education Providers under the Education Bureau of the Government of HKSAR since 2010. Over the years, she held various positions in charitable organisations in Hong Kong, such as the fundraising chairman for the Hong Kong Cancer Fund and a director at Po Leung Kuk. On 1 January 2016, she was appointed as a member of the Exchange Fund Advisory Committee (EFAC) Financial Infrastructure Sub-Committee of the Hong Kong Monetary Authority. Ms. Leung graduated from Brown University in the United States and holds a Bachelor of Arts in Economics and a Bachelor of Science with honors in Engineering.

Peter Wong Man Kong, *BBS, JP*, aged 67, was appointed as an Independent Non-Executive Director of the Company on 30 May 2001. Mr. Wong graduated from the University of California at Berkeley, U.S.A. with a Bachelor of Science Degree in Mechanical Engineering (Naval Architecture). He is the chairman of M.K. Corporation Limited, Culture Resources Development Co., Ltd. and North West Development Limited. He is also a non-executive director of Hong Kong Ferry (Holdings) Company Limited, an independent non-executive director of China Travel International Investment Hong Kong Limited, Far East Consortium International Limited, Glorious Sun Enterprises Limited, Chinney Investments Limited, Sino Hotels (Holdings) Limited, New Times Energy Corporation Limited and MGM China Holdings Limited, all being companies listed on The Stock Exchange of Hong Kong Limited. Mr. Wong is serving as a deputy to the 12th National People's Congress of The People's Republic of China.

SENIOR MANAGEMENT

Akihiro Nagahara

Managing Director and Chief Executive Officer, United Asia Finance Limited

Mr. Nagahara, aged 75, is the Managing Director and CEO of United Asia Finance Limited ("UAF") and a director of various subsidiaries of UAF. He holds a law degree from the National Taiwan University and a Master's Degree from the Graduate School in Law of the National Hitotsubashi University of Japan where he also completed his doctorate courses. He is an acknowledged expert in the consumer finance business in Hong Kong and is credited with the successful establishment of Public Finance Limited (formerly known as JCG Finance Company, Limited). He is also the chairman of The Hong Kong S.A.R. Licensed Money Lenders Association Limited, a position he has held since its establishment in 1999, which is the only industry representative association of licensed money lenders in Hong Kong.

The Company is committed to maintaining a high standard of corporate governance within a sensible framework, with an emphasis on the principles of integrity, transparency, accountability and equity. The Board of Directors believes that good corporate governance is essential to the success of the Company and to the enhancement of shareholder value.

CORPORATE GOVERNANCE CODE

In the light of the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Board has reviewed the corporate governance practices of the Company with the adoption of the various enhanced procedures which are detailed in this report. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code during the year ended 31 December 2015, except for certain deviations as specified with considered reasons for such deviations as explained below. The Board will review the current practices at least annually, and makes appropriate changes if considered necessary.

THE BOARD

The Board currently comprises eight members, with three Executive Directors, one Non-Executive Director (the "NED") (and his Alternate Director) and four Independent Non-Executive Directors (the "INEDs"):

Executive Directors:	Lee Seng Huang *(Group Executive Chairman)* Simon Chow Wing Charn Peter Anthony Curry
Non-Executive Director:	Jonathan Andrew Cimino *(Joseph Kamal Iskander as his alternate)*
Independent Non-Executive Directors:	David Craig Bartlett Alan Stephen Jones Jacqueline Alee Leung Peter Wong Man Kong

The brief biographical details of the Directors are set out in the section of "Profiles of Directors and Senior Management" on pages 25 to 27.

BOARD PROCESS

During the year, the NEDs (four of whom were independent) provided the Group with a wide range of expertise and experience. Their active participation in the Board and committee meetings brought independent judgment on issues relating to the Group's strategy, performance and management process, at the same time taking into account the interests of all shareholders of the Company.

Up to the date of this report, two out of the four INEDs have the appropriate professional qualifications or accounting or related financial management expertise specified under Rule 3.10 of the Listing Rules. The Board has received from each INED an annual confirmation of his/her independence and considers that all the INEDs are independent in accordance with the guidelines set out in Rule 3.13 of the Listing Rules.

The Board meets regularly to discuss the overall strategy as well as the operations and financial performance of the Group, in addition to meetings for reviewing and approving the Group's annual and interim results and other ad hoc matters which need to be dealt with by the Board. The chief financial officer and other relevant senior executives are invited to attend Board meetings to make presentations and answer the Board's enquiries.

During the year, six Board meetings were held. The individual attendance records of each Director at the meetings of the Board, Remuneration Committee, Audit Committee, Risk Management Committee and the annual general meeting of the Company ("AGM") during the year ended 31 December 2015 are set out as follows:

	Number of meetings attended/entitled to attend				
Name of Directors	**Board**	**Remuneration Committee**	**Audit Committee**	**Risk Management Committee**	**AGM**
Executive Directors:					
Lee Seng Huang	4/6			0/2	yes
Simon Chow Wing Charn *(appointed on 3 June 2015)*	2/6			2/2	n/a
Peter Anthony Curry	6/6			2/2	yes
William Leung Wing Cheung *(resigned on 3 June 2015)*	3/6				yes
Joseph Tong Tang *(resigned on 25 January 2016)*	6/6			2/2	yes
Non-Executive Directors:					
Jonathan Andrew Cimino *(appointed on 25 January 2016)*	n/a				n/a
Ahmed Mohammed Aqil Qassim Alqassim *(resigned on 25 January 2016)*	6*/6				yes
Ho Chi Kit *(resigned on 30 June 2015)*	3#/6	1/1	1/3		no
Leung Pak To *(resigned on 30 June 2015)*	3/6				yes
Independent Non-Executive Directors:					
David Craig Bartlett	6/6	1/1	3/3		yes
Alan Stephen Jones	6/6	1/1	3/3		yes
Jacqueline Alee Leung	4/6	1/1	2/3		yes
Peter Wong Man Kong	4/6	1/1	3/3		yes

Notes:

* *Three board meetings were attended by himself, while another three board meetings were attended by his alternate*

\# *Two board meetings were attended by himself, while one board meeting was attended by his representative*

The Board has reserved for its decision or consideration matters covering mainly the Group's overall strategy, annual operating budget, annual and interim results, approval of Directors' appointment or re-appointment (based on the recommendations made by the Nomination Committee), material contracts and transactions, corporate governance as well as other significant policy and financial matters. The Board has delegated the daily operations and administration responsibilities to the executive management under the instruction/supervision of the Executive Committee which has its specific written terms of reference. The respective functions of the Board and management of the Company have been formalised and set out in writing. The Board reviews these procedures from time to time to ensure that they are consistent with the existing rules and regulations.

Regular Board meetings for each year are scheduled in advance to facilitate maximum attendance of Directors. At least 14 days' notice of a Board meeting is normally given to all Directors who are given an opportunity to include matters for discussions in the agenda. The Company Secretary assists the Chairman in preparing the agenda for meetings, and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least three days prior to the proposed date of a Board meeting (and so far as practicable for other Board meetings). Draft minutes of each Board meeting are circulated to all Directors for their comment before being tabled at the following Board meeting for approval. Minutes of meetings are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

According to the current Board practice, if a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter cannot be dealt with by a written resolution of the Board but must be dealt with by the Board at a duly convened Board meeting. The Articles of Association of the Company (the "Articles") stipulate that save for the exceptions as provided therein, a Director shall abstain from voting and not be counted in the quorum at meetings of the Board for approving any contract or arrangement in which such Director or any of his associate(s) has a material interest. The Board will also follow rules stipulated in the Listing Rules in this regard.

Every Director is entitled to have access to Board papers and related materials and has access to the advice and services of the Company Secretary. The Board and each Director also have separate and independent access to the Company's senior management. In addition, a written procedure has been established since June 2005 to enable the Directors, in the discharge of their duties, to seek independent professional advice in appropriate circumstances at a reasonable cost to be borne by the Company.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Directors will continuously be updated on major developments of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices. During the year, the Company organised a briefing session relating to cyber security sharing conducted by Deloitte Touche Tohmatsu for the Directors.

For continuous professional development, in addition to Directors' attendance at meetings and review of papers and circulars sent by management, Directors participated in the following activities:

Participation in Continuous Professional Development Activities

Name of Directors	Reading regulatory updates	Attending trainings/ briefings/seminars/ conferences relevant to Directors' duties
Executive Directors:		
Lee Seng Huang	✓	✓
Simon Chow Wing Charn *(appointed on 3 June 2015)*	✓	✓
Peter Anthony Curry	✓	✓
William Leung Wing Cheung *(resigned on 3 June 2015)*	✓	✓
Joseph Tong Tang *(resigned on 25 January 2016)*	✓	✓
Non-Executive Directors:		
Jonathan Andrew Cimino *(appointed on 25 January 2016)*	✓	✓
Joseph Kamal Iskander *(alternate to Mr. Jonathan Andrew Cimino)*	✓	✓
Admed Mohammed Aqil Qassim Alqassim *(resigned on 25 January 2016)*	✓	✓
Ho Chi Kit *(resigned on 30 June 2015)*	✓	✓
Leung Pak To *(resigned on 30 June 2015)*	✓	✓
Roy Kuan *(alternate to Mr. Ho Chi Kit) (ceased on 30 June 2015)*	✓	✓
Liu Zheng *(alternate to Mr. Leung Pak To) (ceased on 30 June 2015)*	✓	✓
Independent Non-Executive Directors:		
David Craig Bartlett	✓	✓
Alan Stephen Jones	✓	✓
Jacqueline Alee Leung	✓	✓
Peter Wong Man Kong	✓	✓
	✓	✓

ROLES OF CHAIRMAN AND CHIEF EXECUTIVE

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Under the current organisational structure of the Company, the functions of a chief executive are performed by the Group Executive Chairman, Mr. Lee Seng Huang, in conjunction with the Group Deputy Chief Executive Officer, Mr. Simon Chow Wing Charn. The Group Executive Chairman oversees the Group's Principal Investments, as well as the Group's interest in United Asia Finance Limited ("UAF") whose day-to-day management lies with its designated Managing Director. Mr. Chow assists the Group Executive Chairman in driving the performance of other business segments of the Group as well as exploring new areas of growth.

The Board believes that this structure spreads the workload that would otherwise be borne by an individual chief executive, allowing the growing businesses of the Group to be overseen by appropriately qualified and experienced senior executives in those fields. Furthermore, it enhances communications and speeds up the decision-making process across the Company. The Board also considers that this structure will not impair the balance of power and authority between the Board and management of the Company. An appropriate balance can be maintained by the operation of the Board, which holds at least four regular meetings a year to discuss business and operational issues of the Group.

The Group Executive Chairman is responsible for the leadership of the Board, ensuring that all key and appropriate issues are discussed by the Board in a timely and constructive manner, all Directors are properly briefed on issues arising at Board meetings, and the Directors receive in a timely manner, adequate information which is accurate, clear, complete and reliable.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The terms of reference of the Nomination Committee include a nomination procedure specifying the process and criteria for selection and recommendation of candidates for directorships of the Company.

New Directors, upon appointment, will be given an induction package containing the relevant requirements of the Listing Rules and other key applicable rules and regulations, as well as guidelines on the responsibilities and obligations to be observed by a Director. The package will also include the latest published financial reports of the Company and the documentation for the corporate governance practices adopted by the Board. Senior management will subsequently conduct such briefings as necessary to provide the new Directors with detailed information on the Group's businesses and activities.

The NEDs (including the INEDs) of the Company are appointed for a specific term of two years and subject to the relevant retirement provisions of the Articles or any other applicable laws whereby the Directors shall vacate or retire from their offices but are eligible for re-election. The term of appointment of the NEDs (including the INEDs) has been renewed for two years commencing from 1 January 2015.

According to Article 94 of the Articles, any Director appointed to fill a casual vacancy shall hold office until the Company's next following general meeting and shall be eligible for re-election. Any Director appointed as an addition to the Board shall hold office only until the next following AGM of the Company and shall be eligible for re-election at that meeting. Furthermore, at each AGM of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation. Every Director shall be subject to retirement by rotation at least once every three years.

BOARD DIVERSITY

The Company recognises and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in maintaining an effective Board to enhance the quality of its performance. The Board has adopted the Board Diversity Policy with an aim to promote broad experience and diversity on the Board.

The objectives of the Board Diversity Policy include:

(i) the Board should possess a balance of skills and experience appropriate for the requirements of the business of the Company. The Directors should have a mix of finance, legal and management qualifications with considerable experience in diversified businesses;

(ii) selection of candidates for directorship will be based on a broad range of perspectives, including but not limited to gender, age, cultural, educational background or professional experience; and

(iii) Directors (especially the NEDs) are encouraged to participate in Board meetings to bring an independent judgment, to promote critical review and to bring a wide range of business and financial experience to the Board which contributes to the effective direction of the Company.

Appointments to the Board should be made in the context of complementing and expanding the skills, knowledge and experience of the Board as a whole and candidates will be considered against measureable objectives, taking into account the Company's business and needs.

CORPORATE GOVERNANCE FUNCTIONS

To maintain a high standard of corporate governance within a sensible framework, with an emphasis on the principles of integrity, transparency, accountability and equity, the Company has adopted a Corporate Governance Policy and the terms of reference of the Board with effect from 1 April 2012.

The major duties of the Board in respect of performing the corporate governance functions are:

(i) to develop and review the Company's policies and practices on corporate governance;

(ii) to review and monitor the training and continuous professional development of Directors and senior management;

(iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct and compliance manuals applicable to employees and Directors; and

(v) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year, the functions of the Board were revised in December 2015 to include the annual review of the risk management system of the Group.

In 2015 and up to the date of this report, the Board has performed the corporate governance duties in accordance with its terms of reference.

BOARD COMMITTEES

The Board has established various committees, including the Nomination Committee, Remuneration Committee, Audit Committee, Executive Committee and Risk Management Committee, each of which has its specific written terms of reference. Copies of minutes of all meetings and resolutions of the committees, which are kept by the Company Secretary, are circulated to all Board members, and the committees are required to report back to the Board on their decisions and recommendations where appropriate. The procedures and arrangements for a Board meeting, as mentioned above, have been adopted for the committee meetings so far as practicable.

Nomination Committee

The Nomination Committee has been established since April 2012 and currently consists of one Executive Director and four INEDs, including Messrs. Lee Seng Huang (chairman), David Craig Bartlett, Alan Stephen Jones, Peter Wong Man Kong and Ms. Jacqueline Alee Leung. The Nomination Committee is provided with sufficient resources to perform its duties, including, where necessary, to seek independent professional advice, at the Company's expense, to perform its responsibilities.

The duties and authorities of the Nomination Committee are contained in the terms of reference of the Nomination Committee, which fully comply with code provision A.5.2 of the CG Code and are available on the websites of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and the Company.

The Nomination Committee shall hold meetings when necessary in accordance with its terms of reference and may also deal with matters by way of circulation of written resolutions. In 2015, no Nomination Committee meeting was held while the committee dealt with matters by way of circulation of written resolutions. The work performed by the Nomination Committee in 2015 and up to the date of this report is summarised as follows:

(i) review of the structure, size and diversity of the Board;

(ii) assessment and confirmation of the independence of the INEDs;

(iii) review of the proposed re-election of Directors at the 2015 AGM and 2016 AGM, with a recommendation to the Board for proposal to the shareholders for approval at each meeting; and

(iv) review of the appointments of an Executive Director, a NED and the Alternate Director to the NED, with recommendations to the Board for approval.

Remuneration Committee

The Remuneration Committee has been established since April 1985 and currently consists of four INEDs including Messrs. Peter Wong Man Kong (chairman), David Craig Bartlett, Alan Stephen Jones and Ms. Jacqueline Alee Leung.

The Remuneration Committee is provided with sufficient resources to perform its duties, and, where necessary, to seek independent professional advice, at the Company's expense, to perform its responsibilities.

The duties and authorities of the Remuneration Committee are contained in the terms of reference of the Remuneration Committee which are available on the websites of the Hong Kong Stock Exchange and the Company.

The terms of reference of the Remuneration Committee adopted by the Company are in compliance with code provision B.1.2 of the CG Code except that the Remuneration Committee should make recommendations to the Board on the remuneration packages of the Executive Directors only and not senior management (as opposed to executive directors and senior management under the code provision). The reasons for the above derivations are summarised as below:

(i) the Board believes that the Remuneration Committee is not properly in a position to evaluate the performance of senior management and that this evaluation process is more effectively carried out by the Executive Directors;

(ii) the Executive Directors must be in a position to supervise and control senior management and thus must be able to control their compensation; and

(iii) there is no reason for the Executive Directors to pay senior management more than industry standards and thus the shareholders will benefit by reducing costs in the fixing of such compensation packages.

The Remuneration Committee shall meet at least once a year in accordance with its terms of reference. One Remuneration Committee meeting was held in 2015 and the attendance of each member at the meeting is set out in the section headed "Board Process" of this report.

The work performed by the Remuneration Committee during 2015 is summarised as follows:

(i) review of the policy and structure for the remuneration of Directors;

(ii) review of the remuneration packages of the then Executive Directors, with a recommendation to the Board for approval of an increase in the monthly salary of each of the then four Executive Directors commencing from January 2015;

(iii) review of the bonuses for the year ended 31 December 2014 for the then four Executive Directors, with a recommendation to the Board for approval; and

(iv) review of the remuneration of all Directors (including the INEDs) and consultancy fees of the INEDs.

Pursuant to Article 97 of the Articles, each Director shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Board. Further remuneration payable to Directors (including any consultancy fees to the INEDs) for their additional responsibilities and services will be determined according to their respective contractual terms under their employment contracts or service contracts as approved by the Board on the recommendation of the Remuneration Committee. Details of the Directors' remuneration are set out in Note 8 to the consolidated financial statements. In addition, the annual remuneration payable to members of the senior management by band is set out in Note 8 to the consolidated financial statements. Details of the remuneration policy of the Group are also set out in the "Human Resources and Training" section in the Management Discussion and Analysis on pages 22 and 23.

After the end of the reporting period, a Remuneration Committee meeting was held to review the policy and structure of the Directors' remuneration, and the remuneration packages of the Directors. The Remuneration Committee recommended to the Board for approval the following:

(i) the payment of discretionary bonuses for the year 2015 to the three Executive Directors:

- HK$14,500,000 in cash to Mr. Lee Seng Huang ("Mr. Lee");
- HK$1,700,000 in cash and such number of shares of the Company to be awarded under the EOS equivalent of HK$2,550,000 to Mr. Simon Chow Wing Charn ("Mr. Chow");
- HK$1,650,000 in cash and such number of shares of the Company to be awarded under the EOS equivalent to HK$1,100,000 to Mr. Peter Anthony Curry ("Mr. Curry");

(ii) an increase of 2%, 5% and 2% to the monthly salary respectively of Mr. Lee, Mr. Chow and Mr. Curry commencing from January 2016; and

(iii) an increase of HK$10,000 to the consultancy fee of the four INEDs commencing from the year 2016.

The Board subsequently approved these recommendations put forward by the Remuneration Committee.

For the purpose of Rule 13.51B(1) of the Listing Rules, the amount for the monthly rental-related expenses which form part of the emoluments of Mr. Lee and are varying in nature has changed.

Audit Committee

The Audit Committee has been established since April 1985 and currently consists of four INEDs. To retain independence and objectivity, the Audit Committee is chaired by an INED who possesses appropriate professional qualifications or accounting or related financial management expertise. The current members of the Audit Committee are Messrs. Alan Stephen Jones (chairman), David Craig Bartlett, Peter Wong Man Kong and Ms. Jacqueline Alee Leung. The Audit Committee is provided with sufficient resources to perform its duties and has access to independent professional advice according to the Company's policy when necessary.

The responsibilities and duties of the Audit Committee are contained in the terms of reference of the Audit Committee which are available on the websites of the Hong Kong Stock Exchange and the Company.

The terms of reference of the Audit Committee of the Company are revised from time to time to comply with code provision C.3.3 of the CG Code, but with deviations from the code provision regarding the Audit Committee's responsibilities to:

(i) implement the policy on the engagement of the external auditor to supply non-audit services;

(ii) ensure that management has performed its duty to have an effective internal control system;

(iii) ensure co-ordination between the internal and external auditors; and

(iv) ensure that the internal audit function is adequately resourced and has appropriate standing within the Company.

The Board considers that the Audit Committee of the Company should recommend (as opposed to implement under the code provision) the policy on the engaging the external auditor to supply non-audit services for the following reasons:

(i) it is more proper and appropriate for the Board and its committees to develop the policy and make appropriate recommendations;

(ii) the proper and appropriate mechanism for implementation of such policy and recommendations is through the Executive Directors and management; and

(iii) the INEDs are not in an effective position to implement the policy and follow up implementation of the same on a day-to-day basis.

Furthermore, the Board considers that the Audit Committee only possesses the effective ability to scrutinise (as opposed to ensure under the code provision) whether management has performed its duty to have an effective internal control system. The Audit Committee is not equipped to ensure that the same is in place, as this would involve day-to-day supervision and the employment of permanent experts. The Audit Committee is not in a position to ensure co-ordination between the internal audit and external auditor, but it can promote the same. Similarly, the Audit Committee cannot ensure that the internal audit is adequately resourced and has appropriate standing within the Company but it can check whether it is adequately resourced and has appropriate standing within the Company, and recommend the correction of any identified deficiency.

The Audit Committee shall meet at least three times a year in accordance with its terms of reference. Three Audit Committee meetings were held in 2015 and the attendance of each member at these meetings is set out in the section headed "Board Process" of this report.

Apart from committee meetings, the Audit Committee also deals with matters by way of circulation of written resolutions, when necessary. The work performed by the Audit Committee in 2015 and up to the date of this report is summarised as follows:

(i) consideration and approval of the terms of engagement and fees proposed by the external auditor regarding the interim review for the six months ended 30 June 2015 and the final audit of the Group for the year ended 31 December 2015;

(ii) review of the reports from the external auditor, management representation letters in relation to the final audit of the financial statements of the Group for the years ended 31 December 2014 and 2015;

(iii) review of the reports from the external auditor and management representation letters in relation to the interim review of the financial statements of the Group for the six months ended 30 June 2015;

(iv) review of the financial reports of the Company for the years ended 31 December 2014 and 2015, and for the six months ended 30 June 2015, with a recommendation to the Board for approval;

(v) review of the internal audit plan;

(vi) review of the internal audit progress reports by the internal audit function and discussed the risk management and internal control issues of the Group; and

(vii) review of the revised version of the Whistleblowing Policy, with a recommendation to the Board for approval.

Executive Committee

The Executive Committee has been established since November 1983 and currently consists of three Executive Directors, being Messrs. Lee Seng Huang (chairman), Simon Chow Wing Charn and Peter Anthony Curry. The Executive Committee is vested with all the general powers of management and control of the activities of the Group as are vested in the Board, save for those matters which are reserved for the Board's decision and approval pursuant to the terms of reference of the Executive Committee.

The Executive Committee is mainly responsible for undertaking and supervising the day-to-day management of the Group, and is empowered, subject to the general policies adopted by the Board:

(i) to formulate and implement policies for the business activities, internal control and administration of the Group; and

(ii) to plan and decide on strategies to be adopted for the business activities of the Group.

Risk Management Committee

The Risk Management Committee (the "RMC") consists of three Executive Directors, being Messrs. Lee Seng Huang (chairman), Simon Chow Wing Charn and Peter Anthony Curry.

The major roles and responsibilities of the RMC are:

(i) to analyse and define risks likely to be encountered by the Group in the various aspects of its operation;

(ii) to ensure through appropriate mechanisms including setting up committee(s) and supervision by divisional/department heads, adequate review, assessment, and monitoring the risks which may be encountered by the Group and the effectiveness of the Group's systems of risk management and internal controls, including but without limiting financial, operational and compliance controls and risk management functions;

(iii) to act as a provider of assurance (in conjunction with the Group's internal audit function and the Group's external auditor) to the Board in its annual review of:

(a) the changes in the nature and extent of significant risks likely to be encountered by the Group since the last annual review, and the Group's ability to respond to such changes in its business activities and external environment;

(b) the scope and quality of management's ongoing monitoring of risks and system of internal controls;

(c) any major incident that poses substantial risk and/or loss exposure to the Group, whether actual loss is incurred or not; in the event of likely or actual violations of any applicable laws, regulations, regulatory guidelines/codes; significant internal policies, operational or technological failures; and any other significant events that may expose the Group to substantial reputational risk;

(d) the effectiveness of the Group's processes relating to financial reporting and Listing Rules compliance; and

(e) all other relevant issues appropriate to risk identification and management and internal control issues.

The RMC will normally meet quarterly or as directed by the chairman of the RMC. Two meetings of the RMC of the Company were held in 2015 and one meeting was held in March 2016 and the work performed by the RMC during the year and up to the date of this report is summarised as follows:

(i) review of the legal and compliance issues and requirements arising from business activities and regulatory issues;

(ii) monitoring of the market risk and reporting approaches;

(iii) requesting a review and engaging an external consultant for the review of the risk management and internal control system for the Group's principal investments business;

(iv) control and review of the completed responsibility statements from the relevant business units and department heads regarding its risk, compliance and internal control procedures for the financial year ended 31 December 2015; and

(v) review of the risk management report from UAF.

COMPANY SECRETARY

Ms. Hester Wong Lam Chun is an employee and the Company Secretary of the Company. All Directors have access to the advice and services of the Company Secretary. The Company Secretary reports to the Group Executive Chairman on board governance matters, and is responsible for ensuring that Board procedures are followed and for facilitating communications among Directors as well as with the shareholders and management.

Ms. Wong is a fellow member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. During 2015, Ms. Wong undertook over 15 hours of relevant professional training to update her skills and knowledge.

CODES FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specified enquiries of all the Directors, they have confirmed that they have complied with the required standard as set out in the Model Code.

The Company has also adopted the Model Code as the Code for Securities Transactions by Relevant Employees, to regulate dealings in the securities of the Company by certain employees of the Company or any of its subsidiaries who are considered to be likely to possess inside information in relation to the Company or its securities.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibility, with the support of the Finance Department, for preparing the financial statements of the Group. In preparing the financial statements for the year ended 31 December 2015, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of the Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance have been complied with. The Directors believe that they have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent and reasonable, and ensure that the financial statements are prepared on a "going concern" basis.

The reporting responsibilities of the Company's external auditor, Messrs. Deloitte Touche Tohmatsu ("Deloitte"), are set out in the Independent Auditor's Report on pages 61 and 62.

External Auditor's Remuneration

During the year and up to the date of this report, the remuneration paid to Deloitte is set out as follows:

Services rendered for the Group	**Fees paid (HK$ Million)**
Audit services	6.5
Non-audit services (taxation and other professional services)	2.6
Total	9.1

INTERNAL CONTROL

The Board is responsible for ensuring that the Group maintains sound and effective internal controls to safeguard the Group's corporate interests.

The Group's internal control framework is to provide reasonable but not absolute assurance against material misstatement or loss; to manage prudently but not completely eliminate the risk of system failure. Systems and procedures are put in place to identify, manage and control the risks of different businesses and activities. Risk control limits are established according to the appropriate authorisation hierarchy. More detailed discussions of different types of risks are set out in the "Principal Risks, Relevant Laws and Regulations" section under "Management Discussion and Analysis" and in Note 43 to the consolidated financial statements — Financial Risk Management.

In addition to safeguarding the Group's corporate interests, the internal control framework is to maintain proper accounting records and to comply with relevant laws and regulations. The Group has independent control functions e.g. internal audit. Together with the RMC (please refer to the "Board Committees" section in the earlier part of this report), they play an important role in assuring the Board and management that a sound internal control system is being implemented, maintained, and relevant regulatory requirements are complied with.

Internal audit is an independent function reporting to the Group Chief Financial Officer ("Group CFO"). It provides an independent and objective assurance and internal consultancy service to safeguard the Group's operations. It effectuates a systematic and disciplined approach to evaluate and improve the Group's process on risk management, control and governance. The audit plans are risk-based to ensure that a methodical coverage of the Group's operations and resources are focused on high risk areas. Ad hoc reviews are conducted on areas of concern where necessary. Internal audit reports are issued to the Group Executive Chairman, the Audit Committee, relevant senior management and division/department heads.

Each year, a Group-wide self-assessment is conducted on the effectiveness of internal control framework covering all major areas such as front-office, compliance, finance and operations with the purposes of assessing and documenting key risks to enable control improvement. The assessment is performed by the divisions and co-ordinated by the Group CFO who reports directly to the Group Executive Chairman. The results and findings are reported to the RMC, Audit Committee and the Board. Other monitoring and review on risk exposures to formulate risk management policies is also co-ordinated by the Group CFO.

Management reviews are conducted on new products, processes and systems to ensure that policies and procedures are updated in accordance with the ever changing risk-related environment.

The Group engages external consultants on an ad-hoc basis to perform independent reviews covering significant parts of the Group's operations.

The Board, through the Audit Committee, reviews the adequacy of resources, training programmes, budget, qualifications and experience of the accounting and financial reporting staff in accordance with the requirements of the Listing Rules. The RMC, Audit Committee and the Board review the effectiveness of the internal control systems of the Group and fulfill the requirement of the CG Code regarding internal control systems in general.

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of strong communication with our shareholders. Information in relation to the Group is disseminated to the shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars. Such published documents, together with the latest corporate information and news, are also made available on the Company's website.

The Company's general meetings are valuable forums for the Board to communicate directly with the shareholders. Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting and also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his/her duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting.

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. The chairman of any independent board committee formed as necessary or pursuant to the Listing Rules (or if no such chairman is appointed, at least a member of the independent board committee) should also be available to answer questions at any general meeting of the shareholders to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.

The 2015 AGM was held on 3 June 2015 and ten out of eleven Directors attended the meeting. For details, please refer to the attendance record of the Directors set out in the section headed "Board Process" of this report.

Separate resolutions are proposed at the AGM, including the re-election of retiring Directors.

Notice of meetings to the shareholders is to be sent in the case of the AGM at least 20 clear business days before the meeting and to be sent at least 10 clear business days in case of all other general meetings. An explanation of the detailed procedures of conducting a poll is provided to the shareholders at the commencement of the meeting. The chairman of the meeting answers questions from the shareholders regarding voting by way of a poll. The poll results of the resolutions are thereafter published in the manner prescribed under the requirements of the Listing Rules.

Shareholder(s) representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings of the Company can request to convene an extraordinary general meeting according to Article 67 of the Articles and Section 566 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong). The business proposed to be transacted at the meeting must be stated in the related requisition which must be signed and deposited at the registered office of the Company. Besides, the shareholders may make a proposal at the shareholders' meeting by submitting it in written form of a proposed resolution to the Board at the registered office of the Company , which shall clearly and concisely set out the proposal for discussion and be relevant to the Company's business scope.

The Board adopted a shareholders' communication policy in March 2012. The shareholders may make reasonable requests to the Company for information regarding the Company which has been made publicly available. Such requests should be directed to the Company Secretary at the Company's registered office. If a shareholder wishes to make an enquiry to the Board, it must be served at the registered office for the attention of the Company Secretary. In addition, the shareholders can contact Tricor Secretaries Limited, the share registrar of the Company, for any questions about their shareholdings.

CONSTITUTIONAL DOCUMENTS

The consolidated version of the Company's Articles of Association is available on the websites of the Hong Kong Stock Exchange and the Company.

To align the Articles of the Company with the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which came into effect on 3 March 2014, the Directors proposed the adoption of a new set of Articles and they were approved by way of a special resolution duly passed at the 2015 AGM of the Company.

CORPORATE GOVERNANCE ENHANCEMENT

The Board has adopted a set of corporate governance documentation which will be updated and revised as and when necessary in light of changes in circumstances and changes in regulatory requirements in Hong Kong in 2015, it was updated in line with the new Companies Ordinance and the Listing Rules.

Enhancing corporate governance is not simply a matter of applying and complying with the CG Code of the Hong Kong Stock Exchange, but about promoting and developing an ethical and healthy corporate culture. We will continue to review, and where appropriate, improve our current practices on the basis of our experience, regulatory changes and developments. Any views and suggestions from our shareholders to promote and improve our transparency are also welcome.

On behalf of the Board

Lee Seng Huang
Group Executive Chairman

Hong Kong, 17 March 2016

The directors of the Company (the "Directors") are pleased to present the 2015 annual report ("Annual Report") and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investing holding. The principal activities of the Company's principal subsidiaries and associates are set out in Notes 24 and 25 to the consolidated financial statements respectively. Details and respective analysis of the main business segments of the Group during the year are set out in Note 6 to the consolidated financial statements.

Further discussion and analysis as required by Schedule 5 to the Hong Kong Companies Ordinance can be found in the sections of "Financial Highlights" and "Management Discussion and Analysis" of this Annual Report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2015 are set out in the Consolidated Statement of Profit or Loss.

An interim dividend of HK12 cents per share was paid to the shareholders of the Company on 15 September 2015. The Directors has declared a second interim dividend of HK14 cents per share (in lieu of a final dividend) for the year ended 31 December 2015 to the shareholders whose names appear on the register of members of the Company on 8 April 2016, making a total dividend for the year 2015 of HK26 cents per share. Dividend warrants of the second interim dividend are expected to be despatched on or around 21 April 2016.

INVESTMENT PROPERTIES

Movements in investment properties during 2015 are detailed in Note 19 to the consolidated financial statements.

PROPERTY AND EQUIPMENT

Movements in property and equipment during 2015 are detailed in Note 20 to the consolidated financial statements.

CHARITABLE DONATIONS

The total donations made by the Group for charitable purposes during the year amounted to approximately HK$2.7 million.

SHARE CAPITAL AND SHARES ISSUED

Details of the movements in share capital of the Company during the year are set out in Note 38 to the consolidated financial statements.

DEBENTURES ISSUED

The Group has issued the following debentures:

– US$350 million 6.375% Guaranteed Notes due 2017 issued under its US$2 billion Guaranteed Medium Term Note Programme were listed on or about 27 September 2012 (stock code: 4567) by Sun Hung Kai & Co. (BVI) Limited ("SHK BVI"), a company incorporated in the British Virgin Islands and is a wholly-owned subsidiary of the Company.

- US$60 million 3% Guaranteed Notes due 2017 were further issued under its US$2 billion Guaranteed Medium Term Note Programme by SHK BVI on 28 March 2014.

- RMB500 million 6.9% Guaranteed Notes due 2018 were issued under the US$3 billion Medium Term Note Programme by UA Finance (BVI) Limited (a company incorporated in the British Virgin Islands and an indirect non wholly-owned subsidiary of the Company) on 2 May 2013.

For further details of the abovementioned issued Notes, please refer to Note 37 to the consolidated financial statements. Save as disclosed above, the Group has not issued any debentures during the year.

RESERVES

Details of the movements in reserves during the year are set out in the Consolidated Statement of Changes in Equity and Note 45 to the consolidated financial statements.

DIRECTORS

The Board of Directors during the year and up to the date of this report comprises:

Executive Directors

Lee Seng Huang *(Group Executive Chairman)*
Simon Chow Wing Charn *(appointed on 3 June 2015)*
Peter Anthony Curry
William Leung Wing Cheung *(resigned on 3 June 2015)*
Joseph Tong Tang *(resigned on 25 January 2016)*

Non-Executive Directors

Jonathan Andrew Cimino *(appointed on 25 January 2016)*
Joseph Kamal Iskander *(alternate to Mr. Jonathan Andrew Cimino) (appointed on 25 January 2016)*
Ho Chi Kit *(resigned on 30 June 2015)*
Roy Kuan *(alternate to Mr. Ho Chi Kit) (ceased on 30 June 2015)*
Leung Pak To *(resigned on 30 June 2015)*
Liu Zheng *(alternate to Mr. Leung Pak To) (ceased on 30 June 2015)*
Ahmed Mohammed Aqil Qassim Alqassim *(resigned on 25 January 2016)*
Joseph Kamal Iskander *(alternate to Mr. Ahmed Mohammed Aqil Qassim Alqassim) (ceased on 25 January 2016)*

Independent Non-Executive Directors ("INEDs")

David Craig Bartlett
Alan Stephen Jones
Jacqueline Alee Leung
Peter Wong Man Kong

In accordance with Article 94 of the Company's Articles of Association (the "Articles"), a new Director appointed to fill a casual vacancy shall hold office only until the next following general meeting and a new Director appointed as an addition to the Board shall hold office only until the next following Annual General Meeting of the Company ("AGM"). Besides, one-third of the Directors for the time being shall be subject to retirement by rotation, and eligible for re-election, at each AGM in accordance with Article 103 of the Articles.

Accordingly, pursuant to Article 94 of the Articles, Messrs. Simon Chow Wing Charn and Jonathan Andrew Cimino shall hold office until the forthcoming AGM and, being eligible, offer themselves for re-election. And pursuant to Article 103 of the Articles, Messrs. Peter Anthony Curry and Alan Stephen Jones, Directors being the longest in office since their last election, will retire at the forthcoming AGM, and being eligible, offer themselves for re-election at the AGM.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election or election (as the case may be) at the forthcoming AGM has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS OF SUBSIDIARIES

The list of Directors who have served on the boards of directors of the Company's subsidiaries during the year is available on the website of the Company under the "Corporate Governance" section.

DIRECTORS' INTERESTS

As at 31 December 2015, the Directors who held office as at 31 December 2015 had interests in the shares of the Company, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept under Section 352 of the SFO were as follows:

(a) Interests in the shares of the Company (the "Shares") and the underlying Shares

Name of Directors	**Capacity**	**Number of Shares and underlying Shares**	**Approximate % of the total number of issued Shares**
Lee Seng Huang	Interests of controlled corporation *(Note 1)*	1,575,178,575 *(Note 2)*	70.66%
Peter Anthony Curry	Beneficiary of trust	213,000 *(Note 3(a))*	0.01%
	Beneficial owner	575,141 *(Note 3(b))*	0.03%
Joseph Tong Tang *(resigned on 25 January 2016)*	Beneficiary of trust	80,000 *(Note 4)*	0.004%

Notes:

1. Mr. Lee Seng Huang, a Director, together with Mr. Lee Seng Hui and Ms. Lee Su Hwei are the trustees of Lee and Lee Trust, being a discretionary trust. Lee and Lee Trust together with Mr. Lee Seng Hui indirectly owned approximately 73.90% of the total number of shares of Allied Group Limited ("AGL") and was therefore deemed to have interests in the Shares in which AGL was interested.

2. This refers to the deemed interests in (i) 1,233,578,575 Shares held by Allied Properties (H.K.) Limited ("APL"); and (ii) 341,600,000 Shares which were held by Asia Financial Services Company Limited ("AFSC") and charged to a subsidiary of the Company.

3. (a) These include the deemed interests in:

   (i) 44,000 unvested Shares out of the total of 132,000 Shares granted to Mr. Peter Anthony Curry ("Mr. Curry") on 3 May 2013 under the SHK Employee Ownership Scheme (the "EOS") and was subsequently accepted. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 44,000 Shares) was vested and became unrestricted from 15 April 2014; another one-third thereof was vested and became unrestricted from 15 April 2015; and the remaining one-third thereof shall be vested and become unrestricted from 15 April 2016;

   (ii) 52,000 unvested Shares out of the total of 78,000 Shares granted to Mr. Curry on 16 April 2014 under the EOS and was subsequently accepted. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 26,000 Shares) was vested and became unrestricted from 15 April 2015; another one-third thereof shall be vested and become unrestricted from 15 April 2016; and the remaining one-third thereof shall be vested and become unrestricted from 15 April 2017; and

   (iii) 117,000 unvested Shares granted to Mr. Curry on 21 April 2015 under the EOS and was subsequently accepted. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 39,000 Shares) shall be vested and become unrestricted from 15 April 2016; another one-third thereof shall be vested and become unrestricted from 15 April 2017; and the remaining one-third thereof shall be vested and become unrestricted from 15 April 2018.

   (b) This includes 573,000 Shares granted to Mr. Curry under the EOS that were vested, became unrestricted and the title of which was transferred to him. The balance represents the Shares received by Mr. Curry by the allotment of scrip shares pursuant to the previous scrip dividend scheme of the Company.

4. These include the deemed interests in:

   (i) 6,000 unvested Shares out of the total of 18,000 Shares granted to Mr. Joseph Tong Tang ("Mr. Tong") on 3 May 2013 under the EOS and was subsequently accepted. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 6,000 Shares) was vested and became unrestricted from 15 April 2014; another one-third thereof was vested and became unrestricted from 15 April 2015; and the remaining one-third thereof shall be vested and become unrestricted from 15 April 2016;

   (ii) 38,000 unvested Shares out of the total of 57,000 Shares granted to Mr. Tong on 16 April 2014 under the EOS and was subsequently accepted. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 19,000 shares) was vested and became unrestricted from 15 April 2015; another one-third shall be vested and become unrestricted from 15 April 2016; and the remaining one-third thereof shall be vested and become unrestricted from 15 April 2017; and

   (iii) 36,000 unvested Shares granted to Mr. Tong on 21 April 2015 under the EOS and was subsequently accepted. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 12,000 Shares) shall be vested and become unrestricted from 15 April 2016; another one-third thereof shall be vested and become unrestricted from 15 April 2017; and the remaining one-third thereof shall be vested and become unrestricted from 15 April 2018.

(b) Interests in the shares and underlying shares of associated corporations

Name of Directors	Associated corporations	Capacity	Number of shares and underlying shares	Approximate % of the total number of the relevant shares
Lee Seng Huang *(Note 1)*	AGL	Trustee (other than a bare trustee) *(Note 2)*	131,706,380	73.88%
	APL	Interests of controlled corporation *(Note 3)*	6,237,045,730 *(Note 4)*	91.45%
	SHK Hong Kong Industries Limited ("SHK HK Ind")	Interests of controlled corporation *(Note 5)*	3,082,889,606 *(Note 6)*	74.97%
Joseph Tong Tang *(resigned on 25 January 2016)*	APL	Beneficial owner	20,158 *(Note 7)*	0.0002%

Notes:

1. Mr. Lee Seng Huang, by virtue of his interests in AGL and APL, was deemed to be interested in the shares of the subsidiaries of AGL (including SHK HK Ind, a listed subsidiary of AGL) and APL, which are associated corporations of the Company as defined under the SFO.

   A waiver application was submitted to The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") for exemption from disclosure of Mr. Lee's deemed interests in the shares of such associated corporations of the Company in this report, and the waiver was granted by the Hong Kong Stock Exchange on 15 February 2016.

2. Mr. Lee Seng Huang is one of the trustees of Lee and Lee Trust, being a discretionary trust which indirectly owned 131,706,380 shares of AGL.

3. This refers to the same interests held directly or indirectly by AGL in APL.

4. These include interests in (i) 5,381,039,521 shares of APL; and (ii) listed physically settled warrants of APL giving rise to an interest in 856,006,209 underlying shares of APL. The warrants of APL entitle the holders thereof to subscribe at any time during the period from 13 June 2011 to 13 June 2016 (both days inclusive) for fully paid shares of APL at an initial subscription price of HK$2 per share (subject to adjustments) (the "APL Warrants").

5. This refers to the same interests held indirectly by AGL in SHK HK Ind.

6. This refers to the interest in 3,082,889,606 shares of SHK HK Ind.

7. This refers to the interest in APL Warrants giving rise to 20,158 underlying shares of APL.

All interests stated above represent long positions. As at 31 December 2015, none of the Directors held any short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations.

Save as disclosed above, as at 31 December 2015, neither the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Rules Governing the Listing of Securities on Hong Kong Stock Exchange (the "Listing Rules").

SHK EMPLOYEE OWNERSHIP SCHEME

On 18 December 2007 (the "Adoption Date"), the Company adopted the EOS to recognise the contributions by any employee or director of the Group (the "Selected Grantees") and to provide them with long-term incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

A committee comprising senior management of the Company has been formed, with the power and authority delegated by the Board, to administer the EOS. An independent trustee (the "Trustee") has been appointed for the administration of the EOS. Under the EOS, Selected Grantees are to be awarded Shares which have been purchased by the Trustee at the cost of the Company and be held in trust for the Selected Grantees until the end of each vesting period. Upon management's recommendation, the number of Shares awarded to the Selected Grantees (other than a Director) shall be determined, with the vesting dates for various tranches, by the committee. Any Shares awarded under the EOS to a Selected Grantee who is a Director shall be subject to the Board's approval following a recommendation from the Remuneration Committee of the Board.

Subject to the terms thereof, the EOS shall be valid and effective for an initial term of five years commencing on 18 December 2007 and automatically extended for another three subsequent terms of five years each unless otherwise terminated. The maximum number of Shares which can be awarded under the EOS and to a Selected Grantee throughout its duration are limited to 5 per cent (i.e. 83,989,452 Shares) and 1 per cent (i.e. 16,797,890 Shares) respectively of the total number of Shares in issue as at the Adoption Date.

During the year, a total of 282,000 Shares (2014: 1,698,000 Shares) were awarded to the Selected Grantees subject to various terms including, amongst other things, vesting scales whereby awarded Shares will vest and become unrestricted in various vesting periods. A total of 1,581,000 Shares (2014: 1,332,000 Shares) were vested during the year.

Since its adoption, a total of 14,395,000 Shares have been awarded up to the date of this report, representing about 0.86 per cent of the total number of Shares in issue as at the Adoption Date. As at 31 December 2015, the outstanding awarded Shares under the EOS (excluding Shares awarded, but subsequently forfeited) amounted to 1,516,000 Shares, out of which 293,000 Shares were awarded to the Directors.

EQUITY-LINKED AGREEMENTS

Other than the EOS as disclosed above, no equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the year or subsisted at the end of the year.

ARRANGEMENT FOR THE ACQUISITION OF SHARES OR DEBENTURES

Other than the EOS, at no time during the year was the Company, its holding company or any of their subsidiaries, 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.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2015, the following shareholders had interests in the Shares and underlying Shares as recorded in the register required to be kept under Section 336 of the SFO (the "SFO Register"):

Name of Shareholders	Capacity	Number of Shares and underlying Shares	Approximate % of the total number of issued Shares
APL	Interests of controlled corporation *(Note 1)*	1,575,178,575 *(Note 2)*	70.66%
AGL	Interests of controlled corporation *(Note 3)*	1,575,178,575 *(Note 4)*	70.66%
Lee and Lee Trust	Interests of controlled corporation *(Note 5)*	1,575,178,575 *(Note 4)*	70.66%
Dubai Ventures L.L.C ("Dubai Ventures")	Beneficial owner	166,000,000 *(Note 6)*	7.45%
Dubai Ventures Group (L.L.C) ("DVG")	Interests of controlled corporation *(Note 7)*	166,000,000 *(Note 8)*	7.45%
Dubai Group (L.L.C) ("Dubai Group")	Interests of controlled corporation *(Note 9)*	166,000,000 *(Note 8)*	7.45%
Dubai Holding Investments Group LLC ("DHIG")	Interests of controlled corporation *(Note 10)*	166,000,000 *(Note 8)*	7.45%
Dubai Holding (L.L.C) ("Dubai Holding")	Interests of controlled corporation *(Note 11)*	166,000,000 *(Note 8)*	7.45%
Dubai Group Limited ("DGL")	Interests of controlled corporation *(Note 12)*	166,000,000 *(Note 8)*	7.45%
HSBC Trustee (C.I.) Limited ("HSBC Trustee")	Trustee (other than a bare trustee) *(Note 13)*	166,000,000 *(Note 8)*	7.45%
HH Mohammed Bin Rashid Al Maktoum	Interests of controlled corporation *(Note 14)*	166,000,000 *(Note 8)*	7.45%
AFSC	Beneficial owner	341,600,000 *(Note 15)*	15.33%

Name of Shareholders	Capacity	Number of Shares and underlying Shares	Approximate % of the total number of issued Shares
Asia Financial Services Holdings Limited ("AFSH")	Interests of controlled corporation *(Note 16)*	341,600,000 *(Note 17)*	15.33%
Asia Financial Services Group Limited ("AFSG")	Interests of controlled corporation *(Note 18)*	341,600,000 *(Note 17)*	15.33%
Asia Financial Services Group Holdings Limited ("AFSGH")	Interests of controlled corporation *(Note 19)*	341,600,000 *(Note 17)*	15.33%
CVC Capital Partners Asia Pacific III L.P. ("CVC LP")	Interests of controlled corporation *(Note 20)*	341,600,000 *(Note 17)*	15.33%
CVC Capital Partners Asia III Limited ("CVC Capital III")	Interests of controlled corporation *(Note 21)*	341,600,000 *(Note 17)*	15.33%
CVC Capital Partners Advisory Company Limited ("CVC Capital Partners Advisory")	Interests of controlled corporation *(Note 22)*	341,600,000 *(Note 17)*	15.33%
CVC Capital Partners Finance Limited ("CVC Capital Partners Finance")	Interests of controlled corporation *(Note 23)*	341,600,000 *(Note 17)*	15.33%
CVC Group Holdings L.P. ("CVC Group Holdings")	Interests of controlled corporation *(Note 24)*	341,600,000 *(Note 17)*	15.33%
CVC Portfolio Holdings Limited ("CVC Portfolio")	Interests of controlled corporation *(Note 25)*	341,600,000 *(Note 17)*	15.33%
CVC MMXII Limited ("CVC MMXII")	Interests of controlled corporation *(Note 26)*	341,600,000 *(Note 17)*	15.33%
CVC Capital Partners 2013 PCC (acting in respect of its protected cell, CVC Capital Partners Cell D PC) ("CVC Capital Partners 2013")	Interests of controlled corporation *(Note 27)*	341,600,000 *(Note 17)*	15.33%
CVC Capital Partners SICAV-FIS S.A. ("CVC Capital Partners SA")	Interests of controlled corporation *(Note 28)*	341,600,000 *(Note 17)*	15.33%
Sun Hung Kai Structured Finance Limited ("SHKSF")	Security interest holder	341,600,000 *(Note 29)*	15.33%

Name of Shareholders	Capacity	Number of Shares and underlying Shares	Approximate % of the total number of issued Shares
Shipshape Investments Limited ("Shipshape")	Interests of controlled corporation *(Note 30)*	341,600,000 *(Note 31)*	15.33%
Sun Hung Kai & Co. Limited (the "Company")	Interests of controlled corporation *(Note 32)*	341,600,000 *(Note 31)*	15.33%
Ontario Teachers' Pension Plan Board	Beneficial owner	138,035,002 *(Note 33)*	6.19%

Notes:

1. The interests were held by (i) AP Emerald Limited ("AP Emerald"), a wholly-owned subsidiary of AP Jade Limited which in turn is a wholly-owned subsidiary of APL; and (ii) SHKSF, an indirect non wholly-owned subsidiary of APL. APL was therefore deemed to have interests in the Shares in which AP Emerald and SHKSF were interested.

2. These include (i) an interest in 1,233,578,575 Shares held by APL through AP Emerald; and (ii) security interest in 341,600,000 Shares which were held by AFSC and charged to SHKSF as security.

3. AGL owned approximately 74.91% of the total number of shares of APL and was therefore deemed to have an interest in the Shares in which APL was interested.

4. This refers to the same deemed interests in 1,575,178,575 Shares held by APL.

5. Mr. Lee Seng Hui, Ms. Lee Su Hwei and Mr. Lee Seng Huang (a Director) are the trustees of Lee and Lee Trust, being a discretionary trust. They together owned approximately 73.90% of the total number of shares of AGL (inclusive of Mr. Lee Seng Hui's personal interest) and were therefore deemed to have an interest in the Shares in which AGL was interested.

6. This represents an interest in 166,000,000 Shares.

7. DVG owned 99% interest in Dubai Ventures and was therefore deemed to have an interest in the Shares which Dubai Ventures was interested.

8. This refers to the same interests in 166,000,000 Shares held by Dubai Ventures.

9. Dubai Group owned 99% interest in DVG and was therefore deemed to have an interest in the Shares in which DVG was interested.

10. DHIG owned 51% interest in Dubai Group and was therefore deemed to have an interest in the Shares in which Dubai Group was interested.

11. Dubai Holding owned 99.66% interest in DHIG and was therefore deemed to have an interest in the Shares in which DHIG was interested.

12. DGL, through its wholly-owned subsidiary, owned 49% interest in Dubai Group and was therefore deemed to have an interest in the Shares in which Dubai Group was interested.

13. HSBC Trustee owned 100% interest in DGL and was therefore deemed to have an interest in the Shares in which DGL was interested.

14. HH Mohammed Bin Rashid Al Maktoum owned 97.40% interest in Dubai Holding and was therefore deemed to have an interest in the Shares in which Dubai Holding was interested.

15. This represents an interest in 341,600,000 Shares.

16. AFSH held 100% interest in AFSC and was therefore deemed to have an interest in the Shares in which AFSC was interested.

17. This refers to the same interests in 341,600,000 Shares held by AFSC.

18. AFSG owned 99.1% interest in AFSH and was therefore deemed to have an interest in the Shares in which AFSH was interested.

19. AFSGH held 100% interest in AFSG and was therefore deemed to have an interest in the Shares in which AFSG was interested.

20. CVC LP owned 88% interest in AFSGH and was therefore deemed to have an interest in the Shares in which AFSGH was interested.

21. CVC Capital III, as the general partner of CVC LP, exclusively managed and controlled CVC LP and was therefore deemed to have an interest in the Shares in which CVC LP was interested.

22. CVC Capital Partners Advisory held 100% interest in CVC Capital III and was therefore deemed to have an interest in the Shares in which CVC Capital III was interested.

23. CVC Capital Partners Finance held 100% interest in CVC Capital Partners Advisory and was therefore deemed to have an interest in the Shares in which CVC Capital Partners Advisory was interested.

24. CVC Group Holdings held 100% interest in CVC Capital Partners Finance and was therefore deemed to have an interest in the Shares in which CVC Capital Partners Finance was interested.

25. CVC Portfolio (i) held 80.83% interest in CVC Group Limited ("CVC Group" which was the sole limited partner of CVC Group Holdings) and was therefore deemed to have an interest in the Shares in which CVC Group Holdings was interested, and (ii) as the general partner of CVC Group Holdings, exclusively managed and controlled CVC Group Holdings and was therefore deemed to have an interest in the Shares in which CVC Group Holdings was interested.

26. CVC MMXII held 100% interest in CVC Portfolio and was therefore deemed to have an interest in the Shares in which CVC Portfolio was interested.

27. CVC Capital Partners 2013 held 100% interest in CVC MMXII and was therefore deemed to have an interest in the Shares in which CVC MMXII was interested.

28. CVC Capital Partners SA held 100% interest in CVC Capital Partners 2013 and was therefore deemed to have an interest in the Shares in which CVC Capital Partners 2013 was interested.

29. This represents a security interest in 341,600,000 Shares, which were pledged by AFSC to SHKSF as security.

30. Shipshape held 100% interest in SHKSF and was therefore deemed to have an interest in the Shares in which SHKSF was interested.

31. This refers to the same security interest in 341,600,000 Shares held as holder of securities by SHKSF.

32. The Company held 100% interest in Shipshape and was therefore deemed to have an interest in the Shares in which Shipshape was interested.

33. This represents an interest in 138,035,002 Shares.

All interests stated above represent long positions. As at 31 December 2015, no short positions were recorded in the SFO Register of the Company.

Save as disclosed above, as at 31 December 2015, the Directors are not aware of any other persons who have interests or short positions in the Shares or underlying Shares which would require to be disclosed to the Company pursuant to Part XV of the SFO.

INDEMNITY OF DIRECTORS

Pursuant to Article 181 of the Articles and subject to the provisions permitted by the Companies Ordinance, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. A Directors' and Officers' liability insurance policy for the benefit of the Directors and other officers of the Company was in force during the year and up to the date of this report.

CONTINUING CONNECTED TRANSACTIONS

(1) Loan Agreement

As disclosed in the annual report of the Company for the year 2014 and its announcement dated 30 June 2015, a loan agreement dated 5 April 2013 (the "Loan Agreement"), as supplemented by the supplemental loan agreement dated 23 September 2013 (the "Supplemental Loan Agreement") and a renewal letter dated 30 June 2015 (the "Renewal Letter"), were entered into between Sun Hung Kai International Bank [Brunei] Limited ("SHKIB"), an indirect wholly-owned subsidiary of the Company, as the lender and Tanami Gold NL ("Tanami") as the borrower which had become an associate of APL since 30 December 2013, whereby SHKIB made available to Tanami an unsecured revolving cash advance facility in the amount up to A$15 million with the repayment date extended from 31 March 2015 to 30 September 2015 at an interest rate of 6% per annum (the "Loan Facility"). The maximum aggregate amounts set for the transactions contemplated under the Loan Agreement, the Supplemental Loan Agreement and the Renewal Letter for each of the three years ended 31 December 2015 were A$16.4 million, A$16.8 million and A$15.96 million respectively.

The outstanding principal amount of the Loan Facility granted by SHKIB, the annual interest and facility fees in the sum of approximately A$12.87 million had been repaid by Tanami. There was no outstanding sum recorded since mid August 2015 and up to the date of this report.

(2) Sharing of Management Services Agreement

As disclosed in the announcement of the Company dated 28 January 2014 and in its annual report for the year 2014, a Renewed Sharing of Management Services Agreement was entered into between the Company and AGL on 28 January 2014 (the "Renewed Sharing of Management Services Agreement") to extend the term of the Sharing of Management Services Agreement dated 31 January 2011 for a period of three years from 1 January 2014 to 31 December 2016, in relation to the provision of management, consultancy, strategic and business advice services by the senior management and the selected staff of AGL (the "Management Staff") to the Group, and the reimbursement of costs payable to AGL. Pursuant to the Renewed Sharing of Management Services Agreement, the maximum aggregate amounts set for the three financial years commencing from 1 January 2014 and expiring 31 December 2016 were HK$5.37 million, HK$6.03 million and HK$6.78 million respectively. The total amount paid to AGL under the Renewed Sharing of Management Services Agreement for the year ended 31 December 2015 was HK$6.03 million.

(3) Leasing Agreements with subsidiaries of Tian An China Investments Company Limited ("TACI")

As disclosed in the joint announcements of the Company and TACI dated 29 January 2014, 23 May 2014, 31 October 2014 and 19 December 2014, the Group has leased the following four premises from subsidiaries of TACI (unless otherwise specifically defined herein, capitalised terms used below shall have the same meaning as those defined in the said announcements):

3.1 Unit 04, 32nd Floor, Dalian Tian An International Building, No. 88 Zhongshan Road, Zhongshan District, Dalian, Liaoning Province, PRC ("Premises I")

Dalian Tian An (a wholly-owned subsidiary of TACI) as lessor and Dalian UAF (a non wholly-owned subsidiary of the Company) as lessee entered into a renewed leasing agreement on 23 May 2014 in relation to the leasing of Premises I (for usage as office premises) for a term from 1 August 2014 to 30 June 2016 with monthly rental of RMB19,004.64 and monthly management fee of RMB4,998.48.

3.2 Unit 05, 32nd Floor, Dalian Tian An International Building, No. 88 Zhongshan Road, Zhongshan District, Dalian, Liaoning Province, PRC ("Premises II")

Dalian Tian An as lessor and Dalian UAF as lessee entered into a renewed leasing agreement on 23 May 2014 in relation to the leasing of Premises II (for usage as office premises) for a term from 1 August 2014 to 30 June 2016 with monthly rental of RMB26,092.15 and monthly management fee of RMB6,433.68.

3.3 Units 01-06, 52nd Floor, Dalian Tian An International Building, No. 88 Zhongshan Road, Zhongshan District, Dalian, Liaoning Province, PRC ("Premises V")

Dalian Tian An as lessor and Dalian UAF as lessee entered into a leasing agreement on 29 January 2014 in relation to the leasing of Premises V (for usage as office premises) for a term from 1 January 2014 to 30 June 2016 with total rental covering the lease term of RMB6.37 million and monthly management fee of RMB32,842.56.

3.4 Unit 03, 32nd Floor, Dalian Tian An International Building, No. 88 Zhongshan Road, Zhongshan District, Dalian, Liaoning Province, PRC ("Premises VI")

Dalian Tian An as lessor and Dalian UAF as lessee entered into a leasing agreement on 26 June 2015 in relation to the leasing of Premises VI (for usage as office premises) for a term from 1 June 2015 to 30 June 2016 with a monthly rental of RMB14,321.38 and monthly management fee of RMB3,533.08.

The maximum aggregate amount set for the transactions in respect of the leasing of the four premises (i.e. Premises I, Premises II, Premises V and Premises VI) for the year ended 31 December 2015 and the six months ending 30 June 2016 were RMB3.8 million (equivalent to approximately HK$4.81 million) and RMB1.81 million (equivalent to approximately HK$2.29 million) respectively.

The total amount paid to TACI Group in respect of the above four premises for the year ended 31 December 2015 was approximately RMB3.8 million (equivalent to approximately HK$4.81 million).

(4) Leasing arrangement in respect of Allied Kajima Building

4.1 Master Lease Agreement

As disclosed in the announcement of the Company dated 14 February 2014, the Company entered into the master lease agreement as the lessee with Art View Properties Limited ("Art View"), a joint venture of APL, as the lessor on 14 February 2014 (the "Master Lease Agreement") whereby any member of the Group may continue, amend or renew the existing leases or enter into new leases, sub-leases and licenses in relation to Allied Kajima Building with Art View from time to time as are necessary for the future business needs of the Group during the period from 1 January 2014 to 31 December 2015 in accordance with the terms of the Master Lease Agreement.

The maximum aggregate amount set for the transaction contemplated under the Master Lease Agreement for the financial year ended 31 December 2015 was HK$21.92 million.

The total amount paid to Art View under the Master Lease Agreement for the year ended 31 December 2015 was approximately HK$17.12 million.

On 2 December 2015, the Company and Art View entered into the Renewed Master Lease Agreement to renew the Master Lease Agreement for another two years from 1 January 2016 to 31 December 2017. The maximum aggregate amount set for the transaction contemplated under the Renewed Master Lease Agreement for the financial years ended 31 December 2016 and 2017 were HK$19.47 million and HKS21.84 million respectively.

4.2 Sub-tenancy Agreement

As disclosed in the announcement of the Company dated 14 February 2014, UAF (a non wholly-owned subsidiary of the Company) entered into a sub-tenancy agreement on 14 February 2014 with AGL, pursuant to which a portion of 24th Floor of Allied Kajima Building was sub-leased by AGL to UAF for a term from 1 January 2014 to 31 March 2015 (the "Sub-tenancy Agreement"). As disclosed in the announcement of the Company dated 8 April 2015, UAF and AGL entered into a Renewed Sub-tenancy Agreement to renew the term of the Sub-tenancy Agreement for another two years from 1 April 2015 to 31 March 2017.

The maximum amounts set under the Renewed Sub-tenancy Agreement for each of the two years ended 31 December 2016 and for the three months' period ending 31 March 2017 as announced on 8 April 2015 and 2 December 2015 were HK$252,000, HK$256,000 and HK$64,000 respectively.

The total amount paid to AGL under the Sub-tenancy Agreement for the year ended 31 December 2015 was HK$251,000.

(5) Insurance Brokerage Services Agreements

As disclosed in the announcement of the Company dated 23 January 2015, Sun Hung Kai Insurance Consultants Limited ("SHK Insurance"), the then indirect wholly-owned subsidiary of the Company, renewed the insurance brokerage services agreements on 23 January 2015 with each of AGL, APL, TACI (an associate of APL) and Yu Ming Investment Management Limited ("YMIM", an indirect wholly-owned subsidiary of AGL) (collectively the "Insurance Brokerage Services Agreements") whereby SHK Insurance would provide packaged insurance brokerage services to each of the AGL Group, the APL Group, the TACI Group (as defined in the said announcement) and YMIM for two years from 1 January 2015 to 31 December 2016. The maximum aggregate amounts payable by the AGL Group, the APL Group, the TACI Group and YMIM under the Insurance Brokerage Services Agreements were HK$0.95 million, HK$2.2 million, HK$1.56 million and HK$0.13 million respectively, for the year ended 31 December 2015 and HK$1.05 million, HK$2.8 million, HK$1.7 million and HK$0.14 million respectively for the year ending 31 December 2016.

As SHK Insurance ceased to be a subsidiary of the Company on 2 June 2015 subsequent to the Company's disposal of 70% equity interest in Sun Hung Kai Financial Group Limited, the transactions contemplated under these Insurance Brokerage Services Agreements ceased to be continuing connected transactions of the Company since 2 June 2015. The total amounts paid by the AGL Group, the APL Group and the TACI Group to SHK Insurance for the period ended 2 June 2015 under the Insurance Brokerage Services Agreements were approximately HK$7,000, HK$1.15 million and HK$0.12 million respectively. There was not any amount paid by YMIM to SHK Insurance for the said period.

Given that APL is a substantial shareholder of the Company; and AGL, TACI, YMIM, Tanami, Dalian Tian An and Art View are all associates of APL under the definition of the Listing Rules, each of AGL, APL, TACI, YMIM, Tanami, Dalian Tian An and Art View is regarded as a connected person of the Company under the Listing Rules. As such, the entering into of the Loan Agreement (as supplemented by the Supplemental Loan Agreement and the Renewed Letter), the Renewed Sharing of Management Services Agreement, the leasing agreements (in respect of Premises I, Premises II, Premises V and Premises VI), the Renewed Master Lease Agreement, the Renewed Sub-tenancy Agreement and the Insurance Brokerage Services Agreements (up to 2 June 2015), constituted continuing connected transactions for the Company (the "Continuing Connected Transactions") under Chapter 14A of the Listing Rules. In accordance with the requirements of Rules 14A.49 and 14A.71 of the Listing Rules, details of the said Continuing Connected Transactions are included in this report.

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

Pursuant to Rule 14A.55 of the Listing Rules, the INEDs, being Mr. David Craig Bartlett, Mr. Alan Stephen Jones, Ms. Jacqueline Alee Leung and Mr. Peter Wong Man Kong, had reviewed the above Continuing Connected Transactions and confirmed that they were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the respective agreements governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

In the opinion of the Board of Directors, the Continuing Connected Transactions were entered into in the manners stated above.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group are set out in Note 33 to the consolidated financial statements.

SUBSIDIARIES

Particulars regarding the principal subsidiaries are set out in Note 24 to the consolidated financial statements.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. The information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 28 to 43.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which the Directors or an entity connected with the Directors had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts relating to the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

TERMS OF OFFICE FOR THE NON-EXECUTIVE DIRECTORS

All the Non-Executive Directors (including the INEDs) were appointed for a specific term of two years which shall continue until 31 December 2016 but subject to the relevant provisions of the Articles or any applicable laws whereby the Directors shall vacate or retire from their office.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year and up to the date of this report, save as disclosed below, none of the Directors (not being the INEDs) are considered to have interests in the businesses listed below which compete or are likely to compete with the businesses of the Group pursuant to the Listing Rules:

1. Mr. Lee Seng Huang is one of the trustees of Lee and Lee Trust which is a deemed substantial shareholder of each of AGL, APL, SHK HK IND and TACI which, through their subsidiaries, are partly engaged in the businesses as follows:

   – AGL, through certain of its subsidiaries, is partly engaged in the businesses of money lending, property investment, investment and trading in securities and investment in financial instruments;

   – APL, through certain of its subsidiaries, is partly engaged in the businesses of money lending, property investment, investment and trading in securities and investment in financial instruments;

   – SHK HK IND, through certain of its subsidiaries, is partly engaged in the businesses of trading in securities and investment in financial instruments; and

   – TACI, through certain of its subsidiaries, is partly engaged in the businesses of money lending and property investment.

2. Mr. Peter Anthony Curry is an alternate director to Mr. Lee Seng Hui (a non-executive director) of APAC Resources Limited which, through certain of its subsidiaries, is partly involved in trading and investment of listed securities.

Although the abovementioned Directors have competing interests in other companies by virtue of their respective common directorship or shareholding, they will fulfil their fiduciary duties in order to ensure that they will act in the best interests of the shareholders and the Company as a whole at all times. Hence the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers accounted for less than 30% of the Group's total turnover for the year.

Also, the aggregate purchases attributable to the Group's five largest suppliers taken together were less than 30% of the Group's total purchases for the year.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2015, the Company repurchased a total of 24,583,000 Shares on the Hong Kong Stock Exchange at an aggregate consideration (before expenses) of HK$134,291,260. All the repurchased Shares were subsequently cancelled.

Particulars of the repurchases are as follows:

Month	Number of Shares repurchased	Purchase price Highest	Purchase price Lowest	Aggregate consideration (before expenses)
		(HK$)	*(HK$)*	*(HK$)*
March	1,097,000	6.68	6.59	7,268,910
May	130,000	7.75	7.73	1,006,700
June	1,586,000	7.75	6.86	11,530,910
July	7,003,000	6.90	5.25	42,102,130
August	9,680,000	5.05	4.50	46,300,520
September	1,037,000	5.25	4.61	5,126,630
October	895,000	5.58	5.22	4,779,270
November	1,964,000	5.28	5.13	10,199,750
December	1,191,000	5.24	4.92	5,976,440
	24,583,000			134,291,260

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the year ended 31 December 2015.

AUDITOR

The consolidated financial statements have been audited by Messrs. Deloitte Touche Tohmatsu who will retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Lee Seng Huang
Group Executive Chairman

Hong Kong, 17 March 2016

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF SUN HUNG KAI & CO. LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Sun Hung Kai & Co. Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 63 to 156, which comprise the consolidated statements of financial position as at 31 December 2015, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance (Cap. 622) (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 80 of schedule 11 to the Hong Kong Companies Ordinance, 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 the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 17 March 2016

Consolidated Statement of Profit or Loss

For the year ended 31 December 2015

	Notes	**2015** HK$ Million	2014 Restated HK$ Million
Continuing operations			
Revenue	5	**4,174.1**	4,177.9
Other income	7	**71.6**	56.7
Total income		**4,245.7**	4,234.6
Brokerage and commission expenses		**(55.9)**	(46.3)
Advertising and promotion expenses		**(106.2)**	(123.5)
Direct cost and operating expenses		**(58.1)**	(27.7)
Administrative expenses	11	**(1,354.0)**	(1,245.0)
Net gain on financial assets and liabilities	12	**1,005.6**	112.1
Net exchange gain		**7.5**	11.9
Bad and doubtful debts	13	**(1,570.9)**	(787.2)
Finance costs	14	**(478.8)**	(442.1)
Other expenses	11	**(702.5)**	(12.7)
		932.4	1,674.1
Share of results of associates		**2.4**	5.6
Share of results of joint ventures		**38.4**	33.0
Profit before taxation	11	**973.2**	1,712.7
Taxation	15	**(83.7)**	(303.3)
Profit for the year from continuing operations		**889.5**	1,409.4
Discontinued operations			
Profit for the year from discontinued operations	16	**3,228.8**	388.8
		4,118.3	1,798.2
Profit attributable to:			
— Owners of the Company		**3,896.5**	1,328.4
— Non-controlling interests	24	**221.8**	469.8
		4,118.3	1,798.2
Earnings per share	18		
From continuing and discontinued operations			
— Basic (HK cents)		**173.8**	61.7
— Diluted (HK cents)		**173.8**	61.7
From continuing operations			
— Basic (HK cents)		**29.8**	43.6
— Diluted (HK cents)		**29.8**	43.6

	2015 HK$ Million	2014 HK$ Million
Profit for the year	**4,118.3**	1,798.2
Other comprehensive income (expenses) that may be reclassified subsequently to profit or loss		
Available-for-sale investments		
— Net fair value changes during the year	**12.8**	7.2
— Reclassification adjustment to profit or loss on disposal	**(19.0)**	(3.8)
	(6.2)	3.4
Exchange differences arising on translating foreign operations	**(347.0)**	(162.7)
Reclassification adjustment to profit or loss on disposal/liquidation of subsidiaries	**(9.1)**	0.4
Reclassification adjustment to profit or loss on liquidation of a joint venture	**(1.1)**	—
Share of other comprehensive income of associates	**0.4**	—
Share of other comprehensive income (expenses) of joint ventures	**2.5**	(38.6)
	(360.5)	(197.5)
Other comprehensive income (expenses) that will not be reclassified subsequently to profit or loss		
Revaluation gain on properties transferred from self-owned properties to investment properties arising from the disposal of Sun Hung Kai Financial Group Limited in relation to properties leased to its subsidiaries, net of tax	**111.3**	—
Other comprehensive income (expenses) for the year	**(249.2)**	(197.5)
Total comprehensive income for the year	**3,869.1**	1,600.7
Total comprehensive income attributable to:		
— Owners of the Company	**3,798.3**	1,196.0
— Non-controlling interests	**70.8**	404.7
	3,869.1	1,600.7

Consolidated Statement of Financial Position

At 31 December 2015

	Notes	**31/12/2015 HK$ Million**	31/12/2014 HK$ Million
Non-current Assets			
Investment properties	19	**1,027.3**	864.9
Leasehold interests in land		**4.6**	9.3
Property and equipment	20	**478.7**	447.5
Intangible assets	21	**884.5**	982.9
Goodwill	22	**2,384.0**	2,384.0
Interest in associates	25	**1,226.3**	35.7
Interest in joint ventures	26	**208.2**	198.9
Available-for-sale investments	27	**104.8**	232.6
Financial assets at fair value through profit or loss	27	**3,484.6**	603.5
Statutory deposits		**—**	39.9
Deferred tax assets	28	**543.4**	265.0
Amounts due from associates and joint ventures	29	**64.9**	64.7
Loans and advances to consumer finance customers	30	**2,741.3**	3,308.4
Trade and other receivables	31	**1,604.2**	1,468.2
Deposits for acquisition of property and equipment		**0.3**	108.5
		14,757.1	11,014.0
Current Assets			
Financial assets at fair value through profit or loss	27	**2,245.9**	924.2
Taxation recoverable		**9.6**	11.8
Amounts due from associates and joint ventures	29	**118.7**	0.2
Loans and advances to consumer finance customers	30	**6,080.7**	8,083.3
Trade and other receivables	31	**2,008.1**	7,682.7
Bank deposits	32	**1,501.4**	993.4
Cash and cash equivalents	32	**5,647.6**	4,051.2
		17,612.0	21,746.8
Current Liabilities			
Financial liabilities at fair value through profit or loss	27	**177.9**	66.3
Bank and other borrowings	33	**2,009.1**	3,833.9
Trade and other payables	34	**281.3**	2,819.8
Amounts due to fellow subsidiaries and a holding company	35	**—**	7.5
Amounts due to associates	35	**0.1**	0.1
Provisions	36	**31.8**	62.3
Taxation payable		**200.1**	186.0
Notes	37	**79.6**	71.3
		2,779.9	7,047.2
Net Current Assets		**14,832.1**	14,699.6
Total Assets less Current Liabilities		**29,589.2**	25,713.6

	Notes	31/12/2015 HK$ Million	31/12/2014 HK$ Million
Capital and Reserves			
Share capital	38	**8,752.3**	8,752.3
Reserves		**9,255.3**	6,174.7
Equity attributable to owners of the Company		**18,007.6**	14,927.0
Non-controlling interests	24	**3,583.2**	3,740.3
Total Equity		**21,590.8**	18,667.3
Non-current Liabilities			
Deferred tax liabilities	28	**192.5**	201.5
Bank and other borrowings	33	**4,303.6**	3,196.0
Provisions	36	**0.2**	11.6
Notes	37	**3,502.1**	3,637.2
		7,998.4	7,046.3
		29,589.2	25,713.6

The consolidated financial statements on pages 63 to 156 were approved and authorised for issue by the Board of Directors on 17 March 2016 and are signed on its behalf by:

Lee Seng Huang
Director

Peter Anthony Curry
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to owners of the Company									
	Share capital HK$ Million	Shares held for Employee Ownership Scheme HK$ Million	Employee share-based compensation reserve HK$ Million	Exchange reserve HK$ Million	Revaluation reserve HK$ Million	Capital reserves HK$ Million	Retained earnings HK$ Million	Total HK$ Million	Non-controlling interests HK$ Million	Total equity HK$ Million
At 1 January 2015	8,752.3	(20.2)	13.3	121.2	454.4	60.8	5,545.2	14,927.0	3,740.3	18,667.3
Profit for the year	–	–	–	–	–	–	3,896.5	3,896.5	221.8	4,118.3
Other comprehensive income (expenses) for the year (Note 39)	–	–	–	(201.5)	102.4	–	0.9	(98.2)	(151.0)	(249.2)
Total comprehensive income (expenses) for the year	–	–	–	(201.5)	102.4	–	3,897.4	3,798.3	70.8	3,869.1
Recognition of equity-settled share-based payments	–	–	0.4	–	–	–	–	0.4	–	0.4
Vesting of shares of the SHK Employee Ownership Scheme	–	7.6	(7.6)	–	–	–	–	–	–	–
Final dividend paid	–	–	–	–	–	–	(314.1)	(314.1)	–	(314.1)
Interim dividends paid	–	–	–	–	–	–	(269.3)	(269.3)	–	(269.3)
Shares repurchased and cancelled	–	–	–	–	–	–	(134.7)	(134.7)	–	(134.7)
Transfer retained earnings to capital reserves	–	–	–	–	–	0.5	(0.5)	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(227.9)	(227.9)
At 31 December 2015	8,752.3	(12.6)	6.1	(80.3)	556.8	61.3	8,724.0	18,007.6	3,583.2	21,590.8

	Attributable to owners of the Company											
	Share capital HK$ Million	Share premium HK$ Million	Capital redemption reserve HK$ Million	Shares held for Employee Ownership Scheme HK$ Million	Employee share-based compensation reserve HK$ Million	Exchange reserve HK$ Million	Revaluation reserve HK$ Million	Capital reserves HK$ Million	Retained earnings HK$ Million	Total HK$ Million	Non-controlling interests HK$ Million	Total equity HK$ Million
At 1 January 2014	424.7	7,253.7	71.5	(19.8)	10.3	215.3	492.7	27.8	4,925.9	13,402.1	3,417.2	16,819.3
Profit for the year	–	–	–	–	–	–	–	–	1,328.4	1,328.4	469.8	1,798.2
Other comprehensive income (expenses) for the year (Note 39)	–	–	–	–	–	(94.1)	(38.3)	–	–	(132.4)	(65.1)	(197.5)
Total comprehensive income (expenses) for the year	–	–	–	–	–	(94.1)	(38.3)	–	1,328.4	1,196.0	404.7	1,600.7
Recognition of equity-settled share-based payments	–	–	–	–	10.0	–	–	–	–	10.0	–	10.0
Purchase of shares held for the SHK Employee Ownership Scheme	–	–	–	(6.1)	–	–	–	–	–	(6.1)	–	(6.1)
Vesting of shares of the SHK Employee Ownership Scheme	–	–	–	5.7	(7.0)	–	–	–	1.3	–	–	–
Final dividend paid	–	–	–	–	–	–	–	–	(254.0)	(254.0)	–	(254.0)
Interim and special dividends paid	–	–	–	–	–	–	–	–	(253.7)	(253.7)	–	(253.7)
Transfers upon the abolition of par value under the new Companies Ordinance	7,325.2	(7,253.7)	(71.5)	–	–	–	–	–	–	–	–	–
Issue of shares	1,002.4	–	–	–	–	–	–	–	–	1,002.4	–	1,002.4
Shares repurchased and cancelled	–	–	–	–	–	–	–	–	(169.7)	(169.7)	–	(169.7)
Transfer retained earnings to capital reserves	–	–	–	–	–	–	–	33.0	(33.0)	–	–	–
Shares of subsidiaries issued to non-controlling interests	–	–	–	–	–	–	–	–	–	–	0.4	0.4
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(82.0)	(82.0)
At 31 December 2014	8,752.3	–	–	(20.2)	13.3	121.2	454.4	60.8	5,545.2	14,927.0	3,740.3	18,667.3

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 HK$ Million	2014 HK$ Million
Operating activities		
Profit for the year	**4,118.3**	1,798.2
Adjustments for:		
— Share of results of associates	**(2.4)**	(5.6)
— Share of results of joint ventures	**(40.2)**	(37.2)
— Taxation	**113.8**	359.2
— Dividend income	**(14.9)**	(18.8)
— Interest income	**(4,212.7)**	(4,425.4)
— Profit on disposal of a subsidiary	**(3,033.5)**	—
— Profit on disposal of a joint venture	**(5.7)**	—
— Profit on disposal of available-for-sale investments	**(19.0)**	(8.8)
— Increase in fair value of investment properties	**(38.2)**	(43.0)
— Profit on disposal of land and building	**—**	(139.9)
— Expenses recognised for the SHK Employee Ownership Scheme	**0.5**	10.0
— Amortisation of leasehold interests in land	**0.2**	0.3
— Amortisation of intangible assets	**18.2**	33.3
— Depreciation of property and equipment	**67.6**	68.8
— Net loss on disposal/write-off of equipment	**3.5**	5.1
— Impairment loss on intangible assets	**—**	0.4
— Impairment loss on available-for-sale investments	**13.8**	2.0
— Impairment loss on an associate	**538.7**	—
— Impairment loss on amounts due from a joint venture	**5.1**	8.5
— Loss on liquidation of subsidiaries	**—**	0.4
— Loss on purchase of bonds issued by the Group	**141.5**	—
— Bad and doubtful debts	**1,559.0**	798.3
— Interest expenses	**471.9**	447.4
— Net fair value gain on financial assets and liabilities	**(931.2)**	(66.7)
— Exchange difference	**(30.8)**	(28.1)
Operating cash flows before movements in working capital	**(1,276.5)**	(1,241.6)
Change in financial assets at fair value through profit or loss	**(1,224.0)**	(103.1)
Change in amounts due from associates	**(35.4)**	—
Change in loans and advances to consumer finance customers	**996.3**	(2,181.5)
Change in trade and other receivables	**(1,547.5)**	(1,599.8)
Change in amounts due from the immediate holding company	**—**	8.9
Change in financial liabilities at fair value through profit or loss	**153.3**	(32.2)
Change in trade and other payables	**1,122.3**	957.8
Change in amounts due to fellow subsidiaries and a holding company	**(8.8)**	(18.2)
Change in provisions	**(12.1)**	15.9
Cash used in operations	**(1,832.4)**	(4,193.8)
Dividends received from held for trading investments	**7.6**	8.5
Interest received	**4,194.1**	4,380.0
Interest paid	**(405.0)**	(352.4)
Taxation paid	**(346.3)**	(414.5)
Net cash from (used in) operating activities	**1,618.0**	(572.2)

	2015 HK$ Million	2014 HK$ Million
Investing activities		
Purchase of investment properties	—	(4.9)
Proceeds on disposal of land and building	—	139.9
Purchase of property and equipment	**(77.8)**	(172.0)
Proceeds on disposal of equipment	**0.7**	0.5
Purchase of intangible assets	**(8.0)**	(34.0)
Proceeds on disposal of a subsidiary (Note 16)	**3,543.1**	—
Proceeds on disposal of associates	—	43.7
Repayment from associates	**1,061.4**	1.1
Capital injection to associates	**(83.7)**	—
Capital injection to a joint venture	**(57.7)**	(42.3)
Dividends received from joint ventures	**32.5**	0.8
Proceeds on disposal of a joint venture	**10.9**	—
Advance to joint ventures	**(1.2)**	(0.7)
Dividends received from available-for-sale investments	**7.3**	10.3
Purchase of available-for-sale investments	—	(3.8)
Proceeds on disposal of available-for-sale investments	**115.0**	41.9
Purchase of long-term financial assets designated as at fair value through profit or loss	**(2,297.1)**	(395.0)
Proceeds on disposal of long-term financial assets designated as at fair value through profit or loss	**189.1**	65.4
Net payment of statutory deposits	**(5.5)**	(11.2)
Payment of deposits for acquisition of property and equipment	**(1.5)**	(69.7)
Fixed deposits with banks placed	**(572.9)**	(258.2)
Net cash from (used in) investing activities	**1,854.6**	(688.2)
Financing activities		
Net short-term bank and other borrowings repaid	**(3,224.4)**	(777.7)
New long-term bank and other borrowings raised	**2,570.9**	2,970.4
Repayment of long-term bank loans	**(61.2)**	(47.2)
Proceeds from issue of notes	—	449.1
Repurchase of notes	**(109.4)**	(75.9)
Redemption of notes	—	(356.0)
Short-term loan due to fellow subsidiaries advanced	—	600.0
Short-term loan due to fellow subsidiaries repaid	—	(600.0)
Redemption of preference shares	—	(41.7)
Purchase of shares for the SHK Employee Ownership Scheme	—	(6.1)
Shares repurchased and cancelled	**(134.7)**	(169.7)
Issue of shares	—	1,002.4
Dividends paid	**(583.4)**	(507.7)
Dividends to non-controlling interests	**(227.9)**	(82.0)
Capital contribution by non-controlling interests	—	0.4
Net cash from (used in) financing activities	**(1,770.1)**	2,358.3
Net change in cash and cash equivalents	**1,702.5**	1,097.9
Cash and cash equivalents at 1 January	**4,051.2**	2,982.9
Effect of foreign exchange rate changes	**(106.1)**	(29.6)
Cash and cash equivalents at the end of the year (Note 32)	**5,647.6**	4,051.2

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. Its parent is AP Emerald Limited. Its ultimate holding company is Allied Group Limited, a public limited company which is listed and incorporated in Hong Kong. The ultimate controlling party of the Company is the trustees of Lee and Lee Trust. The address of the principal place of business of the trustees of Lee and Lee Trust is 24/F, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong. The address of the registered office of the Company is disclosed in the Corporate Information section of the Annual Report. The principal place of business of the Company is in Hong Kong.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The principal activity of the Company is to act as an investment holding company and the principal activities of its major subsidiaries are disclosed in Note 24.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group adopted certain Amendments to Standards that are mandatorily effective for the Group's financial year beginning on 1 January 2015. The adoption of these Amendments has had no material effect on the consolidated financial statements of the Group for the current and prior accounting periods.

New HKFRSs and Amendments in issue but not yet effective

The Group has not early applied the following new HKFRSs and amendments that have been issued but are not yet effective, and are relevant to the operations of the Group.

Amendments to HKAS 1	Disclosure Initiative[1]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

Except as described below, the management anticipates that the application of the new HKFRSs and amendments will not have material impact to the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(CONTINUED)*

HKFRS 9 — Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition. HKFRS 9 amended in 2013 includes the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include: a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" measurement category for certain debt instruments.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at "fair value through other comprehensive income". All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, an entity may make an irrevocable election to present changes in fair value of equity investments in other comprehensive income, with only dividend income recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The application of HKFRS 9 may affect the measurement of the Group's financial assets and liabilities. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group undertakes a detailed review.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(CONTINUED)*

HKFRS 15 – Revenue from Contracts with Customers

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

— Step 1: Identify the contract with customer.

— Step 2: Identify the performance obligations in the contract.

— Step 3: Determine the transaction price.

— Step 4: Allocate the transaction price to the performance obligations in the contract.

— Step 5: Recognise revenue when the entity satisfies a performance obligation.

Under HKFRS 15, an entity recognises revenue when a performance obligation is satisfied. Furthermore, extensive disclosures are required by HKFRS 15.

The application of HKFRS 15 may affect the amount reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance (Cap. 622) (the "CO").

The disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the provisions of the new CO regarding preparation of accounts and directors' reports and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(b) Basis of preparation and consolidation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries and the Group's interest in associates and joint ventures. The income and expenses of subsidiaries acquired or disposed of during the year are included in profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a debit balance.

All intra-group transactions, balances, income and expenses within the Group are eliminated on consolidation.

(c) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

— deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

— liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date; and

— assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(c) Business combinations *(continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if those interests were disposed of.

(d) Goodwill

Goodwill arising on acquisition is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment annually, and whenever there is an indication that the cash-generating unit to which the goodwill relates may be impaired. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

On disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the profit or loss on disposal.

(e) Interest in subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity.

Control is generally accompanied by a shareholding of more than one half of the voting rights. When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(e) Interest in subsidiaries *(continued)*

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the accumulated amounts in equity are accounted for as if the Group had directly disposed of the related assets.

(f) Interests in associates and joint ventures

An associate is a company not being a subsidiary or a joint venture, in which the Group has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights.

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method. Under the equity method, an investment in an associate or a joint venture is initially recognised at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date in which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(f) Interests in associates and joint ventures *(continued)*

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities.

When the Group transacts with an associate or a joint venture of the Group, unrealised gains and losses are eliminated to the extent of the Group's interest in the relevant associate or joint venture.

(g) Investment properties

The Group's investment properties are properties which are held for long-term rental yields or for capital appreciation or both. Investment properties are initially measured at cost including all transaction costs. Subsequent to initial recognition they are stated at fair value based on an independent professional valuation at the end of each reporting period. Any revaluation increase or decrease arising from the revaluation of investment properties is recognised in profit or loss in the year in which it arises.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the item is derecognised.

(h) Leasehold interests in land

Leasehold interests in land are classified as operating leases and presented as "leasehold interests in land" in the consolidated statement of financial position when all the risks and rewards incidental to ownership are not substantially transferred to the Group. Leasehold interests in land are amortised in profit or loss on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in profit or loss.

(i) Property and equipment

Property and equipment include buildings and leasehold land (classified as finance lease) held by the Group for its own use. All property and equipment are stated at cost, less subsequent depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to write off the cost of each asset to its residual value over its estimated useful life as follows:

Property	—	shorter of the estimated useful life and the remaining lease term of land
Furniture and equipment	—	10% to 33% per annum

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(i) Property and equipment *(continued)*

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.

If an item of property included in "property and equipment" becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in the revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained earnings.

For a transfer from an investment property carried at fair value to owner-occupied property, the property's deemed cost for subsequent accounting is its fair value at the date of change in use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in profit or loss.

(j) Intangible assets

(i) Exchange participation rights and club membership

They comprise:

— the eligibility right to trade through The Stock Exchange of Hong Kong Limited, Hong Kong Futures Exchange Limited and other exchanges; and

— the eligibility right to use the facilities of various clubs.

The exchange participation rights are considered by the management of the Group as having an indefinite useful life because they are expected to contribute net cash flows indefinitely. The management also considers that the club membership does not have a finite useful life.

(ii) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method.

Costs associated with developing or maintaining computer software are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised from the dates when the software becomes available for use using the straight-line method.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(j) Intangible assets *(continued)*

(iii) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably. Such intangible assets are measured at their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Useful lives are also examined on an annual basis and adjustments where applicable are made on a prospective basis. Intangible assets with indefinite lives are carried at cost less any impairment losses and are tested for impairment annually by comparing their recoverable amount with their carrying amount.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(k) Investments/financial assets

(i) Classification

Financial assets of the Group are classified under the following categories:

"Financial assets at fair value through profit or loss"

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in the held for trading category if acquired principally for the purpose of selling in the short-term. All derivative financial assets are also categorised as held for trading unless they are designated as effective hedging instruments. Financial assets other than financial assets held for trading may be designated as fair value through profit or loss if the assets are managed and their performance is evaluated on a fair value basis, in accordance with the Group's investment strategy, and information about the grouping is provided internally on that basis.

"Available-for-sale investments"

This category comprises financial assets, which are non-derivatives that are either designated as available-for-sale or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. They include both listed and unlisted investments.

"Loans and receivables"

This category includes trade and other receivables, bank deposits, cash and cash equivalents, loans and advances to consumer finance customers and amounts due from related parties. They arise when the Group provides money, goods or services directly to clients or brokers with no intention of trading the receivables.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(k) Investments/financial assets *(continued)*

(ii) Recognition and initial measurement

Purchases and sales of investments are recognised on trade date, which is the date that the Group enters into a contract to purchase or sell the asset. Financial assets at fair value through profit or loss are initially recognised at fair value with transaction costs recognised as expenses in profit or loss. Financial assets which are not financial assets at fair value through profit or loss are initially recognised at fair value plus transaction costs.

(iii) Subsequent measurement

"Financial assets at fair value through profit or loss"

Investments under this category are subsequently re-measured to fair value at the end of the reporting period until the assets are derecognised. Unrealised gains and losses arising from changes in the fair value are included in profit or loss in the period in which they occur.

"Available-for-sale investments"

Available-for-sale investments are carried at fair value. Unrealised gains and losses arising from changes in the fair value of investments classified as available-for-sale are recognised in the revaluation reserve.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition.

"Loans and receivables"

Loans and receivables are carried at amortised cost using the effective interest method, less impairment losses, if any.

(iv) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

(v) Fair value measurement principles

Fair values of quoted investments are based on quoted prices. For unlisted securities or financial assets without an active market, the Group establishes the fair value by using appropriate valuation techniques including the use of recent arm's length transactions, reference to other investments that are substantially the same, discounted cash flow analysis and option pricing models.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(k) Investments/financial assets *(continued)*

(vi) Impairment

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. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale investments, 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 profit or loss) is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity investments are not reversed through profit or loss.

Each receivable that is individually significant is reviewed for indication of impairment at the end of each reporting period. Loans and receivables that are individually not significant and are assessed not to be impaired individually are reviewed at the end of each reporting period on a collective portfolio basis.

Individual impairment allowance applies to securities margin financing and term loans which are individually significant or have objective evidence of impairment. In assessing the individual impairment, management estimates the present value of future cash flows which are expected to be received, taking into account the borrower's financial situation and the net realisable value of the underlying collateral or guarantees in favour of the Group. Each impaired asset is assessed on its merits and the impairment allowance is measured as the difference between the loan's carrying amount and the present value of the estimated future cash flows discounted at the loan's original effective interest rate.

Collective impairment allowances cover credit losses inherent in portfolios of loans receivable and other accounts with similar economic and credit risk characteristics where objective evidence for individual impaired items cannot be identified. In assessing the collective impairment, management makes assumptions both to define the way the Group assesses inherent losses and to determine the required input parameters, based on historical loss experience and current economic conditions. Changes in the carrying amount of the allowance account are recognised in profit or loss.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances and short-term time deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(m) Financial liabilities

Financial liabilities at fair value through profit or loss

Financial liabilities for trading purposes are generally classified as "financial liabilities at fair value through profit or loss" which are recognised initially at fair value. A financial liability other than held for trading purpose may be designated as at fair value through profit or loss upon initial recognition if it forms part of a contract containing one or more embedded derivatives and HKAS 39 permits the entire contract to be designated as at fair value through profit or loss. At the end of each reporting period, subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Financial guarantee issued

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 payment when due in accordance with the original or modified terms of a debt instrument.

A financing guarantee issued for rendering financial guarantee service is initially measured at fair value as represented by the consideration received from the specified customers and the consideration received is recognised as revenue on straight-line basis over the guarantee period. Subsequent to initial recognition, the Group measures the financing guarantee at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less cumulative amortisation recognised in accordance with the Group's revenue recognition policy.

Other financial liabilities

Other financial liabilities including bank and other borrowings, notes, trade and other payables and amounts due to related parties, which are recognised initially at fair value, are subsequently measured at amortised cost, using the effective interest method.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

(n) Share capital

Ordinary shares of the Company are classified as equity.

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised in equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares and presented as a deduction from total equity.

Dividend distribution to the Company's owners is recognised as a liability in the period in which the dividends are approved by the Directors or shareholders as appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(n) Share capital *(continued)*

Where the shares of the Company ("Awarded Shares") are purchased under the SHK Employee Ownership Scheme, the consideration paid, including any directly attributable incremental costs, is presented as "Shares held for Employee Ownership Scheme" and deducted from equity. When the Awarded Shares are transferred to the awardees upon vesting, the related costs of the Awarded Shares are eliminated against the employee share-based compensation reserve and the remaining balances will be transferred to retained earnings.

Other equity instruments issued by the Company are recorded as the proceeds received, net of direct issue costs. Derivatives that are settled by the exchange of a fixed amount of cash or other financial assets for a fixed number of the Company's own equity instruments are classified as equity.

(o) Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, if it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

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 an outflow of economic resources 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 consolidated financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(p) Impairment of non-financial assets

Goodwill and intangible assets that have indefinite useful lives are not subject to amortisation, and are tested at least annually for impairment and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to depreciation and amortisation 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 level for which there are separately identifiable cash flows (cash-generating units) if an impairment test cannot be performed for an individual asset. An impairment loss is recognised immediately as an expense.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(q) Taxation

Taxation comprises current and deferred tax.

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

Deferred tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the assets realised. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss, except when it relates to items recognised in equity, in which case the current and deferred tax is also dealt with in equity.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale.

(r) Foreign currencies

Transactions in currencies other than the functional currency of the respective group entities (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions.

At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Foreign exchange gains and losses arising on the settlement of monetary items, and on the retranslation of monetary items, are included in net profit or loss for the period, except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

On consolidation, the assets and liabilities of the Group’s foreign operations are translated to Hong Kong dollars at exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group’s exchange reserve. Such translation differences are recognised as income or expenses in the period in which the operation is disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(s) Borrowing costs

Interest expenses directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to prepare for its intended use or sale are capitalised as part of the cost of the asset.

All other borrowing costs are recognised on a time apportionment basis, taking into account the principal and the effective interest rates. They are charged to profit or loss in the year in which they are incurred.

(t) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

"The Group as lessor"

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

"The Group as lessee"

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

(u) Employee benefits

The Group operates defined contribution retirement schemes, the assets of which are held in independently administrated funds. The Group's contributions to the defined contribution retirement schemes are expensed as the employees have rendered their services entitling them to the contributions and are reduced by contributions forfeited, if applicable, by those employees who leave the schemes prior to vesting fully in the contributions.

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.

The Group recognises a liability and an expense for bonuses and profit-sharing, where appropriate, based on approved formulas that take into consideration the profit attributable to the Group after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

For the Awarded Shares granted under the SHK Employee Ownership Scheme, the fair value of the employee services received is determined by reference to the fair value of Awarded Shares granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (employee share-based compensation reserve). At the end of each reporting period, the Group revises its estimates of the number of Awarded Shares that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to the employee share-based compensation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(v) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related tax. Income is recognised in profit or loss on the following basis:

(i) Brokerage commission income is recognised as income on a trade date basis.

(ii) Underwriting commission, sub-underwriting income, placing commission and sub-placing commission are recognised as income in accordance with the terms and conditions of the relevant agreement or deal mandate when the relevant significant acts have been completed.

(iii) Fees for management and advisory services for funds are recognised when the related services are rendered.

(iv) Income from the provision of services is recognised upon the provision of the relevant services or on a time apportionment basis over the terms of service contracts.

(v) Interest income from financial assets is recognised on a time apportionment basis, taking into account the principal amounts outstanding and the effective interest applicable, which is the rate that discounts the estimated future cash flows through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(vi) Dividend income from investments is recognised when the owners' right to receive payment has been established.

(vii) Realised gains or losses from financial assets at fair value through profit or loss are recognised on a trade date basis whilst the unrealised gains or losses are recognised from valuation at the end of the reporting period.

(viii) Rental income arising on investment properties is accounted for on a straight-line basis over the lease term regardless of when the cash rental payment is received.

(ix) Income from rendering financial guarantee services is recognised over the contractual period on a straight-line basis.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are set out as follows.

(a) Impairment allowances on loans and receivables

In determining individual impairment allowances, the Group periodically reviews its trade receivables and term loans to assess whether impairment allowances exist. In determining whether impairment allowances should be recorded in profit or loss, management estimates the present value of future cash flows which are expected to be received, taking into account the borrower's financial situation and the net realisable value of the underlying collateral or guarantees in favour of the Group.

(b) Impairment allowances on loans and advances to consumer finance customers

The policy for collective impairment allowances for loans and advances to consumer finance customers of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these loans and advances, including the current creditworthiness, and the past collection history of each loan.

(c) Impairment of available-for-sale investments

For listed available-for-sale equity investments, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant or prolonged. In making this judgement, the historical data on market volatility as well as the price of the specific investment are taken into account.

(d) Estimated impairment of goodwill and intangible assets with indefinite useful lives

The Group conducts tests for impairment of goodwill and intangible assets with indefinite useful lives annually in accordance with the relevant accounting standards. Determining whether the goodwill and the intangible assets are impaired requires an estimation of the fair value less cost to sell or value in use on the basis of data available to the Group. Where future cash flows are less than expected, an impairment loss may arise.

(e) Deferred tax

Estimating the amount for recognition of deferred tax assets arising from tax losses requires a process that involves forecasting future years' taxable income and assessing the Group's ability to utilise tax benefits through future earnings. Where the actual future profits generated are more or less than expected, a recognition or reversal of the deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a recognition or reversal takes place. While the current financial models indicate that the recognised tax losses can be utilised in the future, any changes in assumptions, estimates and tax regulations can affect the recoverability of this deferred tax asset.

(f) Fair value of derivative and financial instruments

The Group selects appropriate valuation techniques for financial instruments not quoted in an active market. Note 27 provides detailed information about the key assumptions used in the determination of the fair value of material financial instruments.

5. REVENUE

	2015 HK$ Million	2014 HK$ Million
Service and commission income	**42.7**	30.8
Dividends from listed investments	**11.4**	15.9
Dividends from unlisted investments	**3.5**	2.8
Gross rental income from investment properties	**22.9**	21.4
Interest income	**4,093.6**	4,107.0
	4,174.1	4,177.9

During the year, the interest income that was derived from financial assets not at fair value through profit or loss amounted to HK$4,089.0 million (2014: HK$4,098.8 million).

6. SEGMENT INFORMATION

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Inter-segment sales are charged at prevailing market rates.

The main reportable and operating segments from continuing operations presented in these financial statements are as follows:

(a) Structured Finance: provision of structured finance.

(b) Consumer Finance: provision of consumer financing.

(c) Mortgage Loans: provision of mortgage loans financing.

(d) Principal Investments: portfolio investments.

(e) Group Management and Support: provision of supervisory and administrative functions to all business segments.

6. SEGMENT INFORMATION *(CONTINUED)*

	2015					
	Structured Finance HK$ Million	Consumer Finance HK$ Million	Mortgage Loans HK$ Million	Principal Investments HK$ Million	Group Management and Support HK$ Million	Total HK$ Million
Segment revenue	405.4	3,706.4	2.9	39.2	214.3	4,368.2
Less: inter-segment revenue	—	—	—	—	(194.1)	(194.1)
Segment revenue from external customers	405.4	3,706.4	2.9	39.2	20.2	4,174.1
Segment profit or loss	93.2	609.5	(8.3)	429.1	(191.1)	932.4
Share of results of associates	—	—	—	2.4	—	2.4
Share of results of joint ventures	—	—	—	38.4	—	38.4
Profit before taxation	93.2	609.5	(8.3)	469.9	(191.1)	973.2
Included in segment profit or loss:						
Interest income	400.2	3,671.8	2.9	4.6	14.1	4,093.6
Other income	—	12.8	—	53.4	5.4	71.6
Net gain (loss) on financial assets and liabilities	(5.0)	—	—	1,012.8	(2.2)	1,005.6
Net exchange gain (loss)	—	28.7	—	—	(21.2)	7.5
Bad and doubtful debts	(103.6)	(1,463.3)	(1.2)	—	(2.8)	(1,570.9)
Amortisation and depreciation	—	(52.0)	—	—	(13.1)	(65.1)
Impairment loss						
— Available-for-sale investments	—	(13.8)	—	—	—	(13.8)
— Interest in associates	—	—	—	(538.7)	—	(538.7)
— Amount due from a joint venture	—	—	—	(5.1)	—	(5.1)
Net loss on disposal/write-off of equipment	—	(3.1)	—	—	(0.3)	(3.4)
Finance costs	(189.5)	(285.0)	—	—	(193.9)	(668.4)
Less: inter-segment finance costs	189.5	2.4	—	—	(2.3)	189.6
Finance costs to external suppliers	—	(282.6)	—	—	(196.2)	(478.8)

6. SEGMENT INFORMATION *(CONTINUED)*

	2014					
	Structured Finance HK$ Million	Consumer Finance HK$ Million	Mortgage Loans HK$ Million	Principal Investments HK$ Million	Group Management and Support HK$ Million	Total HK$ Million
Segment revenue	375.8	3,763.6	—	32.7	187.0	4,359.1
Less: inter-segment revenue	—	—	—	—	(181.2)	(181.2)
Segment revenue from external customers	375.8	3,763.6	—	32.7	5.8	4,177.9
Segment profit or loss	102.7	1,407.7	—	190.6	(26.9)	1,674.1
Share of results of associates	—	—	—	5.6	—	5.6
Share of results of joint ventures	—	—	—	33.0	—	33.0
Profit before taxation	102.7	1,407.7	—	229.2	(26.9)	1,712.7
Included in segment profit or loss:						
Interest income	353.4	3,742.5	—	—	11.1	4,107.0
Other income	0.5	6.5	—	45.6	4.1	56.7
Net gain (loss) on financial assets and liabilities	(42.5)	—	—	171.6	(17.0)	112.1
Net exchange gain (loss)	—	35.7	—	—	(23.8)	11.9
Bad and doubtful debts	—	(787.2)	—	—	—	(787.2)
Amortisation and depreciation	—	(39.6)	—	(0.1)	(12.2)	(51.9)
Impairment loss						
— Available-for-sale investments	—	(2.0)	—	—	—	(2.0)
— Amount due from a joint venture	—	—	—	—	(8.5)	(8.5)
Net loss on disposal/write-off of equipment	—	(0.2)	—	—	(2.0)	(2.2)
Finance costs	(165.3)	(263.8)	—	—	(189.7)	(618.8)
Less: inter-segment finance costs	165.3	13.0	—	—	(1.6)	176.7
Finance costs to external suppliers	—	(250.8)	—	—	(191.3)	(442.1)

The Wealth Management and Brokerage segment and Capital Markets segment reported in previous consolidated financial statements were removed from the above analysis as the segments were disposed of during the year. In order to present the Group's earnings driver more clearly, the Group Management and Support section, previously grouped under Principal Investments segment, is now presented as a separate segment. In addition, a new segment Mortgage Loans was established during the year. The comparative figures of segment profit or loss for the year ended 31 December 2014 were restated to conform to the current year's presentation.

6. SEGMENT INFORMATION *(CONTINUED)*

The geographical information of revenue and non-current assets are disclosed as follows:

	2015 **HK$ Million**	2014 HK$ Million
Revenue from external customers by location of operations		
— Hong Kong	**2,438.8**	2,341.3
— Mainland China	**1,697.9**	1,802.9
— Others	**37.4**	33.7
	4,174.1	4,177.9

	31/12/2015 **HK$ Million**	31/12/2014 HK$ Million
Non-current assets other than financial assets and deferred tax assets by location of assets		
— Hong Kong	**4,185.8**	4,233.8
— Mainland China	**593.6**	603.1
— Others	**—**	0.1
	4,779.4	4,837.0

7. OTHER INCOME

	2015 **HK$ Million**	2014 HK$ Million
Net realised gain on disposal of investments		
— Disposal of a joint venture	**5.7**	—
— Disposal of available-for-sale investments	**19.0**	1.8
Increase in fair value of investment properties	**38.2**	43.0
Bad debts recovery	**—**	0.5
Miscellaneous income	**8.7**	11.4
	71.6	56.7

8. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES

(a) Directors

	2015					
	Director's fees HK$ Million	Consultancy fees HK$ Million	Salaries, housing and other allowances and benefits in kind HK$ Million	Discretionary bonuses HK$ Million	Contributions to retirement benefit scheme HK$ Million	Total HK$ Million
Executive Directors						
Simon Chow Wing Charn[1]	0.01	—	1.46	1.70	0.07	3.24
Peter Anthony Curry[2]	0.01	—	2.71	3.15[5]	0.13	6.00
Lee Seng Huang (Group Executive Chairman)	0.01	—	7.70	39.50[6]	0.29	47.50
William Leung Wing Cheung[3]	—	—	1.82	—	0.09	1.91
Joseph Tong Tang[4]	0.01	—	2.69	—	0.13	2.83
Non-Executive Directors						
Ahmed Mohammed Aqil Qassim Alqassim	0.01	—	—	—	—	0.01
Joseph Kamal Iskander	—	—	—	—	—	—
Ho Chi Kit	—	—	—	—	—	—
Roy Kuan	—	—	—	—	—	—
Leung Pak To	—	—	—	—	—	—
Liu Zheng	—	—	—	—	—	—
Independent Non-Executive Directors						
David Craig Bartlett	0.01	0.19	—	—	—	0.20
Alan Stephen Jones	0.01	0.25	—	—	—	0.26
Jacqueline Alee Leung	0.01	0.19	—	—	—	0.20
Peter Wong Man Kong	0.01	0.19	—	—	—	0.20
	0.09	0.82	16.38	44.35	0.71	62.35

1 In March 2016, Awarded Shares with fair value at grant date of HK$2.55 million under the SHK Employee Ownership Scheme is approved to be granted to the director in relation to his performance in 2015.

2 In March 2016, Awarded Shares with fair value at grant date of HK$1.10 million under the SHK Employee Ownership Scheme is approved to be granted to the director in relation to his performance in 2015. In addition, 184,000 shares were vested during 2015.

3 192,000 shares under the SHK Employee Ownership Scheme were vested during 2015.

4 125,000 shares under the SHK Employee Ownership Scheme were vested during 2015.

5 The amount represents an actual cash bonus of HK$3.15 million for the year 2015 (2014: HK$1.20 million) which include HK$1.50 million for special completion bonus for the disposal of Sun Hung Kai Financial Group Limited.

6 The amount represents an actual cash bonus of HK$39.50 million for the year 2015 (2014: HK$20.00 million) which include HK$25.00 million for special completion bonus for the disposal of Sun Hung Kai Financial Group Limited.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were mainly for their services as directors of the Company or its subsidiaries.

8. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES *(CONTINUED)*

(a) Directors *(continued)*

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

Bonuses, which are recommended by the remuneration committee and subsequently approved by the Board, are discretionary and are determined by reference to the Group's and the individuals' performance.

For the year ended 31 December 2015, Mr. Leung Pak To waived emolument of HK$0.01 million and Mr. Ho Chi Kit waived emolument of HK$0.01 million.

	2014					
	Director's fees HK$ Million	Consultancy fees HK$ Million	Salaries, housing and other allowances and benefits in kind HK$ Million	Discretionary bonuses HK$ Million	Contributions to retirement benefit scheme HK$ Million	Total HK$ Million
Executive Directors						
Peter Anthony Curry[1]	0.02	—	2.60	1.20	0.13	3.95
Lee Seng Huang (Group Executive Chairman)	0.01	—	7.19	20.00	0.24	27.44
William Leung Wing Cheung[2]	0.02	—	4.21	3.75	0.21	8.19
Joseph Tong Tang[3]	0.02	—	2.58	1.00	0.13	3.73
Non-Executive Directors						
Ahmed Mohammed Aqil Qassim Alqassim	0.01	—	—	—	—	0.01
Ho Chi Kit	—	—	—	—	—	—
Roy Kuan	—	—	—	—	—	—
Leung Pak To	—	—	—	—	—	—
Liu Zheng	—	—	—	—	—	—
Independent Non-Executive Directors						
David Craig Bartlett	0.01	0.19	—	—	—	0.20
Alan Stephen Jones	0.01	0.25	—	—	—	0.26
Jacqueline Alee Leung	—	0.03	—	—	—	0.03
Carlisle Caldow Procter	0.01	0.08	—	—	—	0.09
Peter Wong Man Kong	0.01	0.19	—	—	—	0.20
	0.12	0.74	16.58	25.95	0.71	44.10

1 In March 2015, Awarded Shares with fair value at grant date of HK$0.80 million under the SHK Employee Ownership Scheme is approved to be granted to the director in relation to his performance in 2014. In addition, 185,000 shares were vested during 2014.

2 91,000 shares under the SHK Employee Ownership Scheme were vested during 2014.

3 In March 2015, Awarded Shares with fair value at grant date of HK$0.25 million under the SHK Employee Ownership Scheme is approved to be granted to the director in relation to his performance in 2014. In addition, 160,000 shares were vested during 2014.

8. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES *(CONTINUED)*

(b) Highest paid individuals

The five highest paid individuals of the Group include two Directors (2014: four Directors) of the Company. The emoluments of the remaining three (2014: one) highest paid individuals are analysed below:

	2015 **HK$ Million**	2014 HK$ Million
Salaries, housing and other allowances, and benefits in kind	**9.8**	6.2
Bonuses	**27.0**	40.1
Contributions to retirement benefit scheme	**0.9**	0.5
	37.7	46.8

The above emoluments of the highest paid individual were within the following bands:

Emoluments band (HK$)	**Number of employees**	
	2015	2014
$4,000,001 — $4,500,000	**1**	—
$5,500,001 — $6,000,000	**1**	—
$27,500,001 — $28,000,000	**1**	—
$46,500,001 — $47,000,000	**—**	1

(c) Senior Management

The emoluments of senior management (as described in Profiles of Directors and Senior Management section) were within the following bands:

Emoluments band (HK$)	**Number of employees**	
	2015	2014
$2,500,001 — $3,000,000	**1**	1
$3,000,001 — $3,500,000	**1**	1
$27,500,001 — $28,000,000	**1**	—
$46,500,001 — $47,000,000	**—**	1

A total amount of HK$1.87 million representing 243,000 shares under the SHK Employee Ownership Scheme were vested for senior management during the year. The total dividend payments paid to senior management during the year is HK$0.13 million (2014: HK$0.13 million).

9. INFORMATION ABOUT MATERIAL INTERESTS OF DIRECTORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which the Directors or an entity connected with the Directors had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

10. EMPLOYEE BENEFITS

(a) Retirement Benefit Scheme

The principal retirement benefit schemes operated by the Group related to defined contribution schemes for the Hong Kong and overseas offices' qualifying employees.

The employees of the Company's subsidiaries established in the PRC are members of state-managed retirement benefit schemes operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

Expenses recognised in profit or loss for the contributions to retirement benefit schemes for the current year amounted to HK$119.6 million (2014: HK$105.2 million). The amount of forfeited contributions utilised in the course of the year ended 31 December 2015 was HK$0.5 million (2014: HK$1.6 million).

(b) SHK Employee Ownership Scheme ("EOS")

Under the EOS, which was formally adopted on 18 December 2007, selected employees or directors of the Group (the "Selected Grantees") were awarded shares in the Company. Following management's recommendation, shares were granted to the Selected Grantees subject to various terms including, amongst other things, the vesting scale whereby awarded shares will vest and become unrestricted in various vesting periods.

During the year, 0.3 million shares (2014: 1.7 million shares) of the Company were awarded to Selected Grantees under the EOS. The fair value of the services rendered (by reference to the market value of awarded shares at grant dates) as consideration of the shares awarded during the year was HK$2.2 million (2014: HK$8.7 million) which will be amortised to profit or loss during the vesting period. The amount expensed during the year in respect of shares awarded under the EOS was HK$0.5 million (2014: HK$10.0 million).

11. PROFIT BEFORE TAXATION

	2015 HK$ Million	2014 HK$ Million
Profit before taxation from continuing operations for the year has been arrived at after charging:		
Administrative expenses (note a)	**(1,354.0)**	(1,245.0)
Amortisation of leasehold interests in land	**(0.2)**	(0.3)
Amortisation of intangible assets acquired in business combination included in direct cost and operating expenses	**(6.3)**	(6.3)
Outgoings in respect of rental generating investment properties	**(0.7)**	(1.1)
Outgoings in respect of non-rental generating investment properties	**(0.4)**	—
Other expenses (note b)	**(702.5)**	(12.7)
Share of taxation of associates and joint ventures included in share of results of associates and joint ventures	**(1.3)**	(8.2)
(a) Analysis of administrative expenses:		
Staff costs (including Directors' emoluments)	**(728.8)**	(721.6)
Contributions to retirement benefit schemes	**(114.8)**	(93.9)
Expenses recognised for the SHK Employee Ownership Scheme	**(1.4)**	—
Total staff costs	**(845.0)**	(815.5)
Auditors' remuneration	**(6.6)**	(3.3)
Depreciation of property and equipment	**(57.3)**	(45.0)
Amortisation of intangible assets — computer software	**(1.3)**	(0.3)
Operating lease rentals	**(174.5)**	(165.4)
Other administrative expenses	**(269.3)**	(215.5)
	(1,354.0)	(1,245.0)
(b) Analysis of other expenses:		
Net loss on disposal/write-off of equipment	**(3.4)**	(2.2)
Impairment loss		
— Available-for-sale investments	**(13.8)**	(2.0)
— Interest in an associate*	**(538.7)**	—
— Amount due from a joint venture	**(5.1)**	(8.5)
Loss on purchase of bonds issued by the Group^	**(141.5)**	—
	(702.5)	(12.7)

11. PROFIT BEFORE TAXATION *(CONTINUED)*

* The Group disposed of 70% interest in a wholly-owned subsidiary Sun Hung Kai Financial Group Limited ("SHKFGL") in June 2015 and classified the remaining 30% equity interest as an associate. Affected by the correction of Hong Kong and China stock markets during the second half of the year, the carrying amount of the 30% equity interest in SHKFGL exceeded the recoverable amount at the reporting date that led to an impairment loss. The impairment loss was included in Principal Investment segment. The recoverable amount was measured at the value in use with a discount rate of 14.6% by estimating the present value of the Group's share of future cash flows to be generated by the associate. As part of the disposal, the Group was awarded a put option on the 30% equity interest of SHKFGL. This put option recorded a valuation gain of HK$596.0 million classified under net gain on financial assets and liabilities.

^ In 2013 a securitisation fund owned by the Group issued bonds to an independent third party investment fund which in turn sold units to investors in the PRC. The bonds issued by the Group's securitisation fund were backed by bonds issued by a Singapore listed company. The Singapore Company defaulted on the bonds. In order to facilitate repayment to the PRC investors and to minimise a potentially protracted and costly dispute, a subsidiary of the Group purchased the bonds issued to the independent investment fund for HK$141.5 million, being the original principal and part of the outstanding interest, during the year. This amount is included in "Other expenses". A judicial manager has been appointed to the Singapore Company and the Group is actively pursuing all possible means of recovery of these funds and other costs. Any amounts recovered will in the future be included in "Other income".

12. NET GAIN ON FINANCIAL ASSETS AND LIABILITIES

The following is an analysis of the net gain on financial assets and liabilities at fair value through profit or loss:

	2015 **HK$ Million**	2014 HK$ Million
Net realised and unrealised gain on financial assets and liabilities		
— Held for trading	**664.3**	13.5
— Designated as at fair value through profit or loss	**341.3**	98.6
	1,005.6	112.1

13. BAD AND DOUBTFUL DEBTS

	2015 **HK$ Million**	2014 HK$ Million
Loans and advances to consumer finance customers		
— Impairment loss	**(1,446.9)**	(787.2)
Trade and other receivables		
— Impairment loss	**(113.1)**	—
— Bad debts written off	**(10.9)**	—
	(124.0)	—
Bad and doubtful debts recognised in profit or loss	**(1,570.9)**	(787.2)

13. BAD AND DOUBTFUL DEBTS *(CONTINUED)*

Since the year ended 31 December 2014, the economic growth of the People's Republic of China (the "PRC") has declined and business activities slowed down generally. Small businesses in Mainland China, both companies and individuals, which accounted for a substantial portion of Mainland China loan book of United Asia Finance Limited ("UAF") classified as loans and advances to consumer finance customers were especially affected. For unsecured loans, the entire loan amount is written off after 180 days delinquency (or in case of bankruptcy or if a borrower is deceased, whichever is earlier), whilst collection and recovery efforts would still continue and are written back as and when recoveries occur. Delinquencies of UAF's Mainland China loan book increased at a higher rate for the year compared to that of last year, leading to a substantial rise in bad debts written off. These write-offs during 2015 also increased the collective impairment allowance provided for the year.

The following are the amounts written off in allowance of impairment against the receivables and recoveries credited to allowance of impairment during the year:

	2015 HK$ Million	2014 HK$ Million
Loans and advances to consumer finance customers		
— Amounts written off in allowance of impairment	**(1,363.7)**	(738.9)
— Recoveries credited to allowance of impairment	**129.5**	114.2
Trade and other receivables		
— Amounts written off in allowance of impairment	**(4.4)**	—

14. FINANCE COSTS

	2015 HK$ Million	2014 HK$ Million
Interest on the following liabilities		
— Bank loans and overdrafts	**(233.2)**	(191.9)
— Notes	**(232.3)**	(238.2)
— Preference shares issued to non-controlling interests	**—**	(3.7)
— Other borrowings	**—**	(3.1)
	(465.5)	(436.9)
Other borrowing costs	**(13.3)**	(5.2)
	(478.8)	(442.1)

All finance costs were derived from financial liabilities not at fair value through profit or loss for both years.

15. TAXATION

	2015 **HK$ Million**	2014 HK$ Million
Current tax		
— Hong Kong	**(172.4)**	(166.4)
— PRC	**(214.5)**	(206.7)
	(386.9)	(373.1)
Over provision in prior years	**1.1**	1.2
	(385.8)	(371.9)
Deferred tax	**302.1**	68.6
	(83.7)	(303.3)

Hong Kong profits tax is calculated at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the year. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2014: 25%). Taxation arising in other jurisdictions is calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in the relevant jurisdictions.

The taxation for the year can be reconciled to the profit before taxation from continuing operations per the consolidated statement of profit or loss as follows:

	2015 **HK$ Million**	2014 HK$ Million
Profit before taxation	**973.2**	1,712.7
Less: Share of results of associates	**(2.4)**	(5.6)
Share of results of joint ventures	**(38.4)**	(33.0)
	932.4	1,674.1
Tax at the Hong Kong profits tax rate of 16.5% (2014: 16.5%)	**(153.8)**	(276.2)
Over provision in prior years	**1.1**	1.2
Tax effect of non-taxable income	**206.1**	27.0
Tax effect of non-deductible expenses	**(154.1)**	(32.9)
Tax effect of unrecognised deductible temporary difference and tax losses	**(10.2)**	18.8
Countries subject to different tax rates	**27.2**	(41.2)
	(83.7)	(303.3)

Deferred tax of HK$5.0 million arising from the revaluation gain on properties transferred from self-owned properties to investment properties was recognised in other comprehensive income during the year (2014: Nil).

16. DISPOSAL OF A SUBSIDIARY

On 2 June 2015, the Company completed the disposal of 70% interest in Sun Hung Kai Financial Group Limited ("SHKFGL"). SHKFGL and its subsidiaries carry out businesses in Wealth Management and Brokerage segment and Capital Markets segment. The proceeds on disposal of HK$4,095.0 million were received in cash. Upon the disposal, the fair value of the remaining 30% interest in SHKFGL on the disposal date of HK$1,644.0 million was classified as an interest in associate and the amounts due from the subsidiaries of SHKFGL were classified as amounts due from associates. Such amounts included a 1-year shareholder loan of HK$1,061.6 million (interest at 6% p.a. for the first 6 months and 8% p.a. thereafter) advanced by the Group to a subsidiary of SHKFGL. The loan was guaranteed by the controlling shareholder of SHKFGL and a subsidiary of SHKFGL and was secured by a share charge over the shares of SHKFGL owned by the controlling shareholder after the disposal. The loan was fully repaid in October 2015.

The profit from discontinued operations (the consolidated profit of SHKFGL up to the date of the disposal and the profit on disposal of SHKFGL) is analysed as follows. The comparative figures in the consolidated statement of profit or loss have been restated to represent those operations that have been discontinued in the current year as discontinued operations.

	2015 **HK$ Million**	2014 HK$ Million
Revenue	**603.5**	1,073.3
Other income	**0.3**	152.1
Total income	**603.8**	1,225.4
Brokerage and commission expenses	**(167.7)**	(236.7)
Advertising and promotion expenses	**(5.5)**	(10.8)
Direct cost and operating expenses	**(11.2)**	(32.8)
Administrative expenses	**(199.1)**	(485.1)
Net gain on financial assets and liabilities	**2.1**	2.5
Net exchange gain (loss)	**(4.3)**	5.7
Bad and doubtful debts	**11.9**	(11.1)
Finance costs	**(6.4)**	(13.0)
Other expenses	**—**	(3.6)
	223.6	440.5
Share of results of joint ventures	**1.8**	4.2
Profit before taxation	**225.4**	444.7
Taxation	**(30.1)**	(55.9)
Profit for the year from discontinued operations	**195.3**	388.8
Profit on disposal of SHKFGL	**3,033.5**	—
Profit for the year from discontinued operations (attributable to owners of the Company)	**3,228.8**	388.8

16. DISPOSAL OF A SUBSIDIARY *(CONTINUED)*

The profit on disposal of SHKFGL included HK$802.4 million attributable to measuring the 30% retained interests in SHKFGL at its fair value at the date when control was lost. The fair value of the 30% retained interests is based on a business valuation report prepared by an independent qualified professional valuer, Norton Appraisals Limited. The valuation used the discounted cash flow approach and is based on certain key assumptions including an average growth rate of 32.4% from 2015 to 2020, a sustainable growth rate of 3%, a non-controlling interest discount rate of 9% and a discount rate of 13.3%.

The cash flows from discontinued operations is analysed as follows:

	2015	2014
	HK$ Million	HK$ Million
Net cash from operating activities	**67.0**	410.7
Net cash (used in) from investing activities	**(9.5)**	117.3
Net cash from (used in) financing activities	**58.5**	(80.0)
Net cash inflows	**116.0**	448.0

16. DISPOSAL OF A SUBSIDIARY *(CONTINUED)*

The consolidated net assets of SHKFGL at the date of disposal were as follows:

	HK$ Million
Non-current Assets	
Equipment	30.0
Intangible assets	87.6
Interest in joint ventures	43.2
Available-for-sale investments	11.9
Statutory deposits	45.3
Deferred tax assets	2.9
Trade and other receivables	7.4
Deposits for acquisition of equipment	1.5
	229.8
Current Assets	
Financial assets at fair value through profit or loss	0.2
Taxation recoverable	2.1
Amounts due from joint ventures	0.3
Amounts due from fellow subsidiaries and a holding company	5.6
Trade and other receivables	6,994.9
Cash and cash equivalents	539.3
	7,542.4
Current Liabilities	
Bank borrowings	(58.5)
Trade and other payables	(3,666.4)
Amounts due to fellow subsidiaries and a holding company	(1,155.9)
Provisions	(22.4)
Taxation payable	(47.5)
	(4,950.7)
Net Current Assets	2,591.7
Non-current Liabilities	
Deferred tax liabilities	(4.1)
Provisions	(12.0)
	(16.1)
Net assets disposed of	2,805.4
Net cash inflow arising on disposal	
— Cash consideration	4,095.0
— Expenses incurred	(12.6)
— Cash and cash equivalents disposed of	(539.3)
	3,543.1

16. DISPOSAL OF A SUBSIDIARY *(CONTINUED)*

The profit on disposal of SHKFGL is as follows:

	HK$ Million
Cash consideration received	4,095.0
Net assets disposed of	(2,805.4)
Retained interest in an associate	1,644.0
Put right for the retained interest in an associate procured on disposal*	111.0
Call option for club membership procured on disposal	9.3
Release of reserves on disposal	9.1
Transaction costs	(29.5)
Profit on disposal of SHKFGL	3,033.5

* The Group may, during the option periods (which are the period of six months commencing on the third and fifth anniversaries of the completion date) or following the occurrence of certain trigger events, exercise its put right to require the buyer to buy some or all of the shares it holds in SHKFGL at a price per share equal to the consideration per share paid by the buyer for the acquisition of the 70% interest plus a pre-agreed annualised yield of 8.8% compounding less dividends. Further details have been disclosed in the Company's circular dated 27 February 2015, Company's announcement dated 2 June 2015 and Note 27. The fair value of the put right at the disposal date is determined by an option model with certain key assumptions including a volatility of 56.0%, risk free rate of 0.6% and equity growth rate of 4.7%.

Upon the completion of the disposal of 70% interest in SHKFGL, the properties that were rented to the subsidiaries of SHKFGL and classified as property and equipment with carrying amount of HK$16.2 million before the disposal were transferred to investment properties measured at fair value of HK$132.5 million as the properties were continued to be rented to the subsidiaries of SHKFGL. The difference of HK$111.3 million between the carrying amount and the fair value of the properties was recognised in revaluation reserve, net of deferred tax of HK$5.0 million.

17. DIVIDENDS

	2015 HK$ Million	2014 HK$ Million
The aggregate amount of dividends declared and proposed:		
— 2015 interim dividend paid of HK12 cents (2014: HK10 cents) per share	**269.3**	211.4
— 2014 special dividend paid of HK2 cents per share	**—**	42.3
— 2015 second interim dividend of HK14 cents per share declared after the reporting date (2014: proposed 2014 final dividend of HK14 cents per share)	**311.0**	315.5
	580.3	569.2
Dividends recognised as distribution during the year:		
— 2014 final dividend paid of HK14 cents (2014: 2013 final dividend of HK12 cents) per share	**314.1**	254.0
— 2014 special dividend paid of HK2 cents per share	**—**	42.3
— 2015 interim dividend paid of HK12 cents (2014: HK10 cents) per share	**269.3**	211.4
	583.4	507.7

18. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following information:

	2015 HK$ Million	2014 HK$ Million
Earnings for the purposes of basic and diluted earnings per share		
Earnings from continuing operations and discontinued operations (profit for the year attributable to owners of the Company)	**3,896.5**	1,328.4
Less: earnings from discontinued operations (profit for the year from discontinued operations attributable to owners of the Company)	**(3,228.8)**	(388.8)
Earnings from continuing operations (profit for the year from continuing operations attributable to owners of the Company)	**667.7**	939.6

18. EARNINGS PER SHARE *(CONTINUED)*

	2015 Million Shares	2014 Million Shares
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,241.4**	2,152.5
Effect of dilutive potential ordinary shares:		
— Shares held for the SHK Employee Ownership Scheme	**—**	0.1
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,241.4**	2,152.6

Basic earnings per share and diluted earnings per share for the discontinued operations are both HK144.0 cents per share (2014: both HK18.1 cents per share).

19. INVESTMENT PROPERTIES

	Hong Kong HK$ Million	**PRC** HK$ Million	**Total** HK$ Million
At 1 January 2014	670.0	141.3	811.3
Exchange adjustments	—	(3.7)	(3.7)
Additions	—	33.9	33.9
Transfer to property and equipment	—	(19.6)	(19.6)
Change in fair value recognised in profit or loss	40.0	3.0	43.0
At 31 December 2014	710.0	154.9	864.9
Exchange adjustments	—	(7.7)	(7.7)
Additions	—	16.9	16.9
Transfer from property and equipment	113.0	19.5	132.5
Transfer to property and equipment	—	(17.5)	(17.5)
Change in fair value recognised in profit or loss	46.0	(7.8)	38.2
At 31 December 2015	869.0	158.3	1,027.3
Unrealised gains or losses for the year included in profit or loss			
— For 2015	46.0	(7.8)	38.2
— For 2014	40.0	3.0	43.0

19. INVESTMENT PROPERTIES *(CONTINUED)*

The fair value of the Group's investment properties at the reporting date have been arrived on the basis of a valuation carried out by Norton Appraisals Limited, an independent qualified professional valuer, not connected with the Group. The fair value was grouped under Level 3. The Group considers that the current use of the properties is to be the highest and best use. The following table provides further information regarding the valuation.

			Input values	
	Valuation technique	**Unobservable inputs**	**2015**	2014
Hong Kong	Investment method	Term yield	**2.65%**	2.65%
		Reversionary yield	**3.15%**	3.15%
		Monthly market unit rent per gross floor area (sq. ft.)	**HK$58 to HK$71**	HK$54 to HK$67
PRC	Investment method	Term yield	**4.25% to 6.75%**	4.5% to 6.5%
		Reversionary yield	**4.75% to 6.75%**	5% to 6.75%
		Monthly market unit rent per gross floor area (sq.m.)	**RMB27 to RMB210**	RMB46 to RMB225

The increase in term yield and reversionary yield would result in a decrease in fair value of the investment properties while the increase in market unit rent would result in an increase in fair value of the investment properties. The Group believes that reasonably possible changes in the input values would not cause significant change in fair value of the investment properties. There was no change in the valuation technique during the year.

19. INVESTMENT PROPERTIES *(CONTINUED)*

Particulars of the investment properties at 31 December 2015 were as follows:

Location	Classification	Term of lease
11/F, Tian An Centre, No. 338 Nanjing Road West, Huangpu District, Shanghai, the PRC	Commercial	2044
Rooms 1901, 1902 and 1903, 19/F, Tian An Centre, No. 338 Nanjing Road West, Huangpu District, Shanghai, the PRC	Commercial	2044
20-1, 20-2, 20-3, 20-4, 19-1, 19-2 & 19-3 in Block 2 of No. 101 building, Cuibai Road, Chunhuilu Street, Dadukou District, Chongqing, the PRC	Industrial	2061
Unit 401B, Block 6, Times Centre, No. 160 Zhengyang Road, Chengyang District, Qingdao, the PRC	Commercial	2046
Units 1001-1010 in Block 2-2 of Phase II of Tianjin Tian An Cyberpark, Zhangjiawo, Xiqing District, Tianjin, the PRC	Industrial	2060
2201, 2201A and 2202, 22/F, Tower I, Admiralty Centre, 18 Harcourt Road, Hong Kong	Commercial	2053
4/F, Tower II, Admiralty Centre, 18 Harcourt Road, Hong Kong	Commercial	2053
8/F, Tower II, Admiralty Centre, 18 Harcourt Road, Hong Kong	Commercial	2053
11/F, Tower II, Admiralty Centre, 18 Harcourt Road, Hong Kong	Commercial	2053

At the end of the reporting period, investment properties with a total carrying value of HK$475.0 million (31/12/2014: HK$799.0 million) were pledged as security for the Group's banking facilities.

20. PROPERTY AND EQUIPMENT

	Property HK$ Million	Furniture and equipment HK$ Million	Total HK$ Million
Cost			
At 1 January 2014	164.7	413.9	578.6
Exchange adjustments	(4.3)	(4.0)	(8.3)
Additions	105.7	113.5	219.2
Transfer from investment properties	19.6	—	19.6
Disposals/write-off	(2.9)	(9.8)	(12.7)
At 31 December 2014	282.8	513.6	796.4
Exchange adjustments	(15.2)	(10.1)	(25.3)
Additions	74.4	71.9	146.3
Disposal of subsidiaries	—	(209.8)	(209.8)
Transfer from investment properties	17.5	—	17.5
Transfer to investment properties	(22.0)	—	(22.0)
Disposals/write-off	—	(14.1)	(14.1)
At 31 December 2015	337.5	351.5	689.0
Accumulated depreciation and impairment			
At 1 January 2014	19.8	273.7	293.5
Exchange adjustments	(0.2)	(2.0)	(2.2)
Depreciation provided for the year	5.4	63.4	68.8
Eliminated on disposals/write-off	(2.9)	(8.3)	(11.2)
At 31 December 2014	22.1	326.8	348.9
Exchange adjustments	(0.9)	(5.5)	(6.4)
Depreciation provided for the year	9.6	58.1	67.7
Disposal of subsidiaries	—	(179.8)	(179.8)
Transfer to investment properties	(10.2)	—	(10.2)
Eliminated on disposals/write-off	—	(9.9)	(9.9)
At 31 December 2015	20.6	189.7	210.3
Carrying amount at 31 December 2015	316.9	161.8	478.7
Carrying amount at 31 December 2014	260.7	186.8	447.5

The useful lives of the properties are same as the remaining term of the leases that are ranging from 28 to 45 years.

21. INTANGIBLE ASSETS

	Club membership	Exchange participation rights	Computer software Acquired	Computer software Internally developed	Trade mark	Customer relationship	Web domain	Total
	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million
Cost								
At 1 January 2014	5.0	2.6	126.8	96.8	875.0	1,154.0	78.0	2,338.2
Exchange adjustments	—	—	(0.1)	—	—	—	—	(0.1)
Additions	—	—	18.4	16.5	—	—	—	34.9
Disposals/write-off	—	—	(3.3)	(11.6)	—	—	—	(14.9)
At 31 December 2014	5.0	2.6	141.8	101.7	875.0	1,154.0	78.0	2,358.1
Exchange adjustments	—	—	(0.6)	—	—	—	—	(0.6)
Additions	—	—	1.4	6.6	—	—	—	8.0
Disposal of subsidiaries	(2.8)	(2.6)	(129.8)	(108.3)	—	—	—	(243.5)
At 31 December 2015	2.2	—	12.8	—	875.0	1,154.0	78.0	2,122.0
Accumulated amortisation and impairment								
At 1 January 2014	1.2	1.1	93.0	34.7	7.0	1,154.0	61.3	1,352.3
Amortisation charged for the year	—	—	9.8	17.2	—	—	6.3	33.3
Impairment loss	—	—	0.4	—	—	—	—	0.4
Eliminated on disposals/write-off	—	—	(2.4)	(8.4)	—	—	—	(10.8)
At 31 December 2014	1.2	1.1	100.8	43.5	7.0	1,154.0	67.6	1,375.2
Amortisation charged for the year	—	—	4.1	7.8	—	—	6.3	18.2
Disposal of subsidiaries	(0.2)	(1.1)	(103.3)	(51.3)	—	—	—	(155.9)
At 31 December 2015	1.0	—	1.6	—	7.0	1,154.0	73.9	1,237.5
Carrying amount at 31 December 2015	1.2	—	11.2	—	868.0	—	4.1	884.5
Carrying amount at 31 December 2014	3.8	1.5	41.0	58.2	868.0	—	10.4	982.9

Other than the club membership, exchange participation rights and the trade mark, which have indefinite useful lives, the intangible assets are amortised on a straight-line basis over the following periods:

Acquired computer software	3 — 5 years
Internally developed computer software	5 — 10 years
Customer relationship	5.4 years
Web domain	10 years

22. GOODWILL

	2015 HK$ Million	2014 HK$ Million
Cost		
At 1 January and 31 December	**2,384.0**	2,384.0

23. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For impairment testing, goodwill and intangible assets with indefinite useful lives at 31 December 2015 were allocated as follows:

	Goodwill		**Trade Mark**	
	31/12/2015 HK$ Million	31/12/2014 HK$ Million	**31/12/2015 HK$ Million**	31/12/2014 HK$ Million
United Asia Finance Limited ("UAF") in "Consumer Finance" segment	**2,384.0**	2,384.0	**868.0**	868.0

The recoverable amount of UAF, a cash-generating unit, represents the value in use at 31 December 2015 based on a business valuation report on the UAF group prepared by an independent qualified professional valuer, Norton Appraisals Limited. The valuation used the discounted cash flow approach and is based on a five-year performance projection and certain key assumptions (updated with latest market data) including an average growth rate of 20.7% from 2016 to 2020 (2014: 24.4% from 2015 to 2019), a sustainable growth rate of 2.8% beyond 2020 (2014: 2.9% beyond 2019), and a discount rate of 13.7% (2014: 16.2%). The recoverable amount of UAF was determined to be in excess of its net carrying amount.

The management believes that possible changes in any of the above assumptions would not cause the carrying amount of UAF to exceed its recoverable amount.

24. INTEREST IN SUBSIDIARIES

The consolidated profit or loss allocated to non-controlling interests during the year and the accumulated non-controlling interests in the consolidated statement of financial position as at 31 December 2015 are as follows.

	Profit or loss allocated to non-controlling interests		Accumulated non-controlling interests	
	2015 HK$ Million	2014 HK$ Million	**31/12/2015 HK$ Million**	31/12/2014 HK$ Million
United Asia Finance Limited	**219.7**	470.4	**3,391.4**	3,540.9
上海浦東新區亞聯財小額貸款有限公司	**2.3**	(2.2)	**69.5**	70.5
北京亞聯財小額貸款有限公司	**0.4**	0.8	**122.1**	127.4
Other subsidiaries having non-controlling interests	**(0.6)**	0.8	**0.2**	1.5
	221.8	469.8	**3,583.2**	3,740.3

The following tables provide summarised financial information of subsidiaries that have non-controlling interest. The information is before inter-company eliminations.

	United Asia Finance Limited		上海浦東新區亞聯財小額貸款有限公司	
	31/12/2015 HK$ Million	31/12/2014 HK$ Million	**31/12/2015 HK$ Million**	31/12/2014 HK$ Million
Current assets	**5,016.9***	4,941.3*	**223.7**	243.4
Non-current assets	**7,702.9#**	8,017.3#	**23.0**	28.1
Current liabilities	**(2,253.2)**	(3,718.5)	**(15.0)**	(36.7)
Non-current liabilities	**(4,273.3)**	(3,199.2)	**—**	—

	2015 HK$ Million	2014 HK$ Million	**2015 HK$ Million**	2014 HK$ Million
Dividend paid to non-controlling interests	**227.2**	81.2	**—**	—
Revenue	**1,875.1**	1,745.9	**88.4**	78.2
Profit (loss) for the year	**695.4**	655.6	**7.6**	(7.3)
Total comprehensive income (expenses) for the year	**695.4**	655.6	**(3.2)**	(13.3)
Net change in cash and cash equivalents during the year	**191.4**	522.1	**2.8**	(6.4)

* Including loans and advances to consumer finance customers of HK$3,152.7 million (31/12/2014: HK$2,851.6 million)

\# Including loans and advances to consumer finance customers of HK$1,951.7 million (31/12/2014: HK$2,053.8 million) and interest in subsidiaries of HK$5,648.2 million (31/12/2014: HK$5,533.2 million)

24. INTEREST IN SUBSIDIARIES *(CONTINUED)*

	北京亞聯財小額貸款有限公司		Treasure Rider Limited	
	31/12/2015 HK$ Million	31/12/2014 HK$ Million	**31/12/2015 HK$ Million**	31/12/2014 HK$ Million
Current assets	**606.1**	635.8	**—**	—
Non-current assets	**15.5**	12.5	**250.0**	—
Current liabilities	**(11.0)**	(11.1)	**—**	—
Non-current liabilities	**—**	—	**(250.0)**	—

	2015 HK$ Million	2014 HK$ Million	**2015 HK$ Million**	2014 HK$ Million
Dividend paid to non-controlling interests	**—**	—	**—**	—
Revenue	**66.4**	68.2	**—**	—
Profit (loss) for the year	**2.0**	4.3	**—**	—
Total comprehensive income (expenses) for the year	**(26.7)**	(11.5)	**—**	—
Net change in cash and cash equivalents during the year	**18.2**	35.9	**—**	—

24. INTEREST IN SUBSIDIARIES *(CONTINUED)*

Particulars of the Company's principal subsidiaries at 31 December 2015 were as follows:

Principal subsidiaries	Place of incorporation and operation	Issued and paid up share capital	Proportion of ownership interest 2015	2014	Principal activities
Boneast Assets Limited*	British Virgin Islands	US$1	**100%**	100%	Investment holding
First Asian Holdings Limited	Hong Kong	HK$2	**58%**	58%	Investment holding
Hing Yip Holdings Limited	British Virgin Islands	US$1	**100%**	100%	Property investment
Itso Limited	Hong Kong	HK$2	**100%**	100%	Investment holding, securities trading and financial services
Kennedy (Nominees) Limited	Hong Kong	HK$10,000	**100%**	100%	Nominee services
Kima Pan Asia Offshore Fund	Cayman Islands				Investment fund
— Management shares		1,000 US$1 shares	**100%**	—	
— Participating shares		7,392.805 US$0.001 shares	**100%**	—	
— Class B6 participating shares		130,780.7344 US$0.001 shares	**100%**	—	
Oakfame Investment Limited	Hong Kong	HK$2	**100%**	100%	Investment holding
Plentiwind Limited	Hong Kong	HK$15,000,002	**100%**	100%	Investment holding and trading
Rossworth Global Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
Scienter Investments Limited	Hong Kong	HK$20	**100%**	100%	Investment holding and provision of loan finance
Shipshape Investments Limited*	British Virgin Islands	US$1	**100%**	100%	Investment holding
SHK Asset Management Holding Limited	British Virgin Islands	US$3,400,001	**100%**	100%	Investment holding
SHK Finance Limited	Hong Kong	HK$150,000,000	**58%**	58%	Money lending
SHK Financial Data Limited	Hong Kong	HK$100	**51%**	51%	Financial information services
SHK Investment Services Limited	Hong Kong	HK$1,000,000	**100%**	100%	Asset holding and leasing
SHK Securities Limited	Hong Kong	HK$20	**100%**	100%	Asset holding and leasing
Sing Hing Investment Limited	British Virgin Islands	US$1	**100%**	100%	Property investment
Sun Hung Kai (China) Investment Management Company Limited	People's Republic of China	RMB50,000,000	**100%**	100%	Corporate marketing and investment consultancy
Sun Hung Kai & Co. (BVI) Limited*	British Virgin Islands	US$1	**100%**	100%	Financing
Sun Hung Kai Capital Limited*	British Virgin Islands	US$1	**100%**	—	Investment holding
Sun Hung Kai Credit Limited (formerly: Top Asia Finance Limited)	Hong Kong	HK$250,000,000	**86%**	58%	Money lending
Sun Hung Kai International Bank [Brunei] Limited*	Brunei Darussalam	SGD10,000,000	**100%**	100%	International banking business
Sun Hung Kai Securities (Overseas) Limited	Hong Kong	HK$60,000	**100%**	100%	Investment holding
Sun Hung Kai Securities (Trustees) Limited	Hong Kong	HK$3,000,000	**100%**	100%	Provision of trustee services
Sun Hung Kai Strategic Capital Limited	Hong Kong	HK$2	**100%**	100%	Investment holding, securities trading and financial services
Sun Hung Kai Structured Finance Limited	Hong Kong	HK$137,500,000	**100%**	100%	Securities trading and provision of loan finance

24. INTEREST IN SUBSIDIARIES *(CONTINUED)*

Principal subsidiaries	Place of incorporation and operation	Issued and paid up share capital	Proportion of ownership interest 2015	2014	Principal activities
Sun Hung Kai Venture Capital Limited	Hong Kong	HK$2	**100%**	100%	Investment holding
Swan Islands Limited*	British Virgin Islands	US$503,000,001	**100%**	100%	Investment holding
Swanwick Global Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
SWAT Securitisation Fund^	Luxembourg	RMB29,968,900	**100%**	100%	Securitisation fund
Texgulf Limited	Hong Kong	HK$20	**100%**	100%	Property investment
Top Marker Limited+	British Virgin Islands	US$1	**—**	—	Investment holding
Treasure Rider Limited	Cayman Islands	US$11,000	**86%**	—	Investment holding
Tung Wo Investment Company, Limited	Hong Kong	HK$10,000	**100%**	100%	Investment holding
UA Finance (BVI) Limited	British Virgin Islands	US$1	**58%**	58%	Financing
UAF Holdings Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
United Asia Finance Limited	Hong Kong	HK$1,502,218,418	**58%**	58%	Consumer financing
Wah Cheong Development Company, Limited*	Hong Kong	HK$25,100,000	**100%**	100%	Investment holding
Wineur Secretaries Limited	Hong Kong	HK$2	**100%**	100%	Secretarial services
Yee Li Ko Investment Limited	Hong Kong	HK$58,330,000	**100%**	100%	Property investment
Zeal Goal International Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
上海浦東新區亞聯財小額貸款有限公司#	People's Republic of China	RMB200,000,000	**41%**	41%	Money lending
大連保稅區亞聯財小額貸款有限公司	People's Republic of China	US$60,000,000	**58%**	58%	Money lending
大連亞聯財信息諮詢有限公司	People's Republic of China	RMB1,000,000	**58%**	58%	Financial consultancy
天津亞聯財小額貸款有限公司	People's Republic of China	HK$250,000,000	**58%**	58%	Money lending
北京亞聯財小額貸款有限公司#	People's Republic of China	RMB500,000,000	**47%**	47%	Money lending
成都亞聯財小額貸款有限公司	People's Republic of China	HK$350,000,000	**58%**	58%	Money lending
成都亞聯財經濟信息諮詢有限公司	People's Republic of China	RMB1,000,000	**58%**	58%	Financial consultancy
亞洲第一信息諮詢(深圳)有限公司	People's Republic of China	RMB50,000,000	**58%**	58%	Financial consultancy
亞聯財信息諮詢(上海)有限公司#	People's Republic of China	RMB1,000,000	**41%**	—	Financial consultancy
亞聯財信息諮詢(深圳)有限公司	People's Republic of China	RMB25,000,000	**58%**	58%	Financial consultancy
武漢亞聯財小額貸款有限公司	People's Republic of China	RMB500,000,000	**58%**	58%	Money lending
武漢亞聯財信息諮詢有限公司	People's Republic of China	RMB1,000,000	**58%**	—	Financial consultancy
青島市城陽區亞聯財小額貸款有限公司	People's Republic of China	RMB300,000,000	**58%**	58%	Money lending
青島亞聯財信息諮詢有限公司	People's Republic of China	RMB1,000,000	**58%**	58%	Financial consultancy

24. INTEREST IN SUBSIDIARIES *(CONTINUED)*

Principal subsidiaries	Place of incorporation and operation	Issued and paid up share capital	Proportion of ownership interest 2015	2014	Principal activities
南寧市亞聯財小額貸款有限公司	People's Republic of China	RMB200,000,000	**58%**	58%	Money lending
南寧市亞聯財投資管理有限公司	People's Republic of China	RMB1,000,000	**58%**	—	Financial consultancy
哈爾濱市亞聯財小額貸款有限公司	People's Republic of China	RMB200,000,000	**58%**	58%	Money lending
哈爾濱亞聯財信息諮詢有限公司	People's Republic of China	RMB1,000,000	**58%**	58%	Financial consultancy
重慶市渝中區亞聯財小額貸款有限責任公司	People's Republic of China	US$50,000,000	**58%**	58%	Money lending
重慶亞聯財信息諮詢有限公司	People's Republic of China	RMB1,000,000	**58%**	58%	Financial consultancy
深圳亞聯財小額貸款有限公司	People's Republic of China	RMB600,000,000	**58%**	58%	Money lending
雲南省亞聯財小額貸款有限公司	People's Republic of China	HK$350,000,000	**58%**	58%	Money lending
雲南亞聯財經濟信息諮詢有限公司	People's Republic of China	RMB1,000,000	**58%**	—	Financial consultancy
新聯財信息諮詢(深圳)有限公司	People's Republic of China	RMB5,000,000	**58%**	—	Financial consultancy
新鴻基(天津)股權投資基金管理有限公司	People's Republic of China	RMB50,000,000	**100%**	100%	Asset management
新鴻基融資擔保(瀋陽)有限公司	People's Republic of China	RMB300,000,000	**58%**	58%	Loan guarantee
福州亞聯財信息諮詢有限公司	People's Republic of China	RMB1,000,000	**58%**	58%	Financial consultancy
福州市晉安區亞聯財小額貸款有限公司	People's Republic of China	RMB200,000,000	**58%**	58%	Money lending
濟南市歷下區亞聯財小額貸款有限公司	People's Republic of China	RMB300,000,000	**58%**	58%	Money lending
濟南亞聯財信息諮詢有限公司	People's Republic of China	RMB1,000,000	**58%**	58%	Financial consultancy
瀋陽亞聯財卓越信息諮詢有限公司	People's Republic of China	RMB1,000,000	**58%**	58%	Financial consultancy
瀋陽金融商貿開發區亞聯財小額貸款有限公司	People's Republic of China	RMB300,000,000	**58%**	58%	Money lending

* These subsidiaries are directly held by the Company.

\# The companies are non-wholly owned subsidiaries of a non-wholly owned subsidiary.

^ The subsidiary is a fund established and created under Luxembourg laws. As the Group holds all the issued units of the fund, it is classified as a subsidiary.

\+ Although the Group has no equity interest in Top Marker Limited, it is classified as a subsidiary of the Group as the Group can control the composition of its board and is exposed to its variable returns. The Group's investment in Top Marker Limited was HK$188.9 million at the reporting date.

The above tables list the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

25. INTEREST IN ASSOCIATES

	31/12/2015 HK$ Million	31/12/2014 HK$ Million
Carrying amount of unlisted associates	1,765.7	36.4
Less: impairment	(539.4)	(0.7)
	1,226.3	35.7

Particulars of the Group's material associate at 31 December 2015 were as follows:

Name	Place of incorporation and operation	Proportion of ownership interest 2015	Proportion of ownership interest 2014	Principal activities
Sun Hung Kai Financial Group Limited ("SHKFGL")	British Virgin Islands	30%	—	Wealth management and brokerage business

On 2 June 2015, the Company disposed of 70% interest in SHKFGL and classified the remaining 30% as an associate. Details of the disposal are disclosed in Note 16.

All associates are accounted for using the equity method. The summarised consolidated financial information of the Group's material associate, SHKFGL, is set out below. The summarised consolidated information of the financial performance for the year and financial position at the reporting date represents the amounts included in the consolidated financial statements of SHKFGL adjusted by fair value adjustments made at the time of reclassifying SHKFGL from a subsidiary to an associate.

	31/12/2015 HK$ Million
Current assets	6,036.4
Non-current assets	879.7
Current liabilities	(2,258.0)
Non-current liabilities	(1,221.6)

25. INTEREST IN ASSOCIATES *(CONTINUED)*

	2015 HK$ Million
Revenue	1,248.3
Profit from continuing operations	120.9
Post-tax profit from discontinued operations	92.5
Other comprehensive income	(2.4)
Total comprehensive income	211.0

The reconciliation of the above summarised financial information to the carrying amount of the interest in SHKFGL is as follows:

	31/12/2015 HK$ Million
Adjusted net assets of SHKFGL	3,436.5
Group's effective interest	30%
Group's share of adjusted net assets	1,031.0
Goodwill	607.7
Impairment (Note 11)	(538.7)
Carrying amount of the Group's interest in SHKFGL	1,100.0

The following table provides aggregate information for the share of the total comprehensive income and unrecognised share of losses of associates that are not individually material.

	2015 HK$ Million	2014 HK$ Million
Share of profit or loss from continuing operations	8.1	5.6
Share of other comprehensive income	—	—
Share of total comprehensive income	8.1	5.6
Share of unrecognised losses for the year	(0.4)	(0.5)
Share of cumulative losses	(25.2)	(24.8)

26. INTEREST IN JOINT VENTURES

	31/12/2015 HK$ Million	31/12/2014 HK$ Million
Carrying amount of unlisted joint ventures	**208.2**	201.2
Less: impairment	**—**	(2.3)
	208.2	198.9

All joint ventures are accounted for using the equity method. No joint venture is individually material to the Group. The analysis of the Group's share of the total comprehensive income and unrecognised share of losses of joint ventures are as follows.

	2015 HK$ Million	2014 HK$ Million
Share of profit or loss from continuing operations	**38.4**	33.0
Share of other comprehensive income (expenses)	**2.5**	(38.6)
Share of total comprehensive income (expenses)	**40.9**	(5.6)
Share of unrecognised losses for the year	**—**	—
Share of cumulative losses	**—**	—

27. FINANCIAL ASSETS AND LIABILITIES

The following tables provide analyses of financial assets and liabilities of the Group that are measured at cost less impairment and at fair value subsequent to initial recognition.

	At 31 December 2015				
	Fair value				
	Level 1 HK$ Million	Level 2 HK$ Million	Level 3 HK$ Million	Cost less impairment HK$ Million	Total HK$ Million
Available-for-sale investments					
Equity securities listed in Hong Kong	48.9	—	—	—	48.9
Unlisted overseas equity securities	—	—	39.7	16.2	55.9
	48.9	—	39.7	16.2	104.8
Financial assets at fair value through profit or loss					
Held for trading investments					
— Equity securities listed in Hong Kong	382.5	—	—	—	382.5
— Equity securities listed outside Hong Kong	237.1	—	—	—	237.1
— Exchange-traded funds listed in Hong Kong	88.0	—	—	—	88.0
— Over the counter equity derivatives	—	—	0.7	—	0.7
— Over the counter currency derivatives	—	—	0.1	—	0.1
— Forward currency contract	—	—	6.3	—	6.3
— Options listed outside Hong Kong	3.6	—	—	—	3.6
— Unlisted overseas options	—	—	0.4	—	0.4
— Unlisted put right for shares in an associate	—	—	707.0	—	707.0
— Unlisted call option for club memberships	—	—	9.3	—	9.3
— Unlisted call option for shares listed outside Hong Kong	—	—	25.9	—	25.9
— Certificates for difference	88.1	—	—	—	88.1
— Unlisted bonds issued by listed companies	—	359.6	—	—	359.6
— Listed bonds issued by listed companies	—	488.4	—	—	488.4
	799.3	848.0	749.7	—	2,397.0
Investments designated as at fair value through profit or loss					
— Unlisted convertible preferred shares issued by an unlisted company	—	—	267.8	—	267.8
— Unlisted convertible bonds issued by an unlisted company	—	—	778.9	—	778.9
— Unlisted overseas investment funds	—	—	2,286.8	—	2,286.8
	—	—	3,333.5	—	3,333.5
	799.3	848.0	4,083.2	—	5,730.5
Analysed for reporting purposes as:					
— Non-current assets					3,484.6
— Current assets					2,245.9
					5,730.5
Financial liabilities at fair value through profit or loss					
Held for trading					
— Futures and options listed in Hong Kong	2.0	—	—	—	2.0
— Unlisted overseas options	—	—	1.9	—	1.9
— Over the counter equity derivatives	—	—	22.5	—	22.5
— Over the counter currency derivatives	—	—	0.9	—	0.9
— Stock borrowings	—	120.1	—	—	120.1
— Certificates for difference	30.5	—	—	—	30.5
Analysed for reporting purposes as current liabilities	32.5	120.1	25.3	—	177.9

27. FINANCIAL ASSETS AND LIABILITIES *(CONTINUED)*

	At 31 December 2014				
	Fair value			Cost less impairment	Total
	Level 1 HK$ Million	Level 2 HK$ Million	Level 3 HK$ Million	HK$ Million	HK$ Million
Available-for-sale investments					
Equity securities listed in Hong Kong	131.8	—	—	—	131.8
Unlisted Hong Kong equity securities	—	—	—	0.4	0.4
Unlisted overseas equity securities	—	—	35.5	52.6	88.1
Unlisted overseas investment funds	—	—	12.3	—	12.3
	131.8	—	47.8	53.0	232.6
Financial assets at fair value through profit or loss					
Held for trading investments					
— Equity securities listed in Hong Kong	341.2	—	—	—	341.2
— Equity securities listed outside Hong Kong	62.8	—	—	—	62.8
— Exchange-traded funds listed in Hong Kong	68.8	—	—	—	68.8
— Unlisted bonds issued by listed companies	—	2.5	—	—	2.5
— Listed bonds issued by listed companies	—	181.4	—	—	181.4
	472.8	183.9	—	—	656.7
Investments designated as at fair value through profit or loss					
— Unlisted convertible preferred shares issued by an unlisted company	—	—	39.5	—	39.5
— Unlisted overseas investment funds	—	—	831.5	—	831.5
	—	—	871.0	—	871.0
	472.8	183.9	871.0	—	1,527.7
Analysed for reporting purposes as:					
— Non-current assets					603.5
— Current assets					924.2
					1,527.7
Financial liabilities at fair value through profit or loss					
Held for trading					
— Over the counter equity derivatives	—	—	48.5	—	48.5
— Over the counter currency derivatives	—	—	17.8	—	17.8
Analysed for reporting purposes as current liabilities	—	—	66.3	—	66.3

Available-for-sale investments are intended to be held for a continuing strategic or long-term purpose. As there are no sufficient market comparables as input to measure the fair value reliably, some of the unlisted equity investments are measured at cost less impairment.

27. FINANCIAL ASSETS AND LIABILITIES *(CONTINUED)*

On the basis of its analysis of the nature, characteristics and risks of the equity securities, the Group has determined that presenting them by nature and type of issuers is appropriate.

Fair values are grouped from Level 1 to 3 based on the degree to which the fair values are observable.

— Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

— Level 2 fair value measurements are those derived from input other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

— Level 3 fair value measurements are those derived from valuation techniques that include input for the assets or liabilities that are not based on observable market data.

There were no transfers between Level 1 and 2 during both years.

The fair value of bonds under Level 2 at the reporting date were derived from quoted prices from pricing services. The fair value of stock borrowings under Level 2 at the reporting date were derived from observable market prices of the underlying securities to be converted.

The fair value of Level 3 financial assets and liabilities are mainly derived from an unobservable range of data. In estimating the fair value of a financial asset or a financial liability under Level 3, the Group engages external valuers or establishes appropriate valuation techniques internally to perform the valuation which are reviewed by management.

27. FINANCIAL ASSETS AND LIABILITIES *(CONTINUED)*

The following tables provide further information regarding the valuation of material financial assets (liabilities) under Level 3.

	At 31 December 2015			
	Valuation technique	**Unobservable inputs**	**Input values**	**Fair value HK$ Million**
Available-for-sale investments				
Unlisted overseas equity securities	**Discounted cash flow**	**Weighted average cost of capital**	**5.0%**	**39.7**
		Average annual dividend pay-out	**HK$54.3 million**	
Held for trading investments				
Unlisted put right for shares in an associate	**Option model**	**Volatility**	**66.5%**	**707.0**
		Risk free rate	**0.6%**	
		Equity growth rate	**3.1%**	
Unlisted call option for shares listed outside Hong Kong	**Option model**	**Volatility**	**63.1%**	**25.9**
		Risk free rate	**0.002%**	
Financial assets designated as at fair value through profit or loss				
Unlisted convertible preferred shares issued by an unlisted company	**Discounted cash flow**	**Contractual price of an impending sale**	**HK$267.8 million**	**267.8**
Unlisted convertible bonds issued by an unlisted company	**Market comparable approach**	**Recent transaction price**	**n/a**	**778.9**
Unlisted overseas investment funds	**Net asset value***	**n/a**	**n/a**	**2,286.8**
Financial liabilities held for trading				
Over the counter equity derivatives	**Price quoted by counter parties**	**n/a**	**n/a**	**(22.5)**

27. FINANCIAL ASSETS AND LIABILITIES *(CONTINUED)*

	At 31 December 2014			
	Valuation technique	Unobservable inputs	Input values	Fair value HK$ Million
Available-for-sale investments				
Unlisted overseas equity securities	Discounted cash flow	Weighted average cost of capital	5.0%	35.5
		Average annual dividend pay-out	HK$43.8 million	
Unlisted overseas investment funds	Net asset value*	n/a	n/a	12.3
Financial assets designated as at fair value through profit or loss				
Unlisted convertible preferred shares issued by an unlisted company	Market comparable approach	Price to sales	22.6 times	39.5
		Illiquidity discount	50%	
Unlisted overseas investment funds	Net asset value*	n/a	n/a	831.5
Financial liabilities held for trading				
Over the counter equity derivatives	Price quoted by counter parties	n/a	n/a	(48.5)
Over the counter currency derivatives	Price quoted by counter parties	n/a	n/a	(17.8)

* The Group has determined that the reported net asset values represent fair value of the unlisted overseas investment funds.

The management believes that possible changes in the input values would not cause significant change in fair value of the financial assets and liabilities under Level 3.

27. FINANCIAL ASSETS AND LIABILITIES *(CONTINUED)*

The reconciliation of financial assets and liabilities under Level 3 fair value measurements is as follows:

	2015						
		Recognised gains or losses					
	Balance at 1/1/2015 HK$ Million	Profit or loss HK$ Million	Other comprehensive income HK$ Million	Purchase HK$ Million	Disposal HK$ Million	Balance at 31/12/2015 HK$ Million	Unrealised profit or loss for the year HK$ Million
Available-for-sale investments							
Unlisted overseas equity securities	35.5	—	4.2	—	—	39.7	—
Unlisted overseas investment funds	12.3	—	(0.8)	—	(11.5)	—	—
Held for trading investments							
Over the counter equity derivatives	—	0.7	—	—	—	0.7	0.7
Over the counter currency derivatives	—	0.1	—	—	—	0.1	0.1
Forward currency contract	—	6.3	—	—	—	6.3	6.3
Unlisted overseas options	—	0.4	—	—	—	0.4	0.4
Unlisted put right for shares in an associate	—	596.0	—	111.0	—	707.0	596.0
Unlisted call option for club memberships	—	—	—	9.3	—	9.3	—
Unlisted call option for shares listed outside Hong Kong	—	25.9	—	—	—	25.9	25.9
Investments designated as at fair value							
Unlisted convertible preferred shares	39.5	205.2	—	23.1	—	267.8	205.2
Unlisted convertible bonds	—	—	—	778.9	—	778.9	—
Unlisted overseas investment funds	831.5	134.2	—	1,560.9	(239.8)	2,286.8	80.2
Financial liabilities held for trading							
Unlisted overseas options	—	(1.9)	—	—	—	(1.9)	(1.9)
Over the counter equity derivatives	(48.5)	26.0	—	—	—	(22.5)	26.0
Over the counter currency derivatives	(17.8)	16.9	—	—	—	(0.9)	16.9

27. FINANCIAL ASSETS AND LIABILITIES *(CONTINUED)*

	2014						
		Recognised gains or losses					
	Balance at 1/1/2014 HK$ Million	Profit or loss HK$ Million	Other comprehensive income HK$ Million	Purchase HK$ Million	Disposal HK$ Million	Balance at 31/12/2014 HK$ Million	Unrealised profit or loss for the year HK$ Million
Available-for-sale investments							
Unlisted overseas equity securities	47.4	—	(11.9)	—	—	35.5	—
Unlisted overseas investment funds	12.1	7.0	2.1	—	(8.9)	12.3	—
Held for trading investments							
Over the counter equity derivatives	1.4	(1.4)	—	—	—	—	—
Unlisted overseas options	0.1	(0.1)	—	—	—	—	—
Unlisted convertible bonds	3.4	7.6	—	—	(11.0)	—	—
Investments designated as at fair value							
Unlisted bonds issued by a Singapore listed company	45.5	(44.5)	(1.0)	—	—	—	(44.5)
Unlisted convertible preferred shares	—	—	—	39.5	—	39.5	—
Unlisted overseas investment funds	468.0	98.6	—	488.9	(224.0)	831.5	99.7
Financial liabilities held for trading							
Over the counter equity derivatives	(28.9)	(19.6)	—	—	—	(48.5)	(19.6)
Over the counter currency derivatives	—	(17.8)	—	—	—	(17.8)	(17.8)
Financial liabilities designated as at fair value							
Renminbi denominated asset-backed bonds	(42.9)	41.9	1.0	—	—	—	41.9

There was no transfer out or transfer in of Level 3 in current year. The Group's policy is to recognise transfers into and transfers out of Level 3 as of the date of the event or change in circumstances that caused the transfer.

27. FINANCIAL ASSETS AND LIABILITIES *(CONTINUED)*

The carrying amounts of the Group's financial assets at the end of the reporting period were as follows:

	31/12/2015 HK$ Million	31/12/2014 HK$ Million
Available-for-sale investments	**104.8**	232.6
Financial assets at fair value through profit or loss		
— Held for trading investments	**2,397.0**	656.7
— Investments designated as at fair value through profit or loss	**3,333.5**	871.0
	5,730.5	1,527.7
Loans and receivables		
— Amounts due from associates and joint ventures (Note 29)	**183.6**	64.9
— Loans and advances to consumer finance customers (Note 30)	**8,822.0**	11,391.7
— Trade and other receivables (Note 31)	**3,575.9**	9,125.7
— Bank deposits (Note 32)	**1,501.4**	993.4
— Cash and cash equivalents (Note 32)	**5,647.6**	4,051.2
	19,730.5	25,626.9
	25,565.8	27,387.2

The carrying amounts of Group's financial liabilities at the end of the reporting period were as follows:

	31/12/2015 HK$ Million	31/12/2014 HK$ Million
Financial liabilities at fair value through profit or loss		
— Held for trading	**177.9**	66.3
Financial liabilities measured at amortised cost		
— Bank and other borrowings (Note 33)	**6,312.7**	7,029.9
— Trade and other payables (Note 34)	**94.6**	2,587.3
— Amounts due to fellow subsidiaries and a holding company (Note 35)	**—**	7.5
— Amounts due to associates (Note 35)	**0.1**	0.1
— Notes (Note 37)	**3,581.7**	3,708.5
	9,989.1	13,333.3
	10,167.0	13,399.6

27. FINANCIAL ASSETS AND LIABILITIES *(CONTINUED)*

At the reporting date, the Group had no financial assets and financial liabilities that:

— are offset in the Group's consolidated statement of financial position; or

— are subject to an enforceable master netting arrangement or similar agreements that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

Further details on financial risk management of financial assets and liabilities are disclosed in Note 43.

28. DEFERRED TAXATION

The following are the major deferred tax assets and liabilities of the Group recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$ Million	Provisions and impairment HK$ Million	Revaluation of assets HK$ Million	Unrealised gain HK$ Million	Undistributed earnings and others HK$ Million	Tax losses HK$ Million	Total HK$ Million
At 1 January 2014	(21.0)	206.6	(181.1)	(40.2)	(10.6)	40.6	(5.7)
Exchange adjustments	—	(3.8)	0.8	1.3	0.1	(0.1)	(1.7)
Recognised in profit or loss	(1.9)	111.8	(0.1)	(28.7)	2.7	(12.9)	70.9
At 31 December 2014	(22.9)	314.6	(180.4)	(67.6)	(7.8)	27.6	63.5
Exchange adjustments	0.2	(20.4)	1.6	3.2	—	(0.4)	(15.8)
Disposal of subsidiaries and joint venture	11.5	(10.9)	0.1	1.3	5.0	(0.4)	6.6
Recognised in equity	—	—	(5.0)	—	—	—	(5.0)
Recognised in profit or loss	0.5	295.7	4.0	(5.6)	0.1	6.9	301.6
At 31 December 2015	(10.7)	579.0	(179.7)	(68.7)	(2.7)	33.7	350.9

For reporting purposes, certain deferred tax assets and liabilities have been offset in the underlying subsidiaries. The following is the analysis of the deferred tax balances of the Group for financial reporting purposes:

	31/12/2015 HK$ Million	31/12/2014 HK$ Million
Deferred tax assets	**543.4**	265.0
Deferred tax liabilities	**(192.5)**	(201.5)
	350.9	63.5

28. DEFERRED TAXATION *(CONTINUED)*

At the end of the reporting period, the Group had no material unrecognised deductible temporary difference (31/12/2014: HK$1.1 million) and had unrecognised tax losses of HK$281.5 million (31/12/2014: HK$237.5 million) available to offset against future profits. The deductible temporary difference and tax losses have not been recognised as it is uncertain that there will be sufficient future taxable profits available for the utilisation of these temporary differences. The unrecognised tax losses included a sum of HK$1.5 million that will expire during 2017 to 2020 (31/12/2014: HK$3.5 million will expire during 2015 to 2019).

Under the Law of PRC on Enterprise Income Tax, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred tax has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$897.8 million at the end of the reporting period (31/12/2014: HK$1,131.7 million) . The taxable temporary differences have not been recognised as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

29. AMOUNTS DUE FROM ASSOCIATES AND JOINT VENTURES

	31/12/2015 HK$ Million	31/12/2014 HK$ Million
Amounts due from associates	**200.7**	81.9
Less: impairment allowance	**(17.1)**	(17.1)
	183.6	64.8
Amounts due from joint ventures	—	8.6
Less: impairment allowance	—	(8.5)
	—	0.1
	183.6	64.9
Analysed for reporting purposed as:		
— Non-current assets	**64.9**	64.7
— Current assets	**118.7**	0.2
	183.6	64.9

29. AMOUNTS DUE FROM ASSOCIATES AND JOINT VENTURES *(CONTINUED)*

	Advance to associates HK$ Million	**Advance to joint ventures** HK$ Million	**Total** HK$ Million
At 31 December 2015			
Gross amount of impaired advances	**17.3**	**—**	**17.3**
Individually assessed impairment allowances			
— Balance brought forward	**(17.1)**	**(8.5)**	**(25.6)**
— Amounts written off	**—**	**13.6**	**13.6**
— Amounts recognised in profit or loss	**—**	**(5.1)**	**(5.1)**
— Balance carried forward	**(17.1)**	**—**	**(17.1)**
Net carrying amount of impaired advances	**0.2**	**—**	**0.2**
At 31 December 2014			
Gross amount of impaired advances	17.2	8.6	25.8
Individually assessed impairment allowances			
— Balance brought forward	(17.1)	—	(17.1)
— Amounts recognised in profit or loss	—	(8.5)	(8.5)
— Balance carried forward	(17.1)	(8.5)	(25.6)
Net carrying amount of impaired advances	0.1	0.1	0.2

The impairment is recognised when there is objective evidence of impairment (such as unsustainable operating loss) after the Group's evaluation of the collectibility of amounts due from associates and joint ventures.

Further details of amounts due from associates and joint ventures are disclosed in Note 35.

30. LOANS AND ADVANCES TO CONSUMER FINANCE CUSTOMERS

	31/12/2015 HK$ Million	31/12/2014 HK$ Million
Loans and advances to consumer finance customers		
— Hong Kong	**6,839.9**	7,081.6
— Mainland China	**2,932.3**	5,066.7
Less: impairment allowance	**(950.2)**	(756.6)
	8,822.0	11,391.7
Analysed for reporting purposes as:		
— Non-current assets	**2,741.3**	3,308.4
— Current assets	**6,080.7**	8,083.3
	8,822.0	11,391.7

Movements of impairment allowance during the year were as follows:

	2015 HK$ Million	2014 HK$ Million
At 1 January	**(756.6)**	(599.2)
Exchange adjustments	**19.1**	5.1
Amounts written off	**1,363.7**	738.9
Amounts recognised in profit or loss	**(1,446.9)**	(787.2)
Amounts recovered	**(129.5)**	(114.2)
At 31 December	**(950.2)**	(756.6)

For the collective impairment assessment, the management of UAF has taken into consideration of the recent bad debt written off information net of the recoveries for Hong Kong and China loan portfolio balances at year end. Based on historical loss experiences, the management of UAF considers that the allowance sufficiently covered the write off balances net of bad debt written back. During the year, the management of UAF closely monitors any changes in credit loss pattern and behavior of borrowers and the overdue loan portfolio in view of the more volatile economic environment in PRC during the year through tightening the loan growth and the lending policy.

30. LOANS AND ADVANCES TO CONSUMER FINANCE CUSTOMERS *(CONTINUED)*

All the loans and advances bear interest at market interest rates.

The loans and advances to consumer finance customers have been reviewed by the Consumer Finance division to assess impairment allowances which are based on the evaluation of collectibility, ageing analysis of accounts and on management's judgement, including the current creditworthiness and the past collection statistics of individually significant accounts or a portfolio of accounts on a collective basis.

The following is an ageing analysis for the loans and advances to consumer finance customers that were past due at the end of the reporting period but not impaired:

	31/12/2015 HK$ Million	31/12/2014 HK$ Million
Less than 31 days past due	**571.2**	805.2
31 — 60 days	**147.0**	278.3
61 — 90 days	**124.7**	101.6
91 — 180 days	**397.6**	232.8
Over 180 days	**103.5**	36.9
	1,344.0	1,454.8

The loans and advances to consumer finance customers categorised as unsecured and secured, are as follows:

At the reporting date, loans and advances to consumer finance customers consisted of HK$7,803.9 million unsecured (31/12/2014: HK$10,015.6 million) and HK$1,018.1 million secured (31/12/2014: HK$1,376.1 million). The table below summarises its credit quality (gross balances net of impairment allowances):

	31/12/2015 HK$ Million	31/12/2014 HK$ Million
Credit quality		
Neither past due nor individually impaired	**7,420.9**	9,936.9
Past due or individually impaired	**1,401.1**	1,454.8
	8,822.0	11,391.7

30. LOANS AND ADVANCES TO CONSUMER FINANCE CUSTOMERS *(CONTINUED)*

The amount and type of collateral required depend on an assessment of the credit risk of the customer or counterparty.

The main types of collateral and credit enhancement obtained are as follows:

— for personal lending, mortgages over residential properties; and

— for commercial lending, corporate guarantees, charges over real estate properties, pledge of shares or debentures over the borrower's assets.

In general, the loans and advances which are granted on a secured basis, are made to the consumer finance customers with sufficient amount of collateral provided by them. Management requests additional collateral as appropriate in accordance with the underlying agreements, and monitors the market value of collateral during its review of the adequacy of the impairment allowance.

Estimate of fair value of collateral is based on the valuation techniques commonly used for the corresponding assets at the time of borrowing.

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding loan balances. In general, the Group does not retain repossessed properties for business purposes.

In respect of the secured loans and advances to consumer finance customers with the carrying amount of HK$819.1 million (2014: HK$970.9 million), the fair values of the collaterals of such loans and advances can be objectively ascertained to cover the outstanding amount of the loan balances.

The carrying amounts of the loans and advances to consumer finance customers approximate their fair values.

31. TRADE AND OTHER RECEIVABLES

	31/12/2015 HK$ Million	31/12/2014 HK$ Million
Trade receivables — accounts receivable from exchanges, brokers and clients	**146.5**	1,811.3
Less: impairment allowance	**—**	(11.8)
	146.5	1,799.5
Secured term loans	**3,123.7**	2,727.2
Unsecured term loans	**301.0**	623.6
Less: impairment allowance	**(95.9)**	(4.8)
	3,328.8	3,346.0
Margin loans	**—**	3,903.0
Less: impairment allowance	**—**	(119.9)
	—	3,783.1
Other receivables		
— Deposits	**74.5**	72.1
— Dividend receivable on behalf of clients	**—**	60.9
— Payments on behalf of customers^	**21.3**	0.3
— Claims from counter parties and other receivables	**21.8**	63.8
Less: impairment allowance	**(17.0)**	—
	100.6	197.1
Trade and other receivables at amortised cost	**3,575.9**	9,125.7
Prepayments	**36.3**	24.9
Current portion of leasehold interests in land	**0.1**	0.3
	3,612.3	9,150.9
Analysed for reporting purposes as:		
— Non-current assets	**1,604.2**	1,468.2
— Current assets	**2,008.1**	7,682.7
	3,612.3	9,150.9

^ Payments on behalf of customers represented payments made by the Group to reimburse the beneficiaries of the guarantees (the "Holders") for losses the Holders incurred because the customers failed to make payments when due in accordance with the term of the corresponding debt instruments.

31. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

The following is an ageing analysis of trade and other receivables based on date of invoice/contract note at the reporting date:

	31/12/2015 HK$ Million	31/12/2014 HK$ Million
Less than 31 days	**0.1**	1,820.1
31 — 60 days	**0.5**	4.1
61 — 90 days	**—**	1.5
91 — 180 days	**—**	2.6
Over 180 days	**—**	23.3
	0.6	1,851.6
Term loans, margin loans and trade and other receivables without ageing*	**3,688.2**	7,410.6
Less: impairment allowances	**(112.9)**	(136.5)
Trade and other receivables at amortised cost	**3,575.9**	9,125.7

* No ageing analysis is disclosed for term loans financing, as, in the opinion of the management, the ageing analysis does not give additional value in view of the nature of the term loans financing business.

31. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

The gross amount of impaired receivables at the reporting date and the movement of impairment allowances during the year were as follows:

	Trade receivables HK$ Million	Term loans HK$ Million	Margin loans HK$ Million	Other receivables HK$ Million	Total HK$ Million
At 31 December 2015					
Gross amount of impaired receivables	**—**	**320.4**	**—**	**23.0**	**343.4**
Individually assessed impairment allowances					
— Balance brought forward	**(11.8)**	**(4.8)**	**(119.9)**	**—**	**(136.5)**
— Exchange adjustments	**—**	**—**	**—**	**0.6**	**0.6**
— Amounts written off	**0.1**	**4.4**	**9.5**	**—**	**14.0**
— Amounts recognised in profit or loss	**2.4**	**(95.5)**	**—**	**(17.6)**	**(110.7)**
— Disposal of subsidiaries	**9.3**	**—**	**110.4**	**—**	**119.7**
— Balance carried forward	**—**	**(95.9)**	**—**	**(17.0)**	**(112.9)**
Net carrying amount of impaired receivables	**—**	**224.5**	**—**	**6.0**	**230.5**
At 31 December 2014					
Gross amount of impaired receivables	13.7	6.3	148.2	—	168.2
Individually assessed impairment allowances					
— Balance brought forward	(19.4)	(4.8)	(155.6)	—	(179.8)
— Amounts written off	—	—	54.3	—	54.3
— Amounts recognised in profit or loss	7.6	—	(18.6)	—	(11.0)
— Balance carried forward	(11.8)	(4.8)	(119.9)	—	(136.5)
Net carrying amount of impaired receivables	1.9	1.5	28.3	—	31.7

Impairment loss on trade receivables, term loans and other receivables is recognised in profit or loss after review by the management, based on the latest status of trade receivables, term loans and other receivables, and the latest announced or available information about the underlying collateral held.

31. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

The following is an ageing analysis of trade and other receivables that were past due at the end of the reporting period but not impaired:

	31/12/2015 HK$ Million	31/12/2014 HK$ Million
Less than 31 days	**0.4**	176.0
31 – 60 days	**—**	236.4
61 – 90 days	**—**	2.1
91 – 180 days	**—**	15.3
Over 180 days	**—**	38.2
	0.4	468.0

The carrying amounts of the trade and other receivables at amortised cost approximate their fair values.

Further details on financial risk management of trade and other receivables are disclosed in Note 43.

32. BANK DEPOSITS, CASH AND CASH EQUIVALENTS

	31/12/2015 HK$ Million	31/12/2014 HK$ Million
Bank balances and cash	**2,860.6**	2,760.6
Fixed deposits with banks with a term within 3 months	**2,787.0**	1,290.6
Cash and cash equivalents	**5,647.6**	4,051.2
Fixed deposits with banks with a term between 4 to 12 months	**1,501.4**	993.4
	7,149.0	5,044.6

The carrying amounts of bank deposits, cash and cash equivalents approximate their fair values. Further details on financial risk management of bank deposits, cash and cash equivalents are disclosed in Note 43.

33. BANK AND OTHER BORROWINGS

	31/12/2015 HK$ Million	31/12/2014 HK$ Million
Bank loans		
— Unsecured term loans	**6,263.7**	6,954.7
— Secured instalment loans	**14.0**	75.2
Total bank borrowings	**6,277.7**	7,029.9
Other borrowings	**35.0**	—
	6,312.7	7,029.9
Analysed for reporting purposes as:		
— Current liabilities	**2,009.1**	3,833.9
— Non-current liabilities	**4,303.6**	3,196.0
	6,312.7	7,029.9

At 31 December 2015, bank and other borrowings were repayable as follows:

	31/12/2015 HK$ Million	31/12/2014 HK$ Million
Bank borrowings		
— Within one year	**1,995.1**	3,758.7
— In the second year	**2,240.9**	1,344.3
— In the third to fifth year	**2,027.7**	1,851.7
Bank borrowings with a repayment on demand clause		
— Within one year	**4.8**	61.2
— In the second year	**9.2**	4.8
— In the third to fifth year	**—**	9.2
	6,277.7	7,029.9
Other borrowings		
— Over five years	**35.0**	—
	6,312.7	7,029.9

33. BANK AND OTHER BORROWINGS *(CONTINUED)*

The secured instalment bank loans are repayable by instalments up to August 2017. Interest is charged on the outstanding balances at market rates.

All the bank loans and other borrowings are in Hong Kong dollars except for equivalent amounts of HK$451.5 million which was denominated in US dollar (31/12/2014: HK$306.3 million denominated in US dollar and HK$298.3 million denominated in RMB dollar). Further details related to financial risk management of such balances are disclosed in Note 43.

The carrying amounts of the bank and other borrowings approximate their fair values.

34. TRADE AND OTHER PAYABLES

	31/12/2015 HK$ Million	31/12/2014 HK$ Million
Accounts payable to exchanges, brokers and clients	**16.4**	2,313.2
Dividend receivable on behalf of clients	**—**	60.9
Other accounts payable	**78.2**	213.2
Trade and other payables at amortised cost	**94.6**	2,587.3
Accrued staff costs and other accrued expenses	**186.7**	232.5
	281.3	2,819.8

The following is an ageing analysis of the trade and other payables based on the date of invoice/contract note at the reporting date:

	31/12/2015 HK$ Million	31/12/2014 HK$ Million
Less than 31 days	**68.4**	2,480.3
31 — 60 days	**8.5**	8.4
61 — 90 days	**7.1**	11.4
91 — 180 days	**0.2**	9.5
Over 180 days	**0.1**	3.6
	84.3	2,513.2
Accrued staff costs, other accrued expenses and other payables without ageing	**197.0**	306.6
	281.3	2,819.8

The carrying amounts of the trade and other payables at amortised cost approximate their fair values.

35. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following material transactions with related parties:

	2015 HK$ Million	2014 HK$ Million
Associates and joint ventures of a holding company		
Insurance premiums received from associates of a holding company in the course of provision of insurance brokerage services*	**0.1**	1.3
Rental and building management fees to an associate of a holding company*	**(4.7)**	(4.9)
Rental and building management fees to a joint venture of a holding company*	**(17.5)**	(15.7)
6% unsecured term loan to an associate of a holding company*		
— Interest income	**5.2**	6.8
— Repayment	**63.9**	68.0
— Drawdown	**—**	(41.2)
Associates		
1-year shareholder loan to an associate (Note 16)		
— Interest income	**26.0**	—
— Repayment	**1,061.6**	—
— Drawdown	**(1,061.6)**	—
Rental income from an associate	**1.1**	—
Service fees income from an associate	**3.6**	—
Brokerage expenses to an associate	**(1.3)**	—
Service fees expenses to an associate	**(4.2)**	—
Insurance premiums paid to an associate	**(5.3)**	—
Joint ventures		
Management fees received from a joint venture	**1.5**	3.5
Consultancy service fee received from a joint venture	**0.1**	1.1
Holding company and its subsidiaries		
Insurance premiums received from a holding company and fellow subsidiaries in the course of provision of insurance brokerage services*	**1.1**	3.0
Short-term loan due to fellow subsidiaries advanced	**—**	600.0
Short-term loan due to fellow subsidiaries repaid	**—**	(600.0)
Finance costs to fellow subsidiaries	**(14.5)**	(16.6)
Management fees paid to a holding company*	**(6.0)**	(5.4)

* The transactions also constituted connected transactions or continuing connected transactions. The details are disclosed under the Directors' Report section.

35. RELATED PARTY TRANSACTIONS *(CONTINUED)*

Compensation of key management personnel

The remuneration of Directors and other members of key management during the year were as follows:

	2015 **HK$ Million**	2014 HK$ Million
Short-term benefits	**92.3**	95.1
Post-employment benefits	**1.6**	1.7
	93.9	96.8

During the year, 153,000 shares were granted under the SHK Employee Ownership Scheme to key management personnel. In addition, 744,000 shares with a total amount of HK$5.5 million were vested for key management personnel during the year. The total dividend payments paid to the key management personnel during the year were HK$0.4 million (2014: HK$0.3 million).

At the extraordinary general meeting of the Company held on 23 July 2012, it was resolved that a director's service agreement entered between the Group and a director of a subsidiary for a term of ten years be approved. Subject to the terms and conditions of the agreement, the Group has granted the director of a subsidiary an option ("Option") to subscribe for or purchase up to 20% of the issued capital of a new company ("Newco") to be established to hold all equity interests in subsidiaries incorporated or to be incorporated in the PRC for money lending businesses in the PRC ("PRC Subsidiaries") at an exercise price which is determined based on the aggregate carrying amount of shareholders equity and shareholders loans proportional to the shareholding to be taken up by the director of a subsidiary at the time of exercise of the Option. Prior to the period before the Option becomes vested, the director of a subsidiary is also entitled a bonus calculated based on the performance of PRC Subsidiaries. The transaction constituted a very substantial disposal and a connected transaction and its details were disclosed in the Company's circular dated 29 June 2012.

The fair value of the Option on grant date of 23 July 2012 was HK$255.1 million which was calculated using the Black-Scholes pricing model and carried out by Norton Appraisals Limited, a firm of independent and qualified professional valuers not connected with the Group. The inputs into the model include an underlying asset value of PRC Subsidiaries as at the grant date of HK$1,018.1 million, risk free rate of 2.74%, volatility of 39.25% and expected option life of 5 years. No share based payment expense is recognised in the consolidated financial statements for the year ended 31 December 2015 (2014: nil) since one of the vesting conditions for the Option is the successful completion of the establishment of the Newco, the date of which, in the opinion of the management, could not yet be estimated with reasonable certainty.

35. RELATED PARTY TRANSACTIONS *(CONTINUED)*

At the end of the reporting period, the Group had the following material balances with related parties:

	31/12/2015 HK$ Million	31/12/2014 HK$ Million
Associates of a holding company		
Deposits and trade receivable due from associates of a holding company	**4.1**	4.2
6% unsecured term loans to an associate of a holding company	**—**	70.0
	4.1	74.2
Associates		
Amounts due from associates	**183.6**	64.8
Amounts due to associates	**(0.1)**	(0.1)
	183.5	64.7
Holding company and fellow subsidiaries		
Trade payable due to a holding company	**—**	(1.3)
Trade payable due to fellow subsidiaries	**—**	(6.2)
	—	(7.5)
Notes held by fellow subsidiaries	**(260.5)**	(212.4)
	(260.5)	(219.9)

The amounts due from (to) associates are unsecured, non-interest bearing and repayable on demand.

36. PROVISIONS

	Employee benefits HK$ Million	Others HK$ Million	Total HK$ Million
At 1 January 2015	57.5	16.4	73.9
Exchange adjustments	—	(0.1)	(0.1)
Additional provisions for the year	76.0	6.1	82.1
Amount utilised during the year	—	(0.2)	(0.2)
Amount paid during the year	(89.3)	—	(89.3)
Disposal of subsidiaries	(21.2)	(13.2)	(34.4)
At 31 December 2015	23.0	9.0	32.0

	31/12/2015 HK$ Million	31/12/2014 HK$ Million
Analysed for reporting purposes as:		
— Current liabilities	**31.8**	62.3
— Non-current liabilities	**0.2**	11.6
	32.0	73.9

37. NOTES

	31/12/2015 HK$ Million	31/12/2014 HK$ Million
US dollar denominated notes (the "US$ Notes")		
— 6.375% US dollar denominated notes maturing in September 2017 (the "6.375% Notes")	**2,526.7**	2,624.1
— 3% US dollar denominated notes maturing in December 2017 (the "3% Notes")	**459.6**	455.8
Renminbi denominated notes (the "RMB Notes")		
— 6.9% Renminbi denominated notes maturing in May 2018 (the "6.9% Notes")	**595.4**	628.6
	3,581.7	3,708.5
Analysed for reporting purposes as:		
— Current liabilities	**79.6**	71.3
— Non-current liabilities	**3,502.1**	3,637.2
	3,581.7	3,708.5

The US$ Notes were issued by a subsidiary, Sun Hung Kai & Co. (BVI) Limited, under a US$2 billion guaranteed medium term note programme. The US$ Notes are guaranteed by the Company. The 6.375% Notes are listed on The Stock Exchange of Hong Kong Limited and are issued to professional investors only as described in the pricing supplement dated 17 September 2012 and the offering circular dated 13 June 2012.

During the year, the Group purchased part of the 6.375% Notes with a total nominal value of US$13.0 million (2014: US$9.3 million) from the market at a consideration of HK$103.0 million (2014: HK$75.9 million). The nominal value of the 6.375% Notes outstanding after eliminating the intra-group holdings was US$322.2 million or equivalent to HK$2,497.1 million at the reporting date (31/12/2014: US$335.2 million or equivalent to HK$2,600.1 million). The fair value of the 6.375% Notes based on the price quoted from pricing service at the reporting date was HK$2,649.8 million (31/12/2014: HK$2,737.8 million) which was categorised as Level 2.

The nominal value of the 3% Notes was US$60.0 million or equivalent to HK$465.0 million (31/12/2014: US$60.0 million or equivalent to HK$465.4 million) at the reporting date. The fair value of the 3% Notes measured by discounted cash flow approach at the reporting date was HK$462.5 million (31/12/2014: HK$448.7 million) which was categorised as Level 3.

37. NOTES *(CONTINUED)*

The RMB Notes were issued by a subsidiary, UA Finance (BVI) Limited, under a US$3 billion medium term note programme. The RMB Notes are unsecured and guaranteed by a non-wholly owned subsidiary.

During the year, the Group purchased part of the 6.9% Notes with a total nominal value of RMB 5.0 million from the market at a consideration of HK$6.4 million. The nominal value of the 6.9% Notes after eliminating the intra-group holdings was RMB495.0 million or equivalent to HK$590.8 million at the reporting date (31/12/2014: RMB 500.0 million or equivalent to HK$624.9 million). The fair value of the 6.9% Notes based on the price quoted from pricing service at the reporting date was HK$595.4 million (31/12/2014: HK$644.2 million) which was categorised as Level 2.

38. SHARE CAPITAL

	Number of shares		**Share capital**	
	2015 Million Shares	2014 Million Shares	**2015 HK$ Million**	2014 HK$ Million
Issued and fully paid				
Balance brought forward	**2,253.6**	2,123.6	**8,752.3**	424.7
Shares cancelled after repurchase	**(24.6)**	(30.0)	**—**	—
Transfer from share premium and capital redemption reserve upon the abolition of par value under the new Companies Ordinance	**—**	—	**—**	7,325.2
Issue of shares (net of expenses)	**—**	160.0	**—**	1,002.4
Balance carried forward	**2,229.0**	2,253.6	**8,752.3**	8,752.3

During the year, the Company repurchased its own shares through purchases on The Stock Exchange of Hong Kong Limited for HK$134.7 million (including expenses) (2014: HK$169.7 million). The details are disclosed under the Directors' Report section.

39. ANALYSIS OF OTHER COMPREHENSIVE INCOME (EXPENSES)

	Exchange reserve HK$ Million	Revaluation reserve HK$ Million	Retained earnings HK$ Million	Non-controlling interests HK$ Million	Total HK$ Million
For the year ended 31 December 2015					
Available-for-sale investments	**—**	**(3.2)**	**—**	**(3.0)**	**(6.2)**
Exchange differences arising on translating foreign operations	**(198.4)**	**(0.6)**	**—**	**(148.0)**	**(347.0)**
Reclassification adjustment on disposal of subsidiaries	**(1.8)**	**(7.3)**	**—**	**—**	**(9.1)**
Reclassification adjustment on liquidation of joint venture	**(1.1)**	**—**	**—**	**—**	**(1.1)**
Revaluation gain on properties	**—**	**111.3**	**—**	**—**	**111.3**
Share of other comprehensive income of associates	**(0.2)**	**(0.3)**	**0.9**	**—**	**0.4**
Share of other comprehensive income of joint ventures	**—**	**2.5**	**—**	**—**	**2.5**
	(201.5)	**102.4**	**0.9**	**(151.0)**	**(249.2)**
For the year ended 31 December 2014					
Available-for-sale investments	—	0.3	—	3.1	3.4
Exchange differences arising on translating foreign operations	(94.5)	—	—	(68.2)	(162.7)
Reclassification adjustment on liquidation of subsidiaries	0.4	—	—	—	0.4
Share of other comprehensive income of joint ventures	—	(38.6)	—	—	(38.6)
	(94.1)	(38.3)	—	(65.1)	(197.5)

40. COMMITMENTS

(a) Capital commitments

	31/12/2015 HK$ Million	31/12/2014 HK$ Million
Contracted for but not provided in the consolidated financial statements	**1.9**	6.2
Authorised but not contracted for	**155.0**	—

(b) Operating leases commitments

The Group as lessee

At the end of the reporting period, the Group had commitments for future aggregate minimum lease payments under non-cancellable operating leases which fall due as follows:

	31/12/2015 HK$ Million	31/12/2014 HK$ Million
Within one year	**154.0**	218.6
In the second to fifth year inclusive	**148.5**	370.6
Over five years	—	39.0
	302.5	628.2

The lease payments represent rentals payable by the Group for its office premises and office equipment under operating lease arrangements. The lease terms and rentals of properties are fixed at one to five years. The lease commitments include rental payable to a joint venture of a holding company of HK$28.7 million (2014: HK$14.3 million) and an associate of a holding company of HK$1.9 million (2014: HK$5.8 million).

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	31/12/2015 HK$ Million	31/12/2014 HK$ Million
Within one year	**16.1**	15.0
In the second to fifth year inclusive	**16.1**	5.3
	32.2	20.3

The Group has properties leased to tenants for rental. The lease terms and rentals are fixed at three to five years.

40. COMMITMENTS *(CONTINUED)*

(c) Loan commitments

	31/12/2015 HK$ Million	31/12/2014 HK$ Million
Within one year	**953.7**	1,535.2
In the second to fifth year inclusive	**135.7**	—
	1,089.4	1,535.2

41. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had guarantees as follows:

	31/12/2015 HK$ Million	31/12/2014 HK$ Million
Indemnities on banking guarantee made available to a regulatory body	—	1.5
Financial guarantees under loan guarantee business*	**139.2**	30.2
	139.2	31.7

* The Group had provided guarantees to lenders of its loan guarantee customers to guarantee the repayment of debts owed by the loan guarantee customers to their lenders. At 31 December 2015, the outstanding guarantee amount was HK$139.2 million (31/12/2014: HK$30.2 million).

42. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support the Group's growth and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in objectives, policies and processes during the years ended 31 December 2015 and 31 December 2014.

42. CAPITAL MANAGEMENT *(CONTINUED)*

The Group monitors capital using a gearing ratio, which is net debts divided by the equity. Net debts represent the total of bank and other borrowings and notes less bank deposits, cash and cash equivalents. The equity comprises all components of equity attributable to the owners of the Company. The gearing ratio at the reporting date was as follows:

	31/12/2015 HK$ Million	31/12/2014 HK$ Million
Bank and other borrowings	**6,312.7**	7,029.9
Notes	**3,581.7**	3,708.5
	9,894.4	10,738.4
Less: bank deposits, cash and cash equivalents	**(7,149.0)**	(5,044.6)
Net debts	**2,745.4**	5,693.8
Equity attributable to owners of the Company	**18,007.6**	14,927.0
Gearing ratio	**15.2%**	38.1%

43. FINANCIAL RISK MANAGEMENT

Risk is inherent in the financial service business and sound risk management is a cornerstone of prudent and successful financial practice. That said, the Group acknowledges that a balance must be achieved between risks control and business growth. The principal financial risks inherent in the Group's business are market risk (includes equity risk, interest rate risk and foreign exchange risk), credit risk and liquidity risk. The Group's risk management objective is to enhance shareholders' value while retaining exposure within acceptable thresholds.

The Group's risk management governance structure is designed to cover all business activities and to ensure all relevant risk classes are properly managed and controlled. The Group has adopted a sound risk management and organisational structure equipped with comprehensive policies and procedures which are reviewed regularly and enhanced when necessary in response to changes in markets, the Group's operating environment and business strategies. The Group's independent control functions including Internal Audit, play an important role in the provision of assurance to the Board and senior management that a sound internal risk management mechanism is implemented, maintained and adhered to.

43. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(a) Market Risk

(i) Equity Risk

There are many asset classes available for investment in the marketplace. One of the Group's key business undertakings is investing in equity. Market risk arising from any equity investments is driven by the daily fluctuations in market prices or fair values. The ability to mitigate such risk depends on the availability of any hedging instruments and the diversification level of the investment portfolios undertaken by the Group. More importantly, the knowledge and experience of the trading staff managing the risk are also vital to ensure exposure is being properly hedged and rebalanced in the most timely manner. Proprietary trading across the Group is subject to limits approved by senior management. Valuation of these instruments is measured on a "mark-to-market" and "mark-to-fair-value" basis depending on whether they are listed or unlisted. Value at Risk ("VaR") and stress tests are employed in the assessment of risk. Meanwhile other non-VaR limits such as "maximum loss" and "position" limits are also set out to restrict excessive risk undertakings. VaR and stress tests are approaches which are widely used in the financial industry as tools to quantify risk by combining the size of a position and the extent of a potential market movement into a potential financial impact.

The Group's market-making and proprietary trading positions and their financial performance are reported daily to senior management for review. Internal Audit also performs regular checks to ensure there is adequate compliance in accordance with the established market risk limits and guidelines.

The table below summarises the overall financial impact on the Group arising from market movements in global equity indices. The analysis is based on the assumption that equity indices move ±20% with all other variables being held constant and all equity instruments undertaken by the Group moving simultaneously. Declines in the indices are expressed as negatives.

	At 31 December 2015				At 31 December 2014			
	Potential impact on profit or loss for the year		**Potential impact on other components of equity**		Potential impact on profit or loss for the year		Potential impact on other components of equity	
	20% HK$ Million	**-20% HK$ Million**	**20% HK$ Million**	**-20% HK$ Million**	20% HK$ Million	-20% HK$ Million	20% HK$ Million	-20% HK$ Million
Local Index	**235.0**	**(277.2)**	**9.8**	**(9.8)**	36.1	(130.1)	26.4	(26.4)
Overseas Index	**665.3**	**(772.5)**	**7.9**	**(7.9)**	166.4	(234.4)	9.9	(9.9)

There is no material financial impact in the form of profit before tax for the year for the Group arising from market movements in the global equity indices. Futures, options and knock-out options are hedged by other derivatives in view of the volatile markets and wide trading ranges.

43. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(a) Market Risk *(continued)*

(ii) Interest Rate Risk

Interest rate risk is the risk of loss due to changes in interest rates. The Group's interest rate risk exposure arises predominantly from term financing and loans and advances to consumer finance customers. Interest spreads are managed with the objective of maximising spreads to ensure consistency with liquidity and funding obligations.

At 31 December 2015, assuming that market interest rates moved by ±50 basis points (31/12/2014: ±50 basis points), the profit before tax for the year for the Group would have been HK$10.8 million lower or HK$12.1 million higher respectively (2014: HK$5.3 million higher or HK$0.7 million lower respectively). Assets and liabilities bearing interest below 50 basis points are excluded from 50 basis points downward movement.

The exposures of the Group's financial assets (liabilities) bearing variable interest rate to cash flow interest rate risks and the earlier of their contractual repricing dates and contractual maturity dates are as follows:

	On demand or less than 3 months HK$ Million	3 months to 1 year HK$ Million	1 year to 5 years HK$ Million	Over 5 years HK$ Million	Total HK$ Million
At 31 December 2015					
Loans and advances to consumer finance customers	**981.9**	**—**	**—**	**—**	**981.9**
Bank deposits, cash and cash equivalents	**2,151.1**	**—**	**—**	**—**	**2,151.1**
Bank and other borrowings	**(6,277.7)**	**—**	**—**	**—**	**(6,277.7)**
At 31 December 2014					
Loans and advances to consumer finance customers	1,198.7	—	—	—	1,198.7
Term loans	0.1	—	68.0	—	68.1
Bank deposits, cash and cash equivalents	2,194.3	—	—	—	2,194.3
Bank and other borrowings	(6,731.7)	—	—	—	(6,731.7)

43. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(a) Market Risk *(continued)*

(ii) Interest Rate Risk (continued)

The exposures of the Group's financial assets (liabilities) bearing fixed interest rate to fair value interest rate risks and the earlier of their contractual repricing dates and contractual maturity dates are as follows:

	On demand or less than 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million
At 31 December 2015					
Loans and advances to consumer finance customers	**2,759.6**	**3,098.9**	**1,853.6**	**128.0**	**7,840.1**
Bonds included in financial assets at fair value through profit or loss	**—**	**—**	**602.0**	**246.0**	**848.0**
Term loans	**224.8**	**1,147.4**	**1,956.6**	**—**	**3,328.8**
Bank deposits, cash and cash equivalents	**3,201.6**	**1,091.8**	**—**	**—**	**4,293.4**
Notes	**(72.9)**	**(6.7)**	**(3,502.1)**	**—**	**(3,581.7)**
At 31 December 2014					
Loans and advances to consumer finance customers	3,407.1	4,426.9	2,150.2	208.8	10,193.0
Bonds included in financial assets at fair value through profit or loss	2.1	6.5	175.3	—	183.9
Term loans	495.7	1,389.6	1,392.6	—	3,277.9
Bank deposits, cash and cash equivalents	1,791.3	825.9	—	—	2,617.2
Bank and other borrowings	(63.1)	(235.1)	—	—	(298.2)
Notes	(64.4)	(6.9)	(3,637.2)	—	(3,708.5)

(iii) Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from movements in foreign exchange rates.

The Group's foreign exchange risk primarily arises from currency exposures originating from proprietary trading positions, and loans and advances denominated in foreign currencies, mainly in Australian dollars and Renminbi. Foreign exchange risk is managed and monitored by senior management. The risk arises from open currency positions are subject to management approved limits and are monitored and reported daily.

At 31 December 2015, assuming that the foreign exchange rates moved ±5% (31/12/2014: ±5%) with all other variables held constant, the profit before tax for the year for the Group would have been HK$13.1 million higher/lower (2014: HK$3.2 million higher/lower).

43. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(b) Credit Risk

Credit risk arises from the failure of a customer or counterparty to meet settlement obligations. As long as the Group lends, trades and deals with third parties, there will be credit risk exposure.

The Group's credit procedures, governed by the Executive Committee, sets out the credit approval processes and monitoring procedures, which are established in accordance with sound business practices.

The table below shows the maximum exposure to and concentration of credit risk. The maximum exposure is shown in gross value before the effect of mitigation through the use of collateral agreements. The percentage figure next to the gross value reflects its concentration.

	31/12/2015 HK$ Million	**%**	31/12/2014 HK$ Million	%
Maximum credit exposure				
Loans and advances to consumer finance customers	**8,822.0**	**39%**	11,391.7	42%
Bank deposits, cash and cash equivalents	**7,149.0**	**31%**	5,044.6	18%
Trade and other receivables	**3,575.9**	**16%**	9,125.7	33%
Bonds included in financial assets at fair value through profit or loss	**1,626.9**	**7%**	183.9	1%
Loan commitments	**1,089.4**	**5%**	1,535.2	6%
Amounts due from associates and joint ventures	**183.6**	**1%**	64.9	0%
Guarantees	**139.2**	**1%**	31.7	0%
	22,586.0	**100%**	27,377.7	100%

The maximum credit exposure at Group level is spread between "loans and advances to consumer finance customers" and "bank deposits, cash and cash equivalents", which represent more than two thirds of the total exposure. The breakdown and ageing analysis of "loans and advances to consumer finance customers" and the breakdown of "bank deposits, cash and cash equivalents" are disclosed in Notes 30 and 32 to the consolidated financial statements.

Loans with strategic clients are all properly authorised by the Executive Committee and with other controls in place to monitor their performance.

Concentration risk of loans and advances to consumer finance customers is managed by reference to individual customers. The aggregate credit exposure in relation to the ten largest outstanding consumer finance customers, including corporate entities and individuals, before taking into account any collateral held or other credit enhancements, at 31 December 2015 was HK$465.9 million (31/12/2014: HK$684.5 million) of which 77.1% (2014: 88.7%) was secured by collateral. There was no recent history of individual impairment allowance recognised.

43. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(b) Credit Risk *(continued)*

The unsecured loans and advances to consumer finance customers of the Group include second mortgage loans in respect of which the Group are not entitled to the first charge of relevant mortgage properties. The management consider that the second mortgage loans are classified as unsecured loans due to the impediment in repossession of the mortgage properties and the practical difficulties to ascertain the residual collateral value after claim by first mortgagee. The carrying amount and the loan commitments of the second mortgage loans are as follows:

	31/12/2015 HK$ Million	31/12/2014 HK$ Million
Carrying amount	**466.2**	975.0
Loan commitments	**23.6**	41.3

(c) Liquidity Risk

The goal of liquidity management is to mitigate risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss or make the required profit. Another goal is to enable the Group, even under adverse market conditions, to actively manage and match funds inflow against all maturing repayment obligations to achieve maximum harmony on cash flow management.

The Group manages its liquidity position to ensure a prudent and adequate liquidity ratio. This is achieved by a transparent and collective monitoring approach across the Group involving Executive Directors, the Director of Banking & Treasury and the Group CFO.

43. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(c) Liquidity Risk *(continued)*

The exposure of the Group's contractual undiscounted cash flow for financial liabilities and their contractual maturity dates are as follows:

	On demand or less than 90 days HK$ Million	91 days to 1 year HK$ Million	1 year to 5 years HK$ Million	Over 5 years HK$ Million	Total HK$ Million
At 31 December 2015					
Bank and other borrowings+	**1,219.5**	**882.4**	**4,499.2**	**—**	**6,601.1**
Trade and other payables	**94.6**	**—**	**—**	**—**	**94.6**
Amounts due to associates	**0.1**	**—**	**—**	**—**	**0.1**
Notes	**86.6**	**127.3**	**3,787.0**	**—**	**4,000.9**
Guarantees*	**14.6**	**114.0**	**13.9**	**—**	**142.5**
Financial liabilities at fair value through profit or loss	**177.9**	**—**	**—**	**—**	**177.9**
At 31 December 2014					
Bank and other borrowings+	3,661.8	268.8	3,332.2	—	7,262.8
Trade and other payables	2,587.3	—	—	—	2,587.3
Amounts due to fellow subsidiaries and a holding company	7.5	—	—	—	7.5
Amounts due to associates	0.1	—	—	—	0.1
Notes	89.9	132.9	4,157.5	—	4,380.3
Guarantees*	11.3	17.1	3.8	—	32.2
Financial liabilities at fair value through profit or loss	66.3	—	—	—	66.3

+ Bank and other borrowings with repayment on demand clause are classified as on demand in the above analysis although the demand clause has not been exercised.

* The amounts included above for guarantees are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantees.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31/12/2015 HK$ Million	31/12/2014 HK$ Million
Non-current Assets		
Property and equipment	**5.9**	5.0
Intangible assets	**1.1**	1.1
Interest in subsidiaries	**4,097.0**	3,997.0
Interest in associates	**700.8**	—
Amounts due from subsidiaries	**6,809.2**	6,836.6
Amounts due from associates	**59.8**	59.6
	11,673.8	10,899.3
Current Assets		
Amounts due from subsidiaries	**579.5**	495.8
Other receivables	**1.2**	—
Cash and cash equivalents	**1,667.0**	0.3
	2,247.7	496.1
Current Liabilities		
Amounts due to subsidiaries	**339.6**	158.0
Trade and other payables	**36.6**	9.4
Provisions	**22.9**	17.5
Trade payable to a holding company	**—**	1.3
Taxation payable	**0.2**	0.4
	399.3	186.6
Net Current Assets	**1,848.4**	309.5
Total Assets less Current Liabilities	**13,522.2**	11,208.8
Capital and Reserves		
Share capital	**8,731.0**	8,731.0
Reserves	**4,791.1**	2,477.8
Equity attributable to owners of the Company	**13,522.1**	11,208.8
Non-current Liabilities		
Provisions	**0.1**	—
	13,522.2	11,208.8

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 17 March 2016 and are signed on its behalf by:

Lee Seng Huang	**Peter Anthony Curry**
Director	*Director*

45. RESERVES OF THE COMPANY

	2015 HK$ Million	2014 HK$ Million
Share premium account		
Balance at 1 January	—	7,238.3
Transfer to share capital upon the abolition of par value under the new Companies Ordinance	—	(7,238.3)
Balance at 31 December	—	—
Capital redemption reserve		
Balance at 1 January	—	71.5
Transfer to share capital upon the abolition of par value under the new Companies Ordinance	—	(71.5)
Balance at 31 December	—	—
Retained earnings		
Balance at 1 January	**2,477.8**	2,675.8
Profit attributable to owners of the Company	**3,031.4**	479.4
Dividends paid	**(583.4)**	(507.7)
Shares repurchased	**(134.7)**	(169.7)
Balance at 31 December	**4,791.1**	2,477.8
Total balance at 31 December	**4,791.1**	2,477.8

The distributable reserves of the Company at 31 December 2015 amounted to HK$4,180.9 million (31/12/2014: HK$443.8 million), being its net realised profits calculated under Section 291 of the Hong Kong Companies Ordinance.

新鴻基有限公司
SUN HUNG KAI & CO. LIMITED