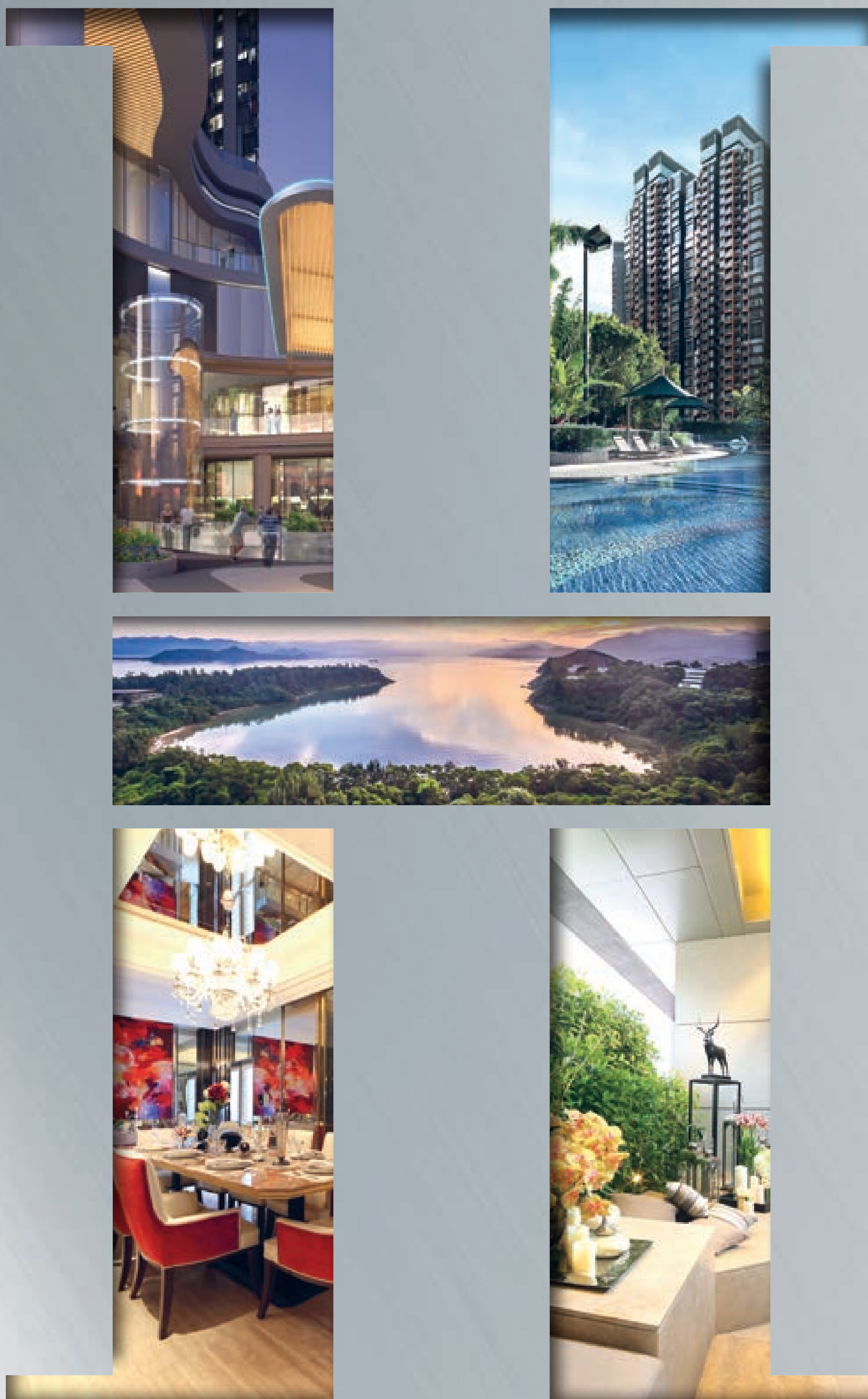
恒基兆業地產有限公司
HENDERSON LAND DEVELOPMENT COMPANY LIMITED

Stock Code: 12

# Annual Report 2015



# CORPORATE PROFILE

Founded in 1976 by its Chairman, Dr The Honourable Lee Shau Kee, GBM, Henderson Land Development Company Limited is a leading property group with a focus on Hong Kong and mainland China. Its core businesses comprise property development and property investment. In addition, it has direct equity interests in a listed subsidiary, Henderson Investment Limited, and three listed associates, The Hong Kong and China Gas Company Limited (which in turn has equity stakes in a listed subsidiary, Towngas China Company Limited), Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited.

Henderson Land has been listed in Hong Kong since 1981 where it is one of the largest property groups. As at 31 December 2015, Henderson Land had a market capitalisation of HK$157 billion and the combined market capitalisation of the Company, its listed subsidiary and its associates was HK$358 billion.

The Company is vertically integrated, with project management, construction, property management, and financial services supporting its core businesses. In all aspects of its operations, Henderson Land strives to add value for its shareholders, customers and the community through its commitment to excellence in product quality and service delivery as well as a continuous focus on sustainability and the environment.

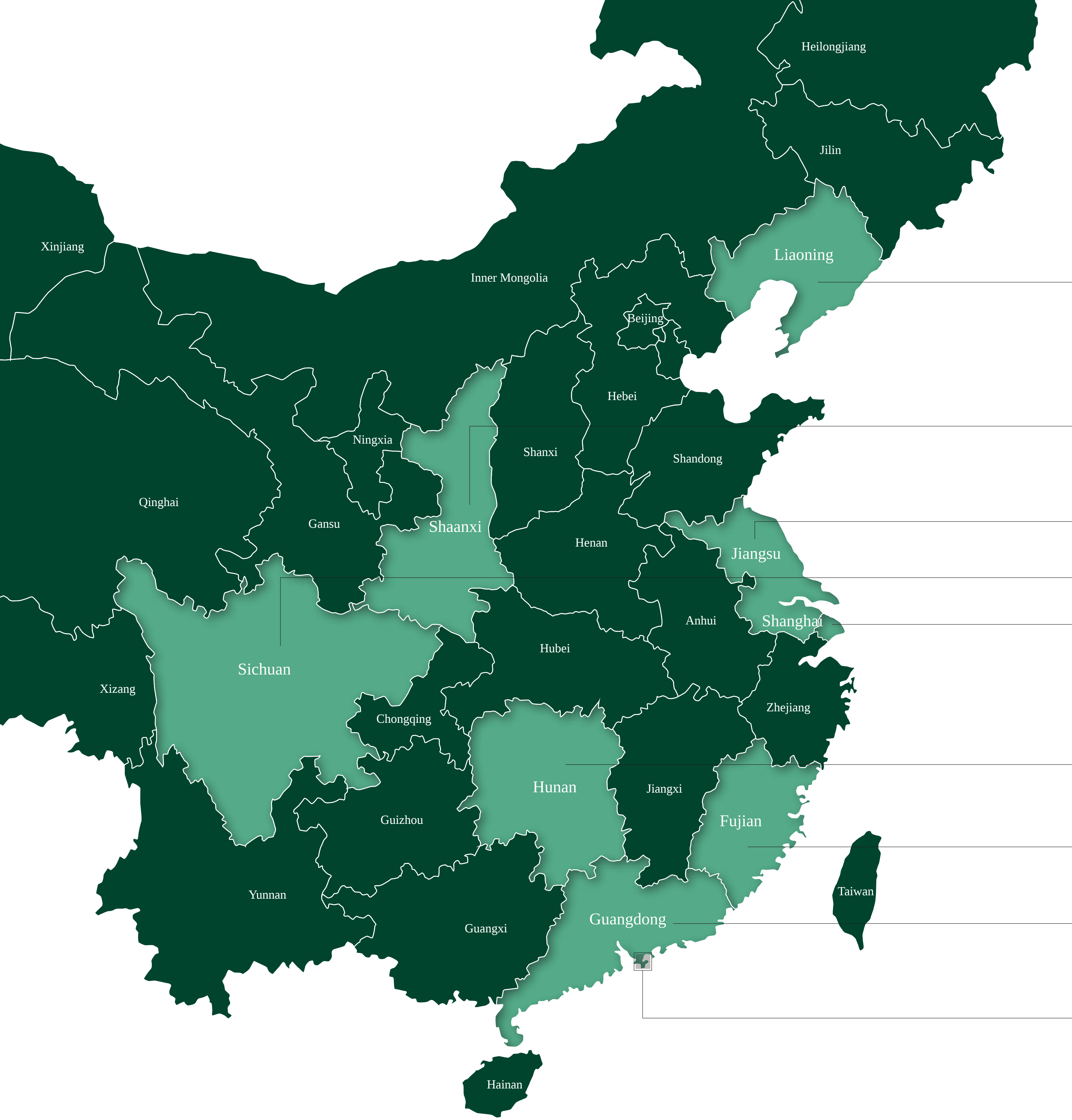
# Contents



## Forward-Looking Statements

This annual report contains certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board of Directors of the Company regarding the industry and markets in which it operates. These forward-looking statements are subject to risks, uncertainties and other factors beyond the Company's control which may cause actual results or performance to differ materially from those expressed or implied in such forward-looking statements.

# Land Bank – Hong Kong and Mainland China




46.0 million sq.ft.

13.0 million sq.ft.

23.8 million sq.ft.

3.6 million sq.ft.

2.7 million sq.ft.

11.9 million sq.ft.

1.2 million sq.ft.

14.5 million sq.ft.


New Territories – 6.9 million sq.ft.

Kowloon – 4.5 million sq.ft.

Hong Kong Island – 2.0 million sq.ft.

*The diagram above provides an overview of the Group's substantial and diverse, yet balanced development land bank in Hong Kong and mainland China as at 31 December 2015. It illustrates the attributable developable gross floor area by location. Henderson Land's quality land reserve is earmarked for both commercial and residential projects, which are expected to provide handsome returns for the Group during the years to come.*

## 2015 Global Awards for Excellence

**Urban Land Institute**

*Finalist (Global Trade Square)*

## MIPIM Asia Awards 2015

**Reed MIDEM**

*Best Innovative Green Building – Silver Prize (High Park and High Park Grand)*
*Best Futura Project – Silver Prize (King Wah Road and HK Newton Offices)*

## China Property Awards 2015

**China Real Estate Chamber of Commerce Hong Kong Chapter and Ensign Media**

*Best Office Development (Hong Kong and Macau) (Global Trade Square)*
*Best Boutique Residential Development (Hong Kong and Macau) – Highly Commended (High Park and High Park Grand)*

## International Property Awards 2015-2016

**International Property Awards**

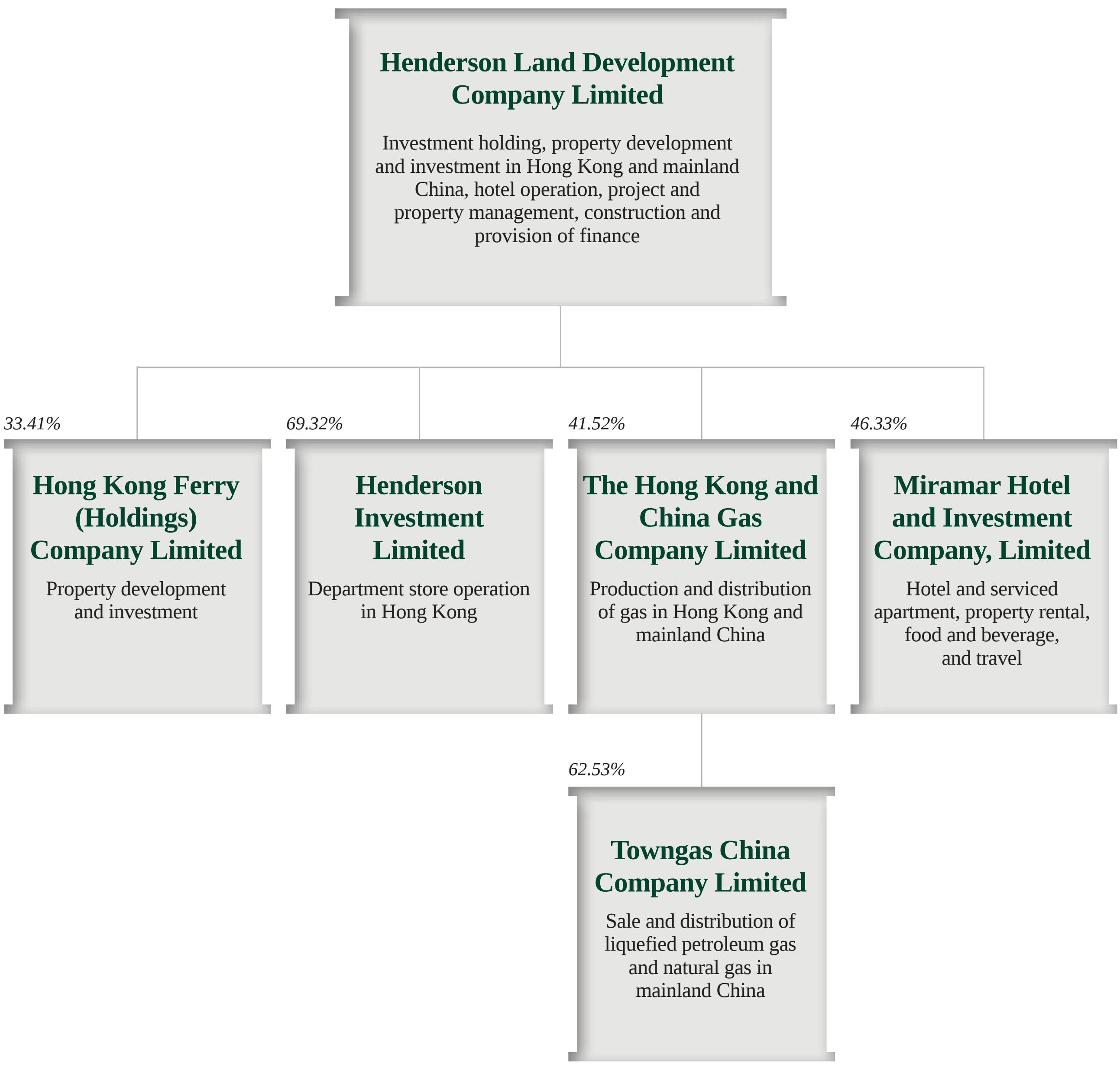
*Best International Residential High-rise Development (Double Cove Phases 2&3)*
*Best Residential High-rise Development Asia Pacific (Double Cove Phases 2&3)*
*Best Architecture Multiple Residence Asia Pacific (Double Cove Phases 4&5)*
*Best Residential Landscape Architecture Hong Kong – 5-Star (Double Cove Phase 1)*
*Best Residential High-rise Development Hong Kong – 5-Star (Double Cove Phases 2&3)*
*Best Architecture Multiple Residence Hong Kong – 5-Star (Double Cove Phases 4&5)*
*Best Mixed-use Architecture Hong Kong – 5-Star (Eltanin • Square Mile – Tai Kok Tsui Urban Renewal)*
*Best Office Architecture Hong Kong – 5-Star (18 King Wah Road)*

# Awards & Accolades

1. **China Green Building Leadership Award**
   **China Green Building Council**
2. **Green Building Design Label (GBDL)**
   **China Green Building Council and China Green Building (Hong Kong) Council**
   *3-Star Rating (18 King Wah Road)*
3. **Building Environmental Assessment Method (BEAM)**
   **HK-BEAM Society**
   *Platinum Standard (Double Cove Phase 1, Henderson 688, Shanghai)*
   *Provisional Platinum Standard (Double Cove Phases 4&5)*
   *Gold Standard (Mira Moon)*
4. **BEAM Plus (New Buildings)**
   **Hong Kong Green Building Council**
   *Gold Rating (High West)*
   *Provisional Silver Rating (Jones Hive and The Zutten)*
5. **Leadership in Energy and Environmental Design (LEED)**
   **U.S. Green Building Council**
   *Pre-certification Platinum (Core & Shell) (18 King Wah Road)*
   *Pre-certification Gold (Neighbourhood Development) (Double Cove)*
   *Gold Rating (New Construction) (Mira Moon)*
   *Gold Rating (Core & Shell) (Henderson 688, Shanghai)*
6. **The Listed Enterprise Excellence Awards 2015**
   **CAPITAL WEEKLY**
   *Henderson Land and Hong Kong & China Gas*
7. **BCI Asia Top 10 Awards 2015**
   **BCI Asia**
   *Top 10 Developers Award 2015*
8. **5th Asian Excellence Recognition Award 2015**
   **Corporate Governance Asia**
   *Best CSR*
   *Best Investor Relations Company*
   *Best Investor Relations Professional*
9. **2015 China Real Estate Value Report**
   **China Business News**
   *Top 10 Hong Kong Enterprises*
10. **2015 International ARC Awards**
    **MerComm, Inc.**
    *Gold Winner (Sustainability and CSR Report 2014)*
    *Honors (Chairman's Letter: Real Estate Development/ SVC: Various & Multi-Use)*
11. **2015 Galaxy Awards**
    **MerComm, Inc.**
    *Honors (Annual Reports – Print: Real Estate Dev. Svcs.)*
12. **Caring Company 2014/15**
    **Hong Kong Council of Social Services**
    *(Henderson Land, Hong Kong & China Gas, Hong Kong Ferry, Miramar, Miramar Travel, Hang Yick, Well Born and Goodwill)*
13. **Hang Seng Corporate Sustainability Index Series**
    **Hang Seng Indexes Company Limited**
    *Constitute Company (Henderson Land, Hong Kong & China Gas and Towngas China)*
14. **14th Hong Kong Occupational Safety & Health Award**
    **Occupational Safety & Health Council**
    *Safety Performance Award (Other Industries) (Hong Kong & China Gas)*
    *Safety Management System Award (Other Industries) – Gold Award (Hong Kong & China Gas)*
    *OSH Annual Report Award – Silver Award (Hong Kong & China Gas)*
15. **HKCA Safety Award 2014**
    **Hong Kong Construction Association**
    *HKCA Safety Merit Award 2014 (E Man)*
16. **TTG Travel Awards 2015**
    **TTG Asia**
    *Best Boutique Hotel, Asia Pacific (Mira Moon)*
17. **Forbes Asia "Best Under A Billion" Award**
    **Forbes Asia**
    *The Region's Top 200 Small and Midsize Companies (Hong Kong Ferry)*
18. **Sustainable Business Award 2015**
    **World Green Organisation**
    *(Hong Kong & China Gas, Hang Yick and Well Born)*
19. **Green Office Awards Labelling Scheme (GOALS)**
    **World Green Organisation**
    *"Better World Company" Label (Hong Kong & China Gas, Hang Yick and Well Born)*
    *"Green Office" Label (Hong Kong & China Gas, Hang Yick and Well Born)*

# Henderson Land Group Structure

Market capitalisation as at 31 December 2015
Henderson Land Development Company Limited: HK$157 billion
Six listed companies of Henderson Land Group: HK$358 billion




*Note: all attributable interests (including interests held by associates) shown above were figures as of 31 December 2015.*

# Highlights of 2015 Final Results

| | Note | For the year ended 31 December 2015 HK$ million | 2014 HK$ million | Change |
|---|---|---|---|---|
| Property sales | | | | |
| – Revenue | *1* | **16,807** | 16,802 | **+0.03%** |
| – Pre-tax profit contribution | *1* | **3,980** | 3,376 | **+18%** |
| Property leasing | | | | |
| – Gross rental income | *1* | **8,152** | 7,482 | **+9%** |
| – Pre-tax net rental income | *1* | **6,303** | 5,754 | **+10%** |
| Profit attributable to equity shareholders | | | | |
| – Underlying profit | *2* | **11,009** | 9,818 | **+12%** |
| – Reported profit | | **21,326** | 16,752 | **+27%** |
| | | **HK$** | HK$ | |
| Earnings per share | | | | |
| – Based on underlying profit | *2, 3* | **3.33** | 2.99 | **+11%** |
| – Based on reported profit | *3* | **6.46** | 5.11 | **+26%** |
| Dividends per share | | **1.45** | 1.10 | **+32%** |
| Allotment of bonus shares | | **1 share for every 10 shares held** | 1 share for every 10 shares held | **No change** |

| | | At 31 December 2015 HK$ | At 31 December 2014 HK$ | Change |
|---|---|---|---|---|
| Net asset value per share | *3* | **76.00** | 79.38 | **-4%** |
| Net debt to shareholders' equity | | **16.0%** | 15.7% | **+0.3 percentage point** |

| | | Million square feet | Million square feet |
|---|---|---|---|
| **Properties in Hong Kong** | | | |
| Land bank (attributable floor area) | | | |
| – Properties under development | *4* | **13.4** | 13.0 |
| – Unsold units from major launched projects | | **0.9** | 0.9 |
| **Sub-total:** | | **14.3** | 13.9 |
| – Completed properties (including hotels) for rental | | **10.1** | 9.9 |
| **Total:** | | **24.4** | 23.8 |
| New Territories land (attributable land area) | | **45.0** | 44.5 |
| **Properties in mainland China** | | | |
| Land bank (attributable floor area) | | | |
| – Properties held for/under development | | **116.7** | 126.1 |
| – Completed stock for sale | | **2.9** | 2.5 |
| – Completed properties for rental | | **7.3** | 7.3 |
| | | **126.9** | 135.9 |

*Note 1: This amount includes the Group's attributable share of contributions from subsidiaries, associates and joint ventures ("JVs").*

*Note 2: Excluding the Group's attributable share of fair value change (net of tax) of the investment properties held by subsidiaries, associates and JVs. In order to fully exclude the effects of changes in fair value from the Group's underlying profit, the Group's attributable share of the cumulative fair value change of investment properties disposed of during the year (which has been included in calculating the net gain on disposal of investment properties and hence the profit attributable to equity shareholders of the Company during the year) was added back in arriving at the underlying profit. The comparative underlying profit and underlying earnings per share for the previous financial year have been restated to conform to the presentation basis for the year under review.*

*Note 3: The earnings per share were calculated based on the weighted average number of shares as adjusted for the effect of the bonus issues under Hong Kong Accounting Standard 33, "Earnings Per Share". The net asset values per share were calculated based on the number of issued shares outstanding at the end of the respective reporting periods.*

*Note 4: Including the total developable area of about 4.9 million square feet from the projects in Fanling North/Kwu Tung and Wo Shang Wai, which are subject to finalisation of land premium.*

迎海
DOUBLE COVE

- International Property Awards - 3 awards
- Asia Pacific Property Awards - 4 awards (5-Star)
- China Property Awards - Best Residential Development (China), Best Residential Development - Large Scale (Hong Kong)
- Leadership in Energy and Environmental Design (LEED) - for Neighbourhood Development (Pre-certification Gold)
- Building Environmental Assessment Method (BEAM) (Platinum Standard)

Double Cove
Ma On Shan, Hong Kong

## Dear Shareholders

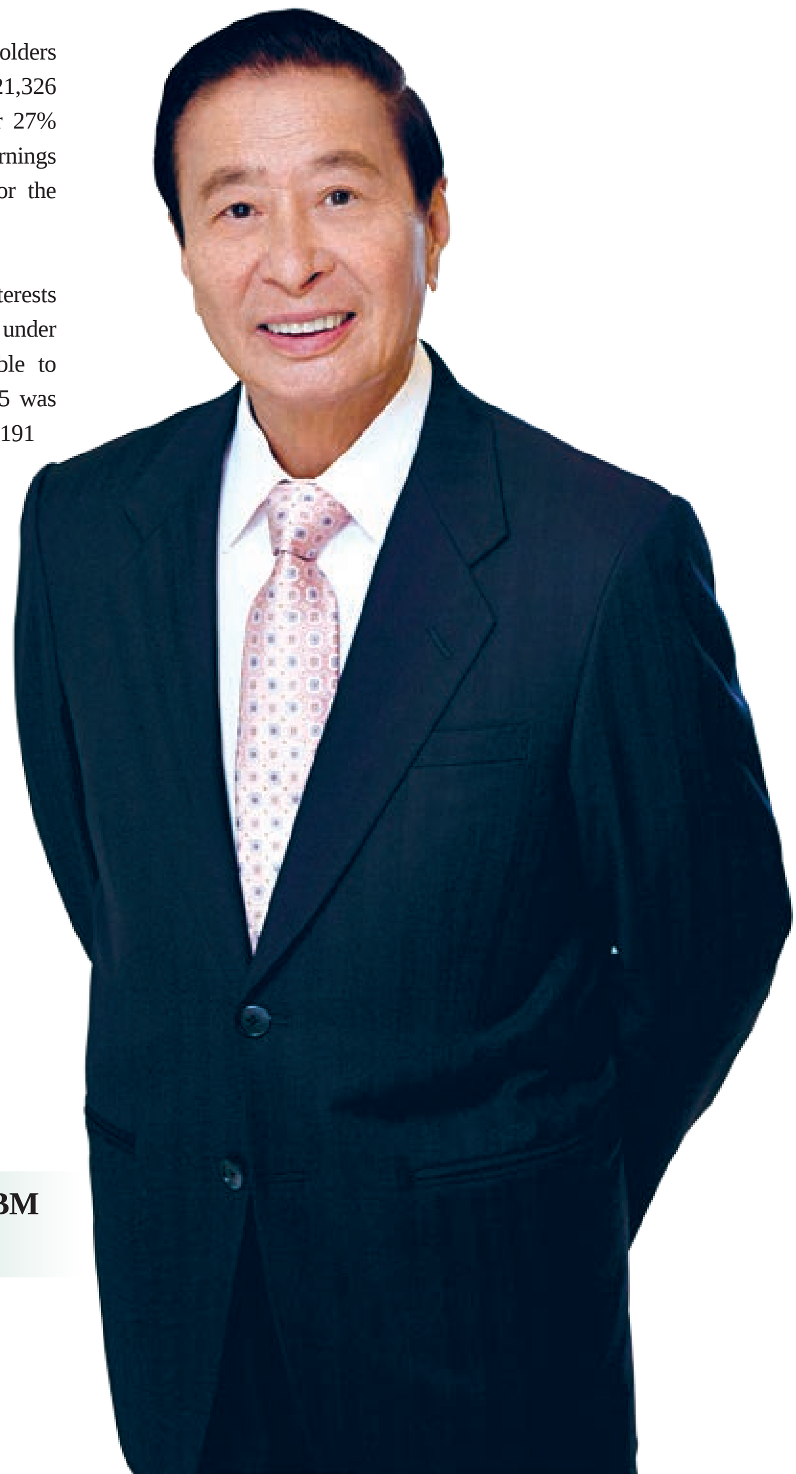
On behalf of the Board, I am pleased to present my report on the operations of the Group for the financial year ended 31 December 2015.

## Profit Attributable to Shareholders

The Group's reported profit attributable to equity shareholders for the year ended 31 December 2015 amounted to HK$21,326 million, representing an increase of HK$4,574 million or 27% over HK$16,752 million for the previous year. Reported earnings per share were HK$6.46 (2014: HK$5.11 as adjusted for the bonus issue in 2015).

Excluding the fair value change (net of non-controlling interests and tax) of investment properties and investment properties under development, the Group's Underlying Profit[Note] attributable to equity shareholders for the year ended 31 December 2015 was HK$11,009 million, representing an increase of HK$1,191 million or 12% over HK$9,818 million for the previous year. Underlying Earnings Per Share were HK$3.33 (2014: HK$2.99 as adjusted for the bonus issue in 2015).

*Note: In order to fully exclude the effects of changes in fair value from the Group's Underlying Profit, any cumulative fair value change of investment properties disposed of during the year (which has been included in calculating the net gain on disposal of investment properties and hence the profit attributable to equity shareholders of the Company during the year) was added back in arriving at the Underlying Profit. The comparative Underlying Profit and Underlying Earnings Per Share for the previous financial year have been restated to conform to the presentation basis for the year under review.*



**Dr The Honourable Lee Shau Kee, GBM**
*Chairman and Managing Director*

## Net Asset Value Attributable to Shareholders

As at 31 December 2015, the net asset value attributable to equity shareholders amounted to HK$251,247 million, translating into a net asset value per share of approximately HK$76.00.

In accordance with the Group's current accounting policies, the Non IP Interests Revaluation Surplus (see Note below) and the Listed Associates Market Value Surplus (see Note below) have not been, and will not be, reflected in the consolidated financial statements of the Group. To provide shareholders with further understanding of the net asset value of the Group, the following data are provided for reference:

| | HK$ million | Per share HK$ |
|---|---|---|
| **Market value of shares** | | |
| Market value of the Company as at 31 December 2015 (based on the closing share price of the Company on The Stock Exchange of Hong Kong Limited on that day) | 157,070 | 47.50 |
| **Net asset value** | | |
| **Book Value** | | |
| Net asset value attributable to equity shareholders as at 31 December 2015 as shown in the consolidated financial statements of the Group | 251,247 | 76.00 |
| **DTZ Debenham Tie Leung Limited ("DTZ") Valuation and Market Values of Listed Associates** | | |
| Adjusted (per Note below) net asset value attributable to equity shareholders as at 31 December 2015 taking into account the Non IP Interests Revaluation Surplus and the Listed Associates Market Value Surplus | 330,934 | 100.10 |

For the Group's land holding of about 11 million square feet in the New Development Areas of Fanling North, Hung Shui Kiu and Ping Che, the future development returns were not taken into account in DTZ valuation. With such extensive land holding, their future contributions are promising.

Note: ***Non IP Interests Revaluation Surplus:*** *In accordance with the Group's accounting policies on property interests of the Group, only interests in investment properties and investment properties under development are stated at fair value at the end of the reporting period. All other property interests ("****Non IP Interests****") are either stated at cost less accumulated depreciation and impairment losses or at the lower of cost and net realisable value. In order to provide further information to shareholders, an independent firm of professional valuers, DTZ was engaged to carry out an open market valuation of the Non IP Interests as at 31 December 2015. If the Non IP Interests were to be stated at their open market valuation as at 31 December 2015, there would be an attributable unrealised surplus (net of tax) over the attributable book value of the Non IP Interests as at 31 December 2015 of approximately HK$50,592 million ("****Non IP Interests Revaluation Surplus****").*

***Listed Associates Market Value Surplus:*** *Another asset that carries a significant value in the consolidated financial statements of the Group is its long-term investment in the listed associates, namely The Hong Kong and China Gas Company Limited, Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited. If these listed associates were to be stated at their respective market values (being their closing market prices on The Stock Exchange of Hong Kong Limited as at 31 December 2015), the attributable market value of the Group's interests in these listed associates would give rise to an excess over their attributable book value in the consolidated financial statements of the Group of approximately HK$29,095 million ("****Listed Associates Market Value Surplus****").*

*If the above Non IP Interests Revaluation Surplus and the Listed Associates Market Value Surplus, totalling approximately HK$79,687 million, were to be added to the net asset value attributable to equity shareholders as at 31 December 2015, the adjusted net asset value would become HK$330,934 million or approximately HK$100.10 per share.*

## Dividends

The Board recommends the payment of a final dividend of HK$1.07 per share to shareholders whose names appear on the Register of Members of the Company on Monday, 13 June 2016, and such final dividend will not be subject to any withholding tax in Hong Kong. Including the interim dividend of HK$0.38 per share already paid, the total dividend for the year ended 31 December 2015 will amount to HK$1.45 per share (2014: HK$1.10 per share).

The proposed final dividend will be payable in cash and is expected to be distributed to shareholders on Thursday, 23 June 2016.

## Issue of Bonus Shares

The Board proposes to make a bonus issue of one new share for every ten shares held (2014: one bonus share for every ten shares held) to shareholders whose names appear on the Register of Members on Monday, 13 June 2016. The relevant resolution will be proposed at the forthcoming annual general meeting, and if passed and upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in such new shares, share certificates of the bonus shares will be posted on Thursday, 23 June 2016.

## Business Review

The Group’s Underlying Profit attributable to equity shareholders for the year ended 31 December 2015 was up by 12% to HK$11,009 million. Pre-tax profit contribution from property sales (including the attributable contribution from subsidiaries, associates and joint ventures) increased by 18% to HK$3,980 million, whilst pre-tax net rental income (including the attributable contribution from subsidiaries, associates and joint ventures) increased by 10% to HK$6,303 million.

## Hong Kong

### Property Sale

Supported by stable external economic conditions and strong housing demand, the property market in Hong Kong remained buoyant in the first half of 2015 notwithstanding a new round of mortgage-tightening measures launched by the Hong Kong Monetary Authority in early 2015. However, growing concerns over the US interest rate normalisation and an expected increase in the near-term supply of first-hand residential properties resulted in a “wait-and-see” attitude among homebuyers, which rendered a slowdown in the property market towards the year end.

During the year under review, the Group’s overall property sales performance was satisfactory. Projects launched during the year included “Double Cove Grandview” (Phase 4 of “Double Cove”) in Ma On Shan and an array of urban redevelopment boutique residences under “The H Collection” (namely, “Jones Hive” in Causeway Bay, “PARKER33” in Shau Kei Wan, “AXIS” in Hung Hom, “The Zutten” in Ma Tau Kok, as well as “High Park Grand” and “Eltanin•Square Mile” in Mong Kok). Developments

*Double Cove, Ma On Shan, Hong Kong*

re-launched for sale such as "39 Conduit Road" in Mid-Levels, "Double Cove" (Phases 1-3) in Ma On Shan and "The Reach" in Yuen Long were also well received. In addition, four deluxe apartments at "39 Conduit Road" in Mid-Levels, which were previously held for leasing, were also disposed of during the year under review. Together with the disposal of certain quality industrial/commercial space, the Group sold HK$11,472 million worth of Hong Kong properties in attributable terms for the year ended 31 December 2015.

After the end of this financial year, the Group continued to release various properties under development for sale, including the launching of "Harbour Park" in Cheung Sha Wan and "Wellesley" in Mid-Levels in January 2016 and "Double Cove Summit" (Phase 5 of "Double Cove") in March 2016.

## Property Development

In June 2015, a residential site in So Kwun Wat, Tuen Mun located in close proximity to Harrow International School with stunning sea views, was acquired through public tender at a consideration of HK$3,628.9 million. It is planned to be developed into a high-end residential development, providing about 1,900 housing units. Furthermore, the Group's urban redevelopment projects with 80% to 100% of their ownerships acquired increased to 45 in number, representing about 3.8 million square feet in total attributable gross floor area.

The Group has made use of multiple channels to expand its development land bank in Hong Kong. Purely through acquisition of old tenement buildings for urban redevelopment (excluding conversion of New Territories land, as well as public auction and tender), abundant land resources have been made available to the Group for property development. Together with the development projects which are sourced from land-use conversion of New Territories land and public tenders, with the exception of a few projects earmarked for rental purposes, sizeable areas will be available to the Group for property sales in the coming years (details are shown as follows).

**Below is a summary of properties under development and major completed stock:**

| | | | No. of projects | Attributable saleable/ gross floor area (million sq. ft.) *(Note 1)* | Remarks |
|---|---|---|---|---|---|
| **(A)** | **Area available for sale in 2016:** | | | | |
| 1. | Unsold units from major development projects offered for sale | (Table 1) | 23 | 0.9 | |
| 2. | Projects pending sale in 2016 | (Table 2) | 7 | 0.6 | |
| | | | **Sub-total:** | **1.5** | Of which attributable floor area of about 670,000 sq. ft. was sourced from urban redevelopment projects |
| **(B)** | **Projects in Urban Areas:** | | | | |
| 3. | Existing urban redevelopment projects | (Table 3) | 4 | 1.1 | Date of sales launch not yet fixed and two of them are pending finalisation of land premium with the Government |
| 4. | Newly-acquired Urban Redevelopment Projects – Ownership Fully Consolidated | (Table 4) | 17 | 1.4 | Most of them are expected to be available for sale or leasing in 2017-2018 |
| 5. | Newly-acquired Urban Redevelopment Projects – with over 80% ownership secured | (Table 5) | 28 | 2.4 | Most of them are expected to be available for sale in 2018-2020 |
| 6. | Newly-acquired Urban Redevelopment Projects – with over 20% but less than 80% ownership secured | (Table 6) | 34 | 0.9 | Redevelopments of these projects are subject to consolidation of their ownerships |
| 7. | 15 Middle Road Tsim Sha Tsui, Kowloon (acquired through public tender) | | 1 | 0.3 | To be held for rental purposes upon completion of development |
| | | | **Sub-total:** | **6.1** | |
| | **Total for the above categories (A) and (B) development projects:** | | | **7.6** | |
| **(C)** | **Major development projects in the New Territories:** | | | | |
| – | Fanling North/Kwu Tung | | | 4.0 | *(Note 2)* |
| – | Wo Shang Wai | | | 0.9 | *(Note 2)* |
| – | Lot No. 2640 in DD No. 92, Castle Peak Road-Kwu Tung, Sheung Shui | | | 0.6 | |
| – | Newly acquired site at Kwun Chui Road, Area 56, Tuen Mun Town Lot No. 500 | | | 0.8 | |
| – | Others | | | 0.4 | |
| | | | **Sub-total:** | **6.7** | |
| | | | **Total for categories (A) to (C):** | **14.3** | |

*Note 1: Gross floor area is calculated on the basis of the Buildings Department's approved plans or the Government's latest town planning parameters, as well as the Company's development plans. For certain projects, it may be subject to change depending on the actual needs in future.*

*Note 2: Developable area is subject to finalisation of land premium.*

## (Table 1) Unsold units from the major development projects offered for sale

There are 23 development projects available for sale:

| | Project name and location | Site area (sq. ft.) | Gross floor area (sq. ft.) | Type of development | Group's interest (%) | At 31 December 2015 No. of residential units remaining unsold | At 31 December 2015 Saleable area remaining unsold (sq. ft.) |
|---|---|---|---|---|---|---|---|
| 1. | Double Cove – Phases 1-4<br>8 Wu Kai Sha Road, Ma On Shan | 992,749 | 2,617,684 | Commercial/ Residential | 59.00 | 585 | 555,694 |
| 2. | The Reach<br>11 Shap Pat Heung Road<br>Yuen Long | 371,358 | 1,299,744 | Residential | 79.03 | 28 | 27,694 |
| 3. | Green Code<br>1 Ma Sik Road, Fanling | 95,800 | 538,723 | Commercial/ Residential | 33.41 | 9 | 9,382 |
| 4. | High Park*<br>51 Boundary Street | 5,880 | 52,919 | Commercial/ Residential | 100.00 | 5 | 3,463 |
| 5. | High Point*<br>188 Tai Po Road<br>Cheung Sha Wan | 8,324 | 70,340 | Commercial/ Residential | 100.00 | 4 | 1,836 |
| 6. | High Place*<br>33 Carpenter Road | 3,582 | 31,632 | Commercial/ Residential | 100.00 | 5 | 2,452 |
| 7. | The Hemispheres*<br>3 Gordon Road, North Point | 7,386 | 61,602 | Commercial/ Residential | 100.00 | 8 | 4,665 |
| 8. | The Gloucester*<br>212 Gloucester Road<br>Wanchai | 11,545 | 113,977 | Residential | 100.00 | 8 | 10,530 |
| 9. | 39 Conduit Road*<br>Mid-Levels | 56,748 | 229,255 | Residential | 60.00 | 18 | 48,450 |
| 10. | Hill Paramount<br>18 Hin Tai Street, Shatin | 95,175 | 358,048 | Residential | 100.00 | 6 | 17,017 |
| 11. | Green Lodge<br>23 Ma Fung Ling Road<br>Tong Yan San Tsuen | 78,781 | 78,781 | Residential | 100.00 | 6 | 12,762 |
| 12. | Metro6<br>121 Bulkeley Street<br>Hung Hom | 6,268 | 55,557 | Commercial/ Residential | 33.41 | 12 | 4,995 |
| 13. | High One Grand*<br>188 Fuk Wing Street<br>Cheung Sha Wan | 7,350 | 62,858 | Commercial/ Residential | 100.00 | 5 | 3,158 |

| | Project name and location | Site area (sq. ft.) | Gross floor area (sq. ft.) | Type of development | Group's interest (%) | At 31 December 2015 No. of residential units remaining unsold | Saleable area remaining unsold (sq. ft.) |
|---|---|---|---|---|---|---|---|
| 14. | High One*<br>571 Fuk Wa Street<br>Cheung Sha Wan | 7,560 | 63,788 | Commercial/<br>Residential | 100.00 | 10 | 3,660 |
| 15. | H•Bonaire*<br>68 Main Street<br>Ap Lei Chau | 7,953 | 65,761 | Commercial/<br>Residential | 100.00 | 57 | 31,378 |
| 16. | Jones Hive*<br>8 Jones Street<br>Causeway Bay | 6,529 | 65,267 | Residential | 79.762 | 60 | 30,068 |
| 17. | High Park Grand*<br>68 Boundary Street<br>Mong Kok | 6,750 | 60,750 | Commercial/<br>Residential | 100.00 | 39 | 42,373 |
| 18. | AXIS*<br>200 Ma Tau Wai Road<br>Hung Hom | 4,905 | 41,313 | Commercial/<br>Residential | 100.00 | 68 | 16,923 |
| 19. | PARKER33*<br>33 Shing On Street<br>Shau Kei Wan | 7,513 | 80,079 | Commercial/<br>Residential | 100.00 | 110 | 28,545 |
| 20. | Eltanin•Square Mile*<br>11 Li Tak Street<br>Mong Kok | 19,600 | 176,373 | Commercial/<br>Residential | 100.00 | 159 | 40,259 |
| 21. | The Zutten*<br>50 Ma Tau Kok Road | 11,400 | 102,567 | Commercial/<br>Residential | 100.00 | 174 | 43,349 |
| 22. | Global Gateway Tower*<br>61A-61E and<br>63 Wing Hong Street<br>Cheung Sha Wan | 28,004 | 336,052 | Industrial | 100.00 | Not applicable | 153,240<br>*(Note)* |
| 23. | E-Trade Plaza<br>24 Lee Chung Street<br>Chai Wan | 11,590 | 173,850 | Office | 100.00 | Not applicable | 60,359<br>*(Note)* |
| | | | | | **Sub-total:** | **1,376** | **1,152,252** |
| | | | | | **Area attributable to the Group:** | | **883,571** |

*Note: Representing the office or industrial construction area.*

* *Urban redevelopment projects totalling approximately 440,000 square feet of remaining area attributable to the Group.*

## (Table 2) Projects pending sale in 2016

In the absence of unforeseen delays, the following 7 projects will be available for sale in 2016:

| | Project name and location | Site area (sq. ft.) | Gross floor area (sq. ft.) | Type of development | Group's interest (%) | No. of residential units | Residential gross floor area (sq. ft.) |
|---|---|---|---|---|---|---|---|
| 1. | Harbour Park*<br>208 Tung Chau Street<br>Cheung Sha Wan<br>(launched for sale in January 2016) | 6,528 | 55,077 | Commercial/<br>Residential | 33.41 | 161 | 39,844<br>*(Note 1)* |
| 2. | Wellesley*<br>23 Robinson Road<br>Mid-Levels<br>(launched for sale in January 2016) | 31,380 | 156,901 | Residential | 25.07 | 90 | 138,379<br>*(Note 1)* |
| 3. | Double Cove Summit<br>(Double Cove – Phase 5)<br>8 Wu Kai Sha Road<br>Ma On Shan<br>(launched for sale in March 2016) | 49,648 | 332,956 | Residential | 59.00 | 176 | 288,050<br>*(Note 1)* |
| 4. | 38-40A Hillwood Road<br>Tsim Sha Tsui* | 4,586 | 55,031 | Commercial | 100.00 | Not applicable | 55,031<br>*(Note 2)* |
| 5. | 1-19 Nam Cheong Street<br>Sham Shui Po* | 8,559 | 77,031 | Commercial/<br>Residential | 100.00 | 129 | 54,000 |
| 6. | 7 Victory Avenue<br>Ho Man Tin* | 9,865 | 83,242 | Commercial/<br>Residential | 100.00 | 250 | 73,991 |
| 7. | Big Star Centre<br>8 Wang Kwong Road<br>Kowloon Bay | 21,528 | 171,191 | Office | 100.00 | Not applicable | 171,191<br>*(Note 2)* |
| | | | | | **Sub-total:** | **806** | **820,486** |
| | | | | | **Area attributable to the Group:** | | **572,166** |

*Note 1: Representing the residential saleable area.*

*Note 2: Representing the commercial/office construction area.*

* *Urban redevelopment projects totalling approximately 230,000 square feet of area attributable to the Group.*

### (Table 3) Existing urban redevelopment projects

The Group has a total of 4 existing projects under planning for redevelopment or land-use conversion and the dates of their sales launch are not yet fixed. As outlined below, they are expected to provide about 1.1 million square feet in attributable gross floor area in the urban areas based on the Buildings Department’s approved plans or the Government’s latest town planning:

| | Project name and location | Site area (sq. ft.) | Expected gross floor area upon redevelopment (sq. ft.) | Group’s interest (%) | Expected attributable gross floor area upon redevelopment (sq. ft.) |
|---|---|---|---|---|---|
| 1. | 45-47 Pottinger Street and Ezra’s Lane, Central Hong Kong *(Note 1)* | 9,067 | 135,995 | 19.10 | 25,968 |
| 2. | 29 Lugard Road The Peak, Hong Kong | 23,649 | 11,824 | 100.00 | 11,824 |
| 3. | 18 King Wah Road North Point, Hong Kong *(Notes 1 and 2)* | 52,689 | 329,755 | 100.00 | 329,755 |
| 4. | Yau Tong Bay Kowloon *(Note 3)* | 810,454 | 3,991,981 | 19.47 | 777,124 |
| | **Total:** | **895,859** | **4,469,555** | | **1,144,671** |

*Note 1: Investment property.*

*Note 2: With the approval from the Town Planning Board for redevelopment into an office tower, it is now in the process of an appeal to the Government on the amount of assessed land premium.*

*Note 3: The modified master layout plan was approved in February 2015 and it is pending finalisation of land premium with the Government.*

### (Table 4) Newly-acquired Urban Redevelopment Projects – Ownership Fully Consolidated

There are 17 newly-acquired urban redevelopment projects with ownership fully consolidated. In the absence of unforeseen delays, most of these projects are expected to be available for sale or leasing in 2017-2018 and their expected attributable gross floor areas, based on the Buildings Department's approved plans or the Government's latest town planning, are as follows:

| | Project name and location | Site area (sq. ft.) | Expected attributable gross floor area upon redevelopment (sq. ft.) | |
|---|---|---|---|---|
| | **Hong Kong** | | | |
| 1. | 450-456G Queen's Road West, Western District | 28,027 | 272,327 | |
| 2. | 852-858 King's Road and 21-39 Mansion Street North Point | 17,720 | 168,640 | |
| 3. | 62C Robinson Road and 6 Seymour Terrace Mid-Levels | 3,853 | 30,824 | |
| 4. | 206-212 Johnston Road, Wanchai | 4,341 | 65,115 | *(Note 1)* |
| 5. | 12-18 Tin Wan Street, Aberdeen | 4,060 | 37,042 | |
| 6. | 1-3 Chung Ching Street, Sheung Wan | 1,612 | 13,702 | |
| | **Sub-total:** | **59,613** | **587,650** | |
| | **Kowloon** | | | |
| 7. | 8-30A Ka Shin Street, Tai Kok Tsui | 19,519 | 174,573 | |
| 8. | 25-29 Kok Cheung Street, Tai Kok Tsui | 22,885 | 205,965 | |
| 9. | 456-462A Sai Yeung Choi Street North Sham Shui Po | 12,298 | 110,682 | *(Note 2)* |
| 10. | 1-15 Berwick Street, Shek Kip Mei | 9,788 | 78,304 | |
| 11. | 202-208 Nam Cheong Street, Shek Kip Mei | 4,200 | 33,600 | |
| 12. | 214-220 Nam Cheong Street, Shek Kip Mei | 4,200 | 33,600 | |
| 13. | 342-348 Un Chau Street, Cheung Sha Wan | 4,579 | 38,922 | |
| 14. | 352-354 Un Chau Street, Cheung Sha Wan | 2,289 | 19,457 | |
| 15. | 11-19 Wing Lung Street, Cheung Sha Wan | 6,510 | 58,577 | *(Note 2)* |
| 16. | 69-83 Fuk Lo Tsun Road, Kowloon City | 9,543 | 81,116 | *(Note 2)* |
| 17. | 31-33 Whampoa Street, Hung Hom | 3,000 | 25,500 | |
| | **Sub-total:** | **98,811** | **860,296** | |
| | **Total:** | **158,424** | **1,447,946** | |

*Note 1: To be held for rental purposes upon completion of development.*

*Note 2: Developable area may be subject to payment of land premium.*

### (Table 5) Newly-acquired Urban Redevelopment Projects – with over 80% ownership secured

There are 28 newly-acquired urban redevelopment projects with over 80% ownership secured and their ownership will be consolidated by proceeding to the court for compulsory sale under the "Land (Compulsory Sale for Redevelopment) Ordinance". In the event that no court order is granted, the Group may not be able to complete the consolidation of the ownership for development. If legal procedures go smoothly and in the absence of unforeseen delays, most of the projects set out below are expected to be available for sale in 2018-2020. On the basis of the Government's latest town planning, the expected gross floor areas are shown as follows:

| | Project name and location | Site area (sq. ft.) | Expected attributable gross floor area upon redevelopment (sq. ft.) |
|---|---|---|---|
| | **Hong Kong** | | |
| 1. | 4A-4P Seymour Road, Mid-Levels<br>(65% stake held by the Group) | 52,466 | 306,920 |
| 2. | 73-73E Caine Road, Mid-Levels | 6,781 | 60,659 |
| 3. | 13-15 Wood Road, Wanchai | 3,993 | 33,941 |
| 4. | 2 Tai Cheong Street, Sai Wan Ho | 13,713 | 123,417 |
| 5. | 85-95 Shek Pai Wan Road, Aberdeen | 4,950 | 42,075 |
| 6. | 4-6 Tin Wan Street, Aberdeen | 1,740 | 14,790 |
| 7. | 9-13 Sun Chun Street, Tai Hang | 2,019 | 18,171 |
| 8. | 9-17 Chung Ching Street, Sheung Wan | 3,902 | 33,167 |
| 9. | 40-46 Pan Hoi Street, Quarry Bay<br>(50% stake held by the Group) | 3,734 | 15,870 |
| 10. | 72-94 Pan Hoi Street, Quarry Bay<br>(50% stake held by the Group) | 11,488 | 54,568 |
| 11. | 983-987A King's Road and 16-22 Pan Hoi Street, Quarry Bay<br>(50% stake held by the Group) | 6,696 | 31,806 |
| | **Sub-total:** | **111,482** | **735,384** |
| | **Kowloon** | | |
| 12. | 57-69 Ma Tau Wai Road, 2-20 Bailey Street and<br>18A-30 Sung Chi Street, To Kwa Wan | 23,031 | 207,277 |
| 13. | 2A-2F Tak Shing Street, Jordan | 10,614 | 84,912 |
| 14. | 464-466 Sai Yeung Choi Street North and<br>50-56 Wong Chuk Street, Sham Shui Po | 10,667 | 96,003 |
| 15. | 35-47 Li Tak Street, 2-16 Kok Cheung Street and<br>32-44 Fuk Chak Street, Tai Kok Tsui | 20,114 | 180,973 |
| 16. | 1 Ka Shin Street, 39-53 Tai Kok Tsui Road and<br>2 Pok Man Street, Tai Kok Tsui | 9,642 | 86,775 |
| 17. | 74-74C Waterloo Road and 15-25 Yau Moon Street<br>Ho Man Tin<br>(49% stake held by the Group) | 10,677 | 39,240 |

| | Project name and location | Site area (sq. ft.) | Expected attributable gross floor area upon redevelopment (sq. ft.) |
|---|---|---|---|
| 18. | 21-27 Berwick Street, Shek Kip Mei | 5,288 | 42,304 |
| 19. | 210-212 Nam Cheong Street, Shek Kip Mei | 2,100 | 16,800 |
| 20. | 3-8 Yiu Tung Street, Shek Kip Mei | 7,312 | 58,496 |
| 21. | 6-28 Gillies Avenue South and 76-78 Baker Street Hung Hom | 19,975 | 179,775 |
| 22. | 1-21C Whampoa Street and 80-86 Baker Street Hung Hom | 19,725 | 177,525 |
| 23. | 2-16A Whampoa Street, Hung Hom | 14,400 | 129,600 |
| 24. | 30-44 Gillies Avenue South and 75-77 Baker Street Hung Hom | 13,175 | 118,575 |
| 25. | 23-25 Whampoa Street and 79-81 Baker Street Hung Hom | 2,625 | 23,625 |
| 26. | 26-36A Whampoa Street and 83-85 Baker Street Hung Hom | 9,775 | 87,975 |
| 27. | 39-41 Whampoa Street and 12A-12B Bulkeley Street Hung Hom | 2,800 | 25,200 |
| 28. | 18-22A Bulkeley Street and 46-50 Gillies Avenue South Hung Hom | 7,000 | 63,000 |
| | **Sub-total:** | **188,920** | **1,618,055** |
| | **Total:** | **300,402** | **2,353,439** |

### (Table 6) Newly-acquired Urban Redevelopment Projects – with over 20% but less than 80% ownership secured

The Group has other acquisitions in progress, involving 34 projects located in prime urban areas in Hong Kong and Kowloon. Currently, ownership of each project ranging from more than 20% to less than 80% has been achieved. The attributable land areas of these projects total about 230,000 square feet. If and when their ownerships are successfully consolidated, based on the Government's latest town planning, the total estimated attributable gross floor area would be about 2.1 million square feet upon completion of redevelopment. Based on the respective ownership currently secured by the Group for each project, the total pro-rata attributable gross floor area is about 900,000 square feet.

Successful acquisitions of the above projects bear uncertainty. The Group may not be able to consolidate ownerships of all projects. Redevelopments can only be implemented upon acquisition of the full ownership of the relevant projects.

Among the aforesaid development projects, the following are the relatively sizeable ones, especially those with the prospect of assembling adjacent properties for combined development. Supplementary information such as the estimated land cost and construction cost per square foot of gross floor area in relation to these projects are provided below:

| | Project name and location | Site area (sq. ft.) | Expected total gross floor area upon redevelopment (sq. ft.) | Estimated land cost per square foot of gross floor area (HK$) | Estimated construction cost per square foot of gross floor area *(Note 5)* (HK$) | Cross-referencing in previous tables |
|---|---|---|---|---|---|---|
| 1. | 450-456G Queen's Road West<br>Western District | 28,027 | 272,327<br>*(Note 1)* | 5,000 | 4,600 | Project 1 in Table 4 |
| 2. | 4A-4P Seymour Road, Mid-Levels<br>(65% stake held by the Group) | 52,466 | 472,185<br>*(Note 2)* | 10,200<br>*(Note 4)* | 4,800 | Project 1 in Table 5 |
| 3. | 852-858 King's Road and<br>21-39 Mansion Street, North Point | 17,720 | 168,640<br>*(Note 3)* | 6,200 | 3,700 | Project 2 in Table 4 |
| 4. | Berwick Street/<br>Nam Cheong Street/Yiu Tung Street<br>Shek Kip Mei | 45,525 | 409,367<br>*(Note 2)* | 5,400<br>*(Note 4)* | 3,700 | Comprising projects 10-12 in Table 4, projects 18-20 in Table 5 and certain projects categorised in Table 6 |
| 5. | Kok Cheung Street/Li Tak Street/Fuk Chak Street/<br>Ka Shin Street/Tai Kok Tsui Road/Pok Man Street<br>Tai Kok Tsui<br>Eltanin•Square Mile | 19,600 | 176,373 | | | Project 20 in Table 1 |
| | 8-30A Ka Shin Street | 19,519 | 174,573 | | | Project 7 in Table 4 |
| | 25-29 Kok Cheung Street | 22,885 | 205,965 | | | Project 8 in Table 4 |
| | 35-47 Li Tak Street, 2-16 Kok Cheung Street and<br>32-44 Fuk Chak Street | 20,114 | 180,973 | | | Project 15 in Table 5 |
| | 1 Ka Shin Street, 39-53 Tai Kok Tsui Road and<br>2 Pok Man Street, Tai Kok Tsui | 9,642 | 86,775 | | | Project 16 in Table 5 |
| | **Sub-total:** | **91,760** | **824,659**<br>*(Note 2)* | **5,700**<br>*(Note 4)* | **4,300** | |

| | Project name and location | Site area (sq. ft.) | Expected total gross floor area upon redevelopment (sq. ft.) | Estimated land cost per square foot of gross floor area (HK$) | Estimated construction cost per square foot of gross floor area *(Note 5)* (HK$) | Cross-referencing in previous tables |
|---|---|---|---|---|---|---|
| 6. | Gillies Avenue South/Baker Street/ Whampoa Street/Bulkeley Street, Hung Hom | | | | | |
| | 31-33 Whampoa Street | 3,000 | 25,500 | | | Project 17 in Table 4 |
| | 6-28 Gillies Avenue South and 76-78 Baker Street | 19,975 | 179,775 | | | Project 21 in Table 5 |
| | 1-21C Whampoa Street and 80-86 Baker Street | 19,725 | 177,525 | | | Project 22 in Table 5 |
| | 2-16A Whampoa Street | 14,400 | 129,600 | | | Project 23 in Table 5 |
| | 30-44 Gillies Avenue South and 75-77 Baker Street | 13,175 | 118,575 | | | Project 24 in Table 5 |
| | 23-25 Whampoa Street and 79-81 Baker Street | 2,625 | 23,625 | | | Project 25 in Table 5 |
| | 26-36A Whampoa Street and 83-85 Baker Street | 9,775 | 87,975 | | | Project 26 in Table 5 |
| | 39-41 Whampoa Street and 12A-12B Bulkeley Street | 2,800 | 25,200 | | | Project 27 in Table 5 |
| | 18-22A Bulkeley Street and 46-50 Gillies Avenue South | 7,000 | 63,000 | | | Project 28 in Table 5 |
| | Other sites with ownership ranging from more than 20% to less than 80% | 22,975 | 208,275 | | | Table 6 |
| | **Sub-total:** | **115,450** | **1,039,050** *(Note 2)* | **6,500** *(Note 4)* | **4,000** | |
| 7. | 18 King Wah Road North Point | 52,689 | 329,755 *(Note 1)* | *(Note 6)* | 3,300 | Project 3 in Table 3 |
| 8. | Lot No. 2640 in DD No. 92 Castle Peak Road-Kwu Tung, Sheung Shui | 154,280 | 555,398 *(Note 1)* | 5,200 | 4,320 | |
| 9. | 15 Middle Road Tsim Sha Tsui | 28,309 | 339,646 *(Note 1)* | 13,800 | 3,500 | |
| 10. | Kwun Chui Road, Area 56 Tuen Mun Town Lot No. 500 | 261,953 | 785,341 *(Note 3)* | 4,620 | 4,000 | |

*Note 1: The above gross floor area is estimated on the basis of the Buildings Department's approved plans. Actual gross floor area is subject to final approval.*

*Note 2: The above gross floor area is estimated on the basis of the Government's latest town planning parameters. However, it cannot be certain that the Group will be able to acquire full ownership of this project which is required to commence the redevelopment.*

*Note 3: The above gross floor area is estimated on the basis of the Government's latest town planning parameters, and is subject to the final approval of the building plans.*

*Note 4: The "land cost" is based on the actual costs of units acquired and the estimated costs of acquiring the remaining units in the properties involved.*

*Note 5: "Construction cost" is estimated based on the current market prices, and does not take into account inflation or any other unpredictable factors during the construction period.*

*Note 6: It is now in the process of an appeal to the Government on the amount of assessed land premium.*

## Land Bank

In June 2015, the Group won the bid for a residential site in So Kwun Wat, Tuen Mun, with the particulars as follows:

| Location | Site area (sq. ft.) | Land-use purpose | Group's interest (%) | Estimated attributable gross floor area (sq. ft.) |
|---|---|---|---|---|
| Kwun Chui Road, Area 56<br>Tuen Mun Town Lot No. 500<br>New Territories | 261,953 | Residential | 100.00 | 785,341 |

Meanwhile, the Group continues to replenish its land bank by acquiring old tenement buildings for redevelopment and applying for land-use conversion for its portfolio of New Territories land. Such dual approach to land banking has proven to be a reliable source of land supply with a lower acquisition cost, which is beneficial to the Group's development returns in the long term.

During the year under review, the Group finalised the land premium procedure for its commercial and residential development project at Yuen Long Town Lot No. 527 through the Pilot Scheme for Arbitration on Land Premium, which was the first arbitration case successfully concluded under such Pilot Scheme in Hong Kong. This development project, having a site area of 6,131 square feet, will provide a total attributable commercial and residential floor area of approximately 16,954 square feet.

The urban redevelopment project of "Eltanin•Square Mile" at Mong Kok, which was launched for sale recently, is a manifest example. In terms of saleable area, the average selling price for the units sold for this project is about HK$17,000 per square foot, whereas the acquisition cost of the land site was about HK$4,300 per square foot (excluding construction cost and other expenses). As for "Double Cove Grandview" (Double Cove – Phase 4) at Ma On Shan, which was sourced from land-use conversion, the average selling price for the units sold stands at about HK$15,000 per square foot, whereas its acquisition cost (including the cost for acquisition of New Territories land and the land conversion premium) was only about HK$4,100 per square foot (excluding construction cost and other expenses). Hence, it is evident that profit contributions from urban redevelopment projects, as well as New Territories projects sourced from land-use conversion, are highly satisfactory.

The Group currently has a land bank in Hong Kong comprising a total attributable gross floor area of approximately 24.4 million square feet, made up as follows:

| | | Attributable gross floor area (million sq. ft.) |
|---|---|---|
| Properties under development *(Note)* | | 13.4 |
| Unsold units from major launched projects | | 0.9 |
| | **Sub-total:** | **14.3** |
| Completed properties (including hotels) for rental | | 10.1 |
| | **Total:** | **24.4** |

*Note: Including the total developable area of about 4.9 million square feet from the projects in Fanling North/Kwu Tung and Wo Shang Wai, which are subject to finalisation of land premium.*

## Land in Urban Areas

As aforesaid, there are currently 45 urban redevelopment projects of old tenement buildings with entire or over 80% ownership acquired, representing a total attributable gross floor area of about 3.8 million square feet, which are expected to be ready for sale or leasing in 2017 or beyond. The total land cost of such projects is estimated to be about HK$24,300 million (in spite of the inclusion of pricey street shops and the project at the prestigious Seymour Road in Mid-Levels), translating into a land cost of approximately HK$6,400 per square foot of gross floor area.

During the year under review, the Group completed the acquisition of the entire interests in the projects at 69-83 Fuk Lo Tsun Road, Kowloon City, 1-3 Chung Ching Street, Sheung Wan and 31-33 Whampoa Street, Hung Hom. The sites for the project at 206-212 Johnston Road, Wanchai, as well as two projects at 6-28 Gillies Avenue South/76-78 Baker Street and 18-22A Bulkeley Street/46-50 Gillies Avenue South in Hung Hom, were all enlarged following the completion of the acquisition of the adjacent buildings.

For the industrial site at 18 King Wah Road, North Point, it is planned to be redeveloped into an office building pending an appeal to the Government on the amount of assessed land premium. Meanwhile, the residential-cum-commercial project at Yau Tong Bay is also in the process of application for land exchange.

## New Territories land

At the end of December 2015, the Group held New Territories land reserves amounting to approximately 45 million square feet in land area, which was the largest holding among all property developers in Hong Kong.

In July 2013, the Government announced the result of the "North East New Territories New Development Areas Planning and Engineering Study", of which Kwu Tung North and Fanling North would be treated as the extension of Fanling/Sheung Shui New Town. The Government has also decided to adopt an enhanced Conventional New Town Approach and, subject to specified criteria, private land owners are allowed to apply for in-situ land exchange for private developments. Outline Zoning Plans for both Kwu Tung North and Fanling North were already approved by the Chief Executive-in-Council during the year under review. Of the Group's land holding of 2.4 million square feet in the Fanling North New Development Area, a total land area of roughly over 800,000 square feet is assessed to be eligible for in-situ land exchange and the Government may resume the other parts of its lands for public use by payment of cash compensation. The Group has previously applied for in-situ land exchange for two land lots in Fanling North and Kwu Tung, which have just been accepted by the Government for further review. The two sites are expected to provide total developable gross floor areas of approximately 600,000 square feet and 340,000 square feet respectively, against their respective site areas of 174,000 square feet and 45,000 square feet. Three other land lots in Fanling North, with the respective site areas of 228,000 square feet, 241,000 square feet and 240,000 square feet, were also submitted for in-situ land change. Four land lots in Fanling North are expected to provide in aggregate commercial gross floor area of 440,000 square feet and residential gross floor area of 3.64 million square feet approximately. Developable areas for these sites are subject to finalisation of land premium and the construction cost is estimated to be about HK$4,000 per square foot of gross floor area.

According to the aforementioned "North East New Territories New Development Areas Planning and Engineering Study", the region at Ping Che/Ta Kwu Ling will be re-planned, in response to the "2013 Policy Address" which proposed an initiative to review the development potential of New Territories North, including new opportunities brought about by the new railway infrastructure. In January 2014, the Government commenced its "Preliminary Feasibility Study on Developing the New Territories North" on a study area of about 5,300 hectares. In September 2014, the Government announced the "Railway Development Strategy", including its long-term extension plan to further extend the railway line to Kwu Tung and Ping Che. The Group has a land holding of about 1.34 million square feet in Ping Che/ Ta Kwu Ling which are embodied in the Master Layout Plan of the original "North East New Territories New Development Areas Planning and Engineering Study". In addition, the Group has about 1.09 million square feet of land in the adjacent areas, making a total of about 2.43 million square feet in the region. In order to increase the land supply for housing, during the period the Government formulated the Preliminary Outline Development Plan for "Planning and Engineering Study for Housing Sites in Yuen Long South – Investigation" and launched its Stage 2 Community Engagement. It also released the "Land Use Review for Kam Tin South and Pat Heung". The Group holds certain pieces of land in these Study Areas.

As for "Hung Shui Kiu New Development Area Planning and Engineering Study", the Group holds a total land area of approximately 6.31 million square feet in this location, which covers an area of about 714 hectares. Under the Preliminary Outline Development Plan, it was proposed to accommodate a new town of a population comprising about 215,000 and about 60,000 additional flats, of which about 50% are private developments. The effects of these proposals on the Group are to be assessed. The Group will continue to work in line with the Government's development policies and follow up closely on its development plans.

Besides, the development of houses cum wetland restoration project in Wo Shang Wai, Yuen Long has been approved by the Town Planning Board. With a site area of approximately 2.23 million square feet, this project will comprise about 400 houses, providing a total residential floor area of approximately 890,000 square feet. Negotiation of the land premium is now under way and project implementation is subject to the finalisation of the land premium amount with the Government and the construction cost is estimated to be about HK$7,500 per square foot of gross floor area.

## Investment Properties

During the year under review, the Group's attributable gross rental income in Hong Kong, including the attributable contribution from subsidiaries, associates and joint ventures, increased by 7% to HK$6,404 million. The attributable pre-tax net rental income, including the attributable contribution from subsidiaries, associates and joint ventures, was HK$4,950 million, representing a growth of 6% over the previous year. Included therein is attributable gross rental income of HK$1,865 million (2014: HK$1,812 million) contributed from the Group's attributable interest of 40.77% (2014: 40.76%) in The International Finance Centre ("ifc") project. At the end of December 2015, the leasing rate for the Group's core rental properties was 97%. Besides, the Group held about 10,000 car parking bays, providing additional rental income.

With the completion of its 50%-owned office development at 8 Observatory Road, Tsim Sha Tsui, which offers 160,000 square feet of gross floor area, the Group's completed investment property portfolio in Hong Kong as at 31 December 2015 amounted to 9.1 million square feet in attributable terms with its breakdown as follows:

| **By type:** | **Attributable gross floor area (million sq. ft.)** | **Percentage (%)** |
|---|---|---|
| Shopping arcade or retail | 4.6 | 50.5 |
| Office | 3.7 | 40.7 |
| Industrial/Office | 0.4 | 4.4 |
| Residential and hotel apartment | 0.4 | 4.4 |
| **Total:** | **9.1** | **100.0** |

| **By geographical area:** | **Attributable gross floor area (million sq. ft.)** | **Percentage (%)** |
|---|---|---|
| Hong Kong Island | 2.3 | 25.3 |
| Kowloon | 3.0 | 33.0 |
| New Territories | 3.8 | 41.7 |
| **Total:** | **9.1** | **100.0** |


*KOLOUR•Yuen Long, Yuen Long, Hong Kong*

In 2015, the continued slowdown in inbound tourism and the uncertain economic outlook amid the US interest rate normalisation dented local consumption sentiment, leading to a 3.7% drop in the value of total retail sales in Hong Kong. However, the Group's retail portfolio, which comprises many large-scale shopping malls in the populous new towns catering to local consumption, recorded satisfactory rental income growth with nearly full occupancy (except those under renovation or realignment of tenant mix) at the end of December 2015. Such satisfactory results were mainly due to the Group's various initiatives to enhance the appeal of its malls so as to maintain their competitiveness. For instance, "KOLOUR" has been established as a new brand comprising a series of cosy and chic shopping malls under the Group's retail portfolio. During the year under review, "Citimall" in Yuen Long and "City Landmark I and II" in Tsuen Wan were re-branded as "KOLOUR•Yuen Long" and "KOLOUR•Tsuen Wan I and II" respectively. "KOLOUR•Yuen Long", after refining its tenant mix and upgrading its position, recorded considerable growth in rents and shopper traffic. "KOLOUR•Tsuen Wan I" is also undergoing a series of renovation works which are set to give customers a fresh shopping experience after the revamp. Meanwhile, a customer loyalty programme and iBeacon technology were introduced in "Metro City Phase II" in Tseung Kwan O so as to enhance the interaction between shoppers and tenants.

Supported by the influx of mainland companies and limited new supply, the office leasing market in Hong Kong was buoyant during the year under review. The Group's quality office developments in the core areas, such as "ifc" in Central, "AIA Tower" in North Point, as well as "Golden Centre" and "FWD Financial Centre" in Sheung Wan, all performed well. Meanwhile, the Group's portfolio of office and industrial/office premises in Kowloon East, including "Manulife Financial Centre", "AIA Financial Centre", "78 Hung To Road" and "Bamboos Centre", also recorded satisfactory rental reversions on renewals and new leases. In order to further improve rental values and appeal to discerning tenants, phased renovations for "AIA Tower", "FWD Financial Centre" and "Golden Centre" are now underway.

*Metro City Plaza II, Tseung Kwan O, Hong Kong*

*Lung King Heen, The Four Seasons Hotel Hong Kong*

## Hotel Operations

Overnight visitor arrivals to Hong Kong declined by 3.9% in 2015. The Group's Newton Hotel Hong Kong ceased operating in August 2015 so as to make way for its redevelopment into an office building. As a result, the Group's pre-tax profit from hotel operations, including the attributable contribution from its subsidiaries, associates and joint ventures, decreased by 23% to HK$251 million during the year under review. Four Seasons Hotel Hong Kong, which received a quadruple 5-star award from Forbes Travel Guide 2015, continued to record high occupancy and room rate. Its Lung King Heen restaurant also won the top 3-star honour from the Michelin Guide to Hong Kong and Macau 2016. The remaining two Newton hotels owned by the Group (namely, the 317-room Newton Inn North Point and the 598-room Newton Place Hotel) recorded a dip in room rate and occupancy amid intensifying competition in their market segment.

## Construction

The International Property Awards, which are highly regarded in the industry around the globe, announced the Group's high-rise apartments of "Double Cove", the urban renewal mixed-use project in Tai Kok Tsui, as well as the office development at King Wah Road as winners of the "Top Five-star" in the Asia Pacific region for 2015. These awards are a testimony to the Group's commitment to building excellence in all its property developments. Besides, "Double Cove" achieved the "Best International Residential High-Rise Development" among all the regions. It is also the first Hong Kong project to receive a Pre-Certification in the Leadership in Energy and Environmental Design for Neighbourhood Development (LEED-ND) awarded by the U.S. Green Building Council. Such accreditation elevated Double Cove's achievement from the level of "green building" to "green neighbourhood", meaning it has successfully promoted social and environmental harmony which benefitted the surrounding community.

Teamwork, as well as meticulous planning throughout the construction process, contribute to the Group's success. For instance, advanced eco-friendly features recommended by the LEED and Building Environmental Assessment Method (BEAM) Plus rating systems are adopted in the Group's projects. In addition to the use of self-developed pre-fabricated building components, the Group also self-contracted for the foundation piling works of its development projects so as to expedite the construction process and minimise disruption to neighbourhoods. Against the prevailing backdrop of soaring material costs and a shortage of construction workers, all the above measures help improve quality and cost efficiency by reducing construction waste and manpower. Furthermore, with a large number of projects under development, the Group has implemented a series of measures, such as bulk purchases of building materials and outsourcing to more well-qualified sub-contractors, to further reduce construction costs by economies of scale.

The following development projects in Hong Kong were completed during the year under review:

| | Project name and location | Site area (sq. ft.) | Gross floor area (sq. ft.) | Type of development | Group's interest (%) | Attributable gross floor area (sq. ft.) |
|---|---|---|---|---|---|---|
| 1. | Metro6<br>121 Bulkeley Street<br>Hung Hom | 6,268 | 55,557 | Commercial/<br>Residential | 33.41 | 18,562 |
| 2. | The Hemispheres<br>3 Gordon Road<br>North Point | 7,386 | 61,602 | Commercial/<br>Residential | 100.00 | 61,602 |
| 3. | High Park<br>51 Boundary Street | 5,880 | 52,919 | Commercial/<br>Residential | 100.00 | 52,919 |
| 4. | 8 Observatory Road<br>Tsim Sha Tsui | 13,765 | 165,170 | Office/<br>Commercial | 50.00 | 82,585 |
| 5. | Global Gateway Tower<br>61A-61E and<br>63 Wing Hong Street<br>Cheung Sha Wan | 28,004 | 336,052 | Industrial | 100.00 | 336,052 |
| 6. | High One Grand<br>188 Fuk Wing Street<br>Cheung Sha Wan | 7,350 | 62,858 | Commercial/<br>Residential | 100.00 | 62,858 |
| 7. | Double Cove Starview Prime<br>(Double Cove – Phase 3)<br>8 Wu Kai Sha Road<br>Ma On Shan | 228,285 | 816,817 | Commercial/<br>Residential | 59.00 | 481,922 |
| | | | | | **Total:** | **1,096,500** |

In mainland China, the Group's Construction Department monitors all the key areas throughout the construction process, such as tender evaluation, contract execution, development progress and product quality, and gauges them closely against a set of pre-determined standards. It also provides timely feedback, aiming at achieving building quality excellence and consistency for all of the Group's products.

## Property Management

The Group's property management companies, namely, Hang Yick Properties Management Limited, Well Born Real Estate Management Limited and Goodwill Management Limited, manage in total over 80,000 apartments and industrial/commercial units, 8 million square feet of shopping and office space, as well as 20,000 car parking spaces in Hong Kong and mainland China.

The Group's Property Management team believes that excellent building quality, when supplemented by a comprehensive and meticulous after-sales property management service, generates certain synergies. During the year under review, "Double Cove" in Ma On Shan, which is already an award-winning development for its building quality, won "Excellence in Facility Management Award 2015" from The Hong Kong Institute of Facility Management, reaffirming the team's leading service quality in the sector. For those urban boutique residences that make up "The H Collection", these property management subsidiaries offer unparalleled one-stop home services enabling discerning residents to enjoy hassle-free urban living. Meanwhile, their commitment to service excellence has also been extended to the Group's property developments in mainland China. "Hengbao Huating" in Guangzhou and "The Arch of Triumph" in Changsha received the designations as "Guangdong Province Enterprise of Observing Contract and Valuing Credit 2014" and "The 2013 1st runner-up in the Property Services Excellence for Housing Community" respectively.

The Group's property management subsidiaries are on the front-line to serve the community and to fulfil Henderson Land's commitment to corporate social responsibility. Following the success of the preceding "Year of Senior", the Property Management Team launched "The Year of Youth" so as to raise public awareness of the all-round development of young people. In addition to receiving the Gold Award in "The 4th Hong Kong Outstanding Corporate Awards – Category of Volunteer Team", their volunteer team also won the "Highest Service Hour Award" championship, setting a new record by achieving such a top honour for the tenth year.

## Mainland China

"Destocking" was the major direction of the property market in 2015. During the year under review, the Central Government lowered the down-payment proportion for first-time property purchases on several occasions and removed various restrictions on the number of permitted purchases. At the same time, there were five successive reductions in interest rates and reserve ratio. Although all these measures stimulated market demand noticeably, to effectively resolve the problem of excessive stock required intensification of such measures in their implementation as well as the support of overall economic growth. While pressure of excessive stock has been waning in the prime and second-tier cities, no substantial improvement could be seen in those third-tier and fourth-tier cities. For 2015 as a whole, property sales in the prime and second-tier cities experienced rises in both volume and price while sales progress for other cities apparently lagged behind.

The following development projects were completed during the year under review:

| | Project name | Type of development | Group's interest (%) | Attributable gross floor area (million sq. ft.) |
|---|---|---|---|---|
| 1. | Phases 2A, 2B, 3 and 4, Grand Waterfront, Chongqing | Residential | 100 | 1.9 |
| 2. | Towers 8-11, Sirius, Chengdu ICC | Residential | 30 | 0.1 |
| 3. | Phase 2B, Palatial Crest, Xian | Residential | 100 | 0.8 |
| 4. | Phase 1D and Tower 39, Grand Lakeview, Yixing | Residential | 100 | 0.3 |
| 5. | Phase 2A, Xuzhou Lakeview Development, Xuzhou | Residential | 100 | 0.9 |
| 6. | Part of Phase 4-R1 and 4-R2, La Botanica, Xian | Residential/ Commercial | 50 | 0.4 |
| 7. | Phase 1A, Henderson•Country Garden Jin Shi Tan Project, Dalian | Residential | 50 | 0.4 |
| 8. | Henderson CIFI Centre, Shanghai | Residential/ Commercial | 50 | 0.6 |
| | | | **Total:** | **5.4** |

In April 2015, the Group collaborated with CIFI Holdings (Group) Co. Ltd. ("CIFI", a property developer listed in Hong Kong) on a 50/50 ownership basis to develop a residential site in Gaoxin District, Suzhou. The land lot, which was acquired previously at a consideration of RMB1,400 million, will provide a total gross floor area of over 4.2 million square feet on the site area of about 1.8 million square feet.

Also in April 2015, the Group entered into an agreement with CIFI and Longfor Properties Co. Ltd. to jointly develop, on a 35:35:30 ownership basis, a residential site in Songjiang District, Shanghai. This 860,000-square-foot site was earlier purchased at a consideration of RMB629 million. Upon completion of the development, it will provide a planned total gross floor area of over 1.1 million square feet.

In July 2015, the Group independently won a bid for a prime office/commercial site of approximately 200,000 square feet in Shanghai Xuhui Riverside development area, which is an extension of Bund of Huangpu River, at a consideration of RMB3,872 million. Being an upcoming commercial hub, Xuhui Riverside area enjoys well-established transport support from Longyao Road subway station and is characterised by abundant green surroundings. The site is planned to be developed into a high-rise landmark development with 1.8 million square feet of Grade-A office space and a retail podium of 200,000 square feet, further expanding the Group's rental portfolio in the mainland.

At 31 December 2015, the Group had approximately 2.9 million square feet in attributable gross floor area of completed property stock. The Group also held a development land bank in 14 cities with a total attributable gross floor area of about 116.7 million square feet. Around 78% of this total were planned for residential development.

## Land bank under development or held for future development

| | | Group's share of developable gross floor area* (million sq. ft.) |
|---|---|---|
| **Prime cities** | | |
| Shanghai | | 2.7 |
| Guangzhou | | 14.5 |
| | **Sub-total:** | **17.2** |
| **Second-tier cities** | | |
| Anshan | | 17.6 |
| Changsha | | 11.9 |
| Chengdu | | 3.6 |
| Dalian | | 9.1 |
| Fuzhou | | 1.2 |
| Nanjing | | 1.3 |
| Shenyang | | 10.6 |
| Suzhou | | 13.8 |
| Tieling | | 8.7 |
| Xian | | 13.0 |
| Xuzhou | | 1.8 |
| Yixing | | 6.9 |
| | **Sub-total:** | **99.5** |
| | **Total:** | **116.7** |

* *Excluding basement areas and car parks*

## Usage of development land bank

| | Estimated developable gross floor area (million sq. ft.) | Percentage (%) |
|---|---|---|
| Residential | 91.3 | 78 |
| Commercial | 12.4 | 11 |
| Office | 10.6 | 9 |
| Others (including clubhouses, schools and community facilities) | 2.4 | 2 |
| **Total:** | **116.7** | **100** |

## Property Sales

During the year under review, the Group achieved attributable contracted sales of approximately HK$7,290 million in value and 7.3 million square feet in attributable gross floor area, representing year-on-year increases of 40% and 26% respectively. Most of the attributable contracted sales were contributed by major projects including “Riverside Park” in Suzhou, “Henderson CIFI Centre” in Shanghai, “Emerald Valley” in Nanjing, “Grand Lakeview” in Yixing, as well as “Palatial Crest” and “La Bontanica” in Xian.

Meanwhile, in July 2015, the Group sold its 51% stake in “Henderson CIFI Palace” in Hangzhou at a consideration of USD66.3 million to a group company of CIFI. Such disposal was due to the fact that the Group had no other project in Hangzhou to form any synergy.

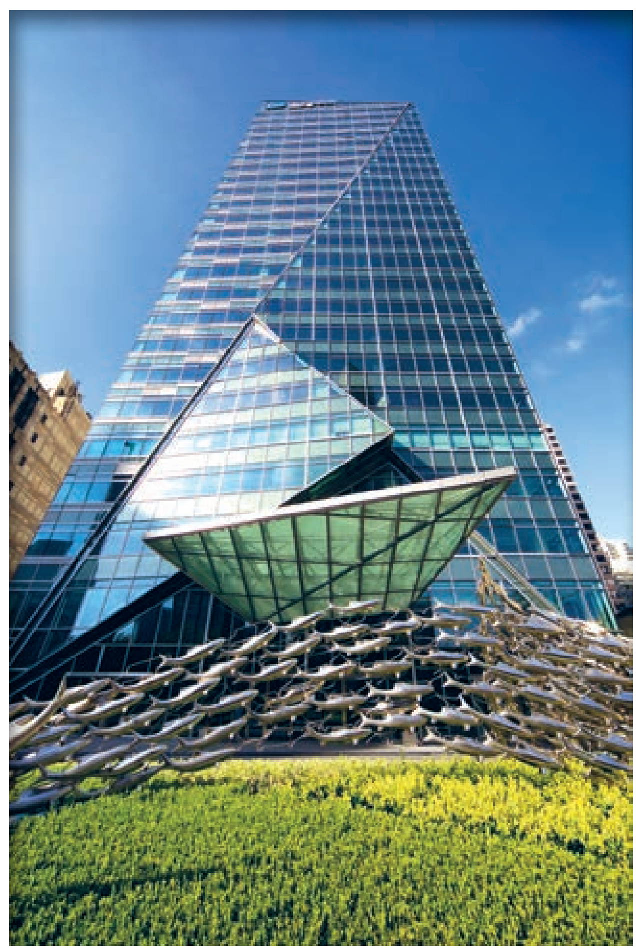
## Investment Properties

At 31 December 2015, the Group had 7.3 million square feet of completed investment properties in mainland China, comprising mainly offices and shopping malls in the centres of major cities such as Beijing, Shanghai and Guangzhou. Driven by higher market rent and greater contributions from the newly completed “Henderson 688’’ in Shanghai, the Group’s attributable gross rental income increased by 18% to HK$1,748 million, whilst its attributable pre-tax net rental income also increased by 23% to HK$1,353 million during the year under review.

In Shanghai, “Henderson Metropolitan” atop the Nanjing Road East subway station was virtually fully let with a significant rise in rental contribution during the year under review. Following the grand opening of PUMA flagship store, an innovative game zone will be opened in this mall in 2016. The Group will continue to adjust the tenant mix for this mall so as to enhance customer experience and boost turnover for its tenants. The 710,000-square-foot “Henderson 688” at Nanjing Road West was fully let by the end of 2015, filled with numerous quality multi-national corporations such as New Balance and Publicis Groupe. “Grand Gateway II’’ atop the Xujiahui subway station is famous for its high operational efficiency and has been generating stable and sizeable rental contributions for the Group. “Greentech Tower” and “Centro”, which are both located in the Zhabei district, recorded steady rental growth and high occupancy rates during the year under review. Both projects stand to benefit from the continual development in their neighbouring Suzhou Creek area.

In Beijing, “World Financial Centre’’ in the Chaoyang central business district has been tenanted by many world-renowned financial institutions and multinational corporations since its completion in 2009. This international Grade-A office complex was almost fully let and gross rental income increased by 17% over the previous year. Located next to the Beijing Railway Station, the “Henderson Centre’’ shopping mall provides unrivalled shopping convenience to both travelers and local customers. Its leasing rate was over 94% at 31 December 2015 with an asset enhancement plan to be kick-started in 2016.

In Guangzhou, “Hengbao Plaza” atop the Changshou Road subway station was over 91% let at the end of December 2015. The renowned fashion brand Uniqlo is expected to open for business in the third quarter of 2016, reinforcing the position of this mall as the leading fashion hotspot in town.



*Henderson 688, Jingan District, Shanghai*

*Citistore*

## Henderson Investment Limited ("HIL")

HIL's consolidated profit attributable to equity shareholders for the year ended 31 December 2015 amounted to HK$449 million, a significant turnaround from the loss of HK$7 million as recorded in the previous year. It is mainly due to a one-off gain of HK$355 million arising from the final arbitral award in relation to the toll fee collection right of Hangzhou Qianjiang Third Bridge during the year under review, as well as the full-year profit contribution of HK$103 million from Citistore, which was acquired by HIL on 1 December 2014.

Commencing from 20 March 2012, payment of the toll fee in respect of Hangzhou Qianjiang Third Bridge to Hangzhou Henderson Qianjiang Third Bridge Company, Limited ("Joint Venture Company") was provisionally suspended. An arbitration application (the "Arbitration") was thus filed by the Joint Venture Company on 17 September 2012 with China International Economic and Trade Arbitration Commission ("CIETAC"). On 30 April 2015, the arbitral tribunal of CIETAC issued the final arbitral award, which had legal binding effect on all parties to the Arbitration. Hangzhou Municipal People's Government shall pay to HIL an amount of RMB376 million ("Compensation Payment") within 90 days following the issue of the arbitral award. All tax payable in respect of the above payments ("PRC Tax") in mainland China shall be borne and paid by Hangzhou Municipal People's Government, which shall arrange for the PRC Tax clearance formality. As a result of the above arbitral award, HIL recognised a profit in the amount of HK$215 million, which is equal to the Compensation Payment of RMB376 million as converted to Hong Kong dollars (net of HIL's share of expenses relating to the Arbitration) of HK$471 million and after (i) deducting HIL's impairment loss on toll bridge operating right and related net assets of the Joint Venture Company of HK$379 million (the "Joint Venture Company Impairment"); (ii) recognising the reversal of the exchange reserve attributable to the Joint Venture Company of HK$138 million; and (iii) deducting the operating loss of the infrastructure business in the aggregate amount of HK$15 million during the period from 1 January 2015 to 30 April 2015. Adding back HIL's non-controlling interests' attributable share of Joint Venture Company Impairment and operating loss in the aggregate amount of HK$140 million, a one-off gain was recognised by HIL attributable to equity shareholders which amounted to HK$355 million. As the entire Compensation Payment was duly settled by Hangzhou Municipal People's Government on 29 July 2015, the collection agreement and joint venture contract were discharged and HIL has no further obligations, responsibilities and payment obligations for expenses whether as a shareholder of the Joint Venture Company or in relation to the Joint Venture Company or Hangzhou Qianjiang Third Bridge, and is no longer entitled to any income sharing and distribution rights as a shareholder of the Joint Venture Company.

Retailing has become the sole business of HIL. Due to a slowdown in inbound tourism, as well as weakened consumption sentiment arising from an uncertain economic outlook and exceptionally warm winter weather, retail sales in Hong Kong slackened distinctly in the fourth quarter of 2015, leading to a 3.7% drop in the value of total retail sales for the whole city during the year under review. Nevertheless, by serving the daily household needs of local consumers, HIL’s “Citistore” operation recorded only a slight decrease in the total sales proceeds (which were derived from the sales of own goods, as well as the consignment and concessionaire sales) of 0.7% for the year ended 31 December 2015 with its breakdown as follows:

| | For the year ended 31 December | |
|---|---|---|
| | **2015** | 2014 *(Note)* |
| | **HK$ million** | HK$ million |
| Proceeds from sales of own goods | **443** | 431 |
| Proceeds from consignment and concessionaire sales | **1,451** | 1,476 |
| **Total:** | **1,894** | **1,907** |

*Note: The comparative figures for the corresponding year ended 31 December 2014 were for reference only as HIL’s acquisition of “Citistore” was completed on 1 December 2014.*

Citistore’s sales of own goods retreated in the fourth quarter of 2015 due to the exceptionally warm weather in Hong Kong. However, its total sales of own goods for the year under review amounted to HK$443 million, representing an increase of 3% over HK$431 million for the previous year. The Household & Toys category made up approximately 53% of the annual revenue from sales of goods, the Apparel & Accessories category contributed approximately 34% and the balance of approximately 13% came from the categories of Cosmetics and Food.

Citistore regularly reviews its merchandise mix. Having regard to market trends and consumer preferences, a wide range of highly sought-after products with better profit margins were introduced during the year under review. Through keen promotional efforts and improved customer services, a stable gross margin of 36% was achieved along with increased sales.

Citistore’s concessionaire sales are conducted by licensing portions of shop spaces to its concessionaires for setting up their own concession counters to sell their products, whilst consignment sales comprise the sale of a consignor’s own products on or in designated shelves, areas or spaces. These consignment and concessionaire counters are charged on the basis of revenue sharing or basic rent (if any), whichever is higher, which are recognised as Citistore’s rental income. During the year under review, the total rental income derived from these consignment and concessionaire counters was flat at HK$429 million compared with the previous year, despite the slight year-on-year drop in the total sales proceeds from these counters.

In summary, due to (i) the decrease in profit contribution in the fourth quarter of 2015 as a result of the exceptionally warm weather in Hong Kong; (ii) rental charges in the accounts being higher than the actual rental expenses in the early part of the tenure as a result of amortised rental expenses during the year based on the new 9-year tenancy lease agreements, which became effective in October 2014, with rent escalation for each 3-year period, and (iii) a one-off net gain of HK$17 million in the previous year from the reversal of rent-free amortisation upon early termination of the preceding lease agreements, Citistore’s profit after taxation for the year ended 31 December 2015 amounted to HK$103 million, representing a decrease of 27% or HK$39 million as compared with the previous year.

As the overall economy is expected to soften in the financial year ahead, HIL will keep sourcing new merchandise, and improving the interior decoration and display of Citistore so as to offer a fresh shopping experience to customers. HIL will also continue to launch an array of innovative promotions and exercise stringent cost controls, thereby further enhancing the overall results of Citistore.

## Associated Companies

### The Hong Kong and China Gas Company Limited ("Hong Kong and China Gas")

Profit after taxation attributable to shareholders of Hong Kong and China Gas for 2015 increased by approximately 3% to HK$7,302 million, an increase of HK$193 million compared to 2014. During the year under review, this group invested HK$6,356 million in production facilities, pipelines, plants and other fixed assets for the sustainable development of its various existing and new businesses in Hong Kong and mainland China.

#### Town Gas Business in Hong Kong

Total volume of gas sales in Hong Kong for 2015 was 28,404 million MJ, a decrease of 1.5%, in contrast to appliance sales revenue which increased by 6.4% with a total of 255,730 sets sold, both compared to 2014. As at the end of 2015, the number of customers was 1,839,261, an increase of 19,326 compared to 2014, slightly up by 1.1%. An increase in its standard gas tariff on 1 August 2015 has helped offset some of this pressure on its own rising operating costs.

#### Business Development in Mainland China

As at the end of 2015, Hong Kong and China Gas held approximately 62.53% of the total issued shares of Towngas China Company Limited ("Towngas China"; stock code: 1083). Exclusive of unrealised exchange losses on the renminbi and the provision for the disposal of the coke plant of Changchun Gas Company Limited ("Changchun Gas"), this subsidiary's profit after taxation attributable to its shareholders for 2015 amounted to HK$1,202 million, an increase of approximately 1% compared to 2014. Due to the depreciation of the renminbi during the year, inclusive of the unrealised exchange losses and Changchun Gas' provision for the disposal, Towngas China's profit after taxation attributable to its shareholders for 2015 was HK$807 million, a decrease of approximately 23% compared to 2014. Project development is progressing with Towngas China acquiring three new piped-gas projects in 2015, namely in Wulian county, Rizhao city, Shandong province; in Anxin county, Baoding city, Hebei province; and in Jiangbei New District, Wuhu city, Anhui province. In 2015, Towngas China also acquired two midstream pipeline projects and one vehicular refilling station project, namely Xuancheng-Huangshan natural gas sub-stream and downstream city-gas project in Anhui province, Taigang Gas midstream long-haul pipeline project in Taian city, Shandong province, and Xingqixiang vehicular refilling station project in Qiqihar city, Heilongjiang province. In June 2015, Standard & Poor's Ratings Services raised its long-term corporate credit rating on Towngas China to "BBB+" from "BBB", and maintained its "cnA+" long-term Greater China regional scale credit rating with a "stable" outlook. In July 2015, Moody's Investors Service also raised its issuer credit rating on Towngas China to "Baa1" from "Baa2" with a "stable" outlook.

This group's city-gas businesses are progressing well with a total of four new projects added to its portfolio in 2015. As at the end of 2015, inclusive of Towngas China, this group had a total of 131 city-gas projects in mainland cities spread across 23 provinces, autonomous regions and municipalities. The total volume of gas sales for these projects in 2015 was approximately 15.5 billion cubic metres, a slight increase of 2% over 2014. As at the end of 2015, this group's mainland gas customers stood at approximately 20.9 million, an increase of 10% over 2014.

This group's midstream natural gas projects are operating smoothly. These include natural gas pipeline projects in Anhui and Hebei provinces; natural gas extension projects in Jilin and Henan provinces; and the Guangdong LNG Receiving Terminal project. In addition, Towngas China added two midstream natural gas projects to its portfolio in 2015 – the Xuancheng-Huangshan natural gas sub-stream and downstream city-gas project in Anhui province, and the Taigang Gas midstream long-haul pipeline project in Taian city, Shandong province. Construction of this group's gas storage facility in underground salt caverns in Jintan district, Changzhou city, Jiangsu province is in progress. Upon completion, this facility will be the first of its kind developed by any city-gas enterprise on the mainland. The total storage capacity of this facility will be approximately 400 million standard cubic metres. Construction of phase one of this project, with a storage capacity of 130 million standard cubic metres, is expected to be completed during the third quarter of 2016.

The upstream natural gas supply market is also facing reform. The Shanghai Petroleum and Natural Gas Exchange (the "Exchange") launched a pilot operation on 1 July 2015 to further promote a market-oriented pricing mechanism for natural gas. The Exchange comprises ten shareholder companies, including this group.

2015 was the 10th anniversary of this group's entering into the mainland water market under the brand name "Hua Yan Water". It has so far invested in, and operates, six water projects, including water supply joint venture projects in Wujiang district, Suzhou city, Jiangsu province and in Wuhu city, Anhui province; wholly-owned water supply projects in Zhengpugang Xin Qu, Maanshan city and in Jiangbei Xin Qu, Wuhu city, both in Anhui province; and an integrated water supply and wastewater treatment joint venture project, together with an integrated wastewater treatment joint venture project for a special industry, both in Suzhou Industrial Park, Suzhou city, Jiangsu province. In 2015, this group also initiated an interest in the drinking water market on the mainland by launching "AquaJoy", a high-end bottled purified water product, through its project in Wujiang district, Suzhou city, Jiangsu province.

Overall, inclusive of projects of Towngas China, this group had 222 projects on the mainland, as at the end of 2015, 20 more than at the end of 2014, spread across 25 provinces, autonomous regions and municipalities. These projects encompass upstream, midstream and downstream natural gas sectors, water sectors, environmentally-friendly energy applications, energy resources' exploration and utilisation, as well as telecommunications.

### Emerging Environmentally-Friendly Energy Businesses

This group's development of emerging environmentally-friendly energy businesses and related research and development of new technologies, through its wholly-owned subsidiary ECO Environmental Investments Limited and the latter's subsidiaries (collectively known as "ECO"), are progressing steadily forward.

ECO's major businesses in Hong Kong – an aviation fuel facility, dedicated liquefied petroleum gas ("LPG") vehicular refilling stations and landfill gas utilisation projects – are all operating smoothly. Total turnover for ECO's aviation fuel facility for 2015 was 6.07 million tonnes. The LPG refilling station business is progressing steadily, providing a quality and reliable fuel supply to the local taxi and minibus sectors. ECO's landfill gas project in the North East New Territories, after operating for several years, is generating noticeable environmental benefits. On this basis, ECO commenced the development of a South East New Territories landfill gas utilisation project in 2015, with commissioning expected to start in mid-2016, which will further increase the proportion of landfill gas used by this group.

ECO's oilfield project in Thailand, despite the adverse impact of the continuous fall in international oil prices and a slowdown in the mainland economy, is operating smoothly. With several high-yield wells drilled in 2015, this project recorded an output of 1.86 million barrels of oil during the year, an increase of 36% compared to 2014.

ECO's coalbed methane liquefaction facility, located in Jincheng city, Shanxi province, is operating smoothly. Construction of a project in Xuzhou city, Jiangsu province to produce LNG by methanation of coke oven gas has been largely completed; trial operation is expected in the second quarter of 2016. By then, ECO's capability to produce LNG will be enhanced. In addition, ECO is planning to develop a natural gas liquefaction project in Hohhot city, Inner Mongolia Autonomous Region, to supply LNG for local heavy-duty trucks; commissioning is expected by the end of 2017.

A network of ECO natural gas refilling stations is gradually taking shape in, amongst others, Shaanxi, Shandong, Shanxi, Henan and Liaoning provinces. All in all, ECO currently has 60 refilling stations in operation, under construction or at the planning stage, and expansion into more provinces progresses.

ECO is constructing a plant to upgrade low-quality inedible bio-oil. Located in Zhangjiagang city, Jiangsu province, the facility will handle approximately 220,000 tonnes of palm acid oil annually for conversion into high-quality chemical products and low-sulphur fuels; construction is expected to be completed early next year for trial production.

ECO has successfully developed new technologies to convert agricultural and forestry waste into natural gas through thermal gasification and methanation, and also to produce levulinic acid, through hydrolysis, which can be used as a raw material for producing clean fuel additives. ECO is planning to start a pilot project in Hebei province using these technologies expecting to produce natural gas early next year.

*ECO methanol plant in Inner Mongolia*

ECO's coal-based methanol production plant in Inner Mongolia Autonomous Region operated smoothly in 2015. Following the completion of the construction work in mid-2015 to enhance methanol production capacity to over 1,100 tonnes per day, the yield for the whole year rose to over 300,000 tonnes, an increase of 26 per cent compared to 2014. An additional facility to upgrade methanol into natural gasoline (a gasoline substitute chemical product) using self-developed technology is now at the pilot production stage.

ECO is also developing innovative resource conversion technologies for the production of high value-added environmentally-friendly energy. Related research and development has achieved a breakthrough in results, with noticeable economic and environmental benefits, especially in the areas of conversion of coal tar oil into carbon materials, upgrading and utilisation of oil-rich powder coal and conversion of agricultural waste into natural gas and fuel additives.

**Financing Programmes**

This group established a medium term note programme in 2009. Medium term notes totalling HK$1,457 million, with maturity ranging from 10 to 15 years, were issued during 2015. As at 31 December 2015, this group had issued medium term notes of an aggregate amount equivalent to HK$11,800 million with tenors ranging from 5 to 40 years, with an average interest rate at fixed rate of 3.47% and an average tenor of 15 years, under this programme.

### Hong Kong Ferry (Holdings) Company Limited ("Hong Kong Ferry")

Hong Kong Ferry's consolidated profit after taxation for the year ended 31 December 2015 amounted to approximately HK$193 million, a decrease of 81% as compared with the profit after taxation of HK$1,031 million last year.


*Metro6, Hung Hom, Hong Kong*

During the year under review, profit for Hong Kong Ferry was mainly derived from the sale of the residential units of Metro6 and Green Code. The decrease in profit is mainly due to the profit derived from the sale of Metro6, a small scale development project completed during the year under review, is far less than that derived from the sale of Green Code, a large scale development project completed last year.

During 2015, Hong Kong Ferry sold a total of 83 residential units of Metro6 and 19 residential units of Green Code contributing to a total profit of approximately HK$158 million. The unsold residential units of Metro6 and Green Code were 12 and 10 respectively at the year end.

In January 2016, Hong Kong Ferry launched the sale of the residential units of Harbour Park in phases and the response is satisfactory. The project will provide a total gross floor area of approximately 55,000 square feet and is expected to be completed in 2017.

The gross rental and other income from its commercial arcades amounted to approximately HK$78 million. The two floors of the commercial podium of Green Code have a gross floor area of approximately 136,000 square feet. The leasing status of the commercial podium of Green Code was satisfactory with the committed occupancy rate stood at 79% at the year end. The shops at the commercial podium of Metro6 were delivered to the tenants in the third quarter of 2015 and the committed tenancy was 97% at the year end. The commercial podium has a gross floor area of approximately 10,000 square feet. The commercial arcades of Shining Heights and The Spectacle were fully let whereas the occupancy rate of the commercial arcades of Metro Harbour Plaza was about 98% at the year end.

During the year under review, the ferry, shipyard and related operations recorded a profit of HK$14 million, an increase of 69% as compared with last year.

Due to the prolonged weakening of the local tourist and consumption market, the operating results of the travel operation recorded a deficit of HK$9.5 million during the year under review, representing an increase of 17% as compared with last year.

During the year, a loss of HK$1.6 million in securities investment was recorded mainly due to the impairment loss on securities investment in excess of the income from and disposal gain of securities.

The sale of the remaining residential units in Green Code and Metro6 will be the main source of income of Hong Kong Ferry in 2016. Harbour Park, scheduled to be completed in 2017, will be its major project for sale in 2016.

### Miramar Hotel and Investment Company, Limited ("Miramar")

Miramar's revenue posted steady growth, rising 4% to approximately HK$3,251 million for the financial year ended 31 December 2015 compared to the last corresponding period (2014: HK$3,127 million). Profit attributable to shareholders increased by 4% to approximately HK$1,355 million (2014: HK$1,301 million). Excluding the net increase in the fair value of its investment properties, underlying profit attributable to shareholders grew by 29% to approximately HK$729 million (2014: HK$567 million). The financial results for 2015 marked the fifth consecutive year of growth in its financial results.


*Mira Moon, Causeway Bay, Hong Kong*

For hotels and serviced apartments business, its EBITDA (earnings before interest, tax, depreciation and amortization) amounted to approximately HK$239 million, representing a decline of 2% year-on-year. The Mira Hotel Collection won numerous awards during the year, including The Mira Hong Kong’s recognition as the Best Luxury Hotel Spa in the 2015 World Luxury Spa Awards. Mira Moon was honored with several accolades – Best Boutique Hotel Asia Pacific, TTG Awards 2015 and Asia’s Best City Boutique Hotel – World Boutique Hotel Awards 2015.

Property rental business experienced healthy stable growth in 2015. Rental income grew 5% to HK$834 million, and EBITDA climbed 7% to HK$724 million. Its portfolio consists of over 1 million square feet of shopping malls and an office tower strategically located in the heart of Tsim Sha Tsui. The year saw the completion of a number of aspects of the multi-year asset enhancement program. The main atrium area at the Miramar Shopping Centre was completed during the first quarter of the year. This was followed by a newly created street corner shop at the intersection of Nathan and Kimberley Roads, together with a totally new Kimberley Road facade. FoodLoft was launched in the Miramar Shopping Centre in January 2015. They currently host seven Michelin starred and recommended restaurants, including one two-star, one one-star and three recommended restaurants in FoodLoft and two recommended restaurants in Mira Mall.

Food and Beverage businesses posted healthy growth. Revenue grew 20% to HK$467 million compared to 2014 and EBITDA soared 183% to HK$45 million. A new Tsui Hang Plus loyalty program was launched in August 2015, designed to build and strengthen customer loyalty and engagement with diners patronizing its Tsui Hang Village Cantonese and Yun Yan Sichuan restaurants. Yun Yan was again honored by Michelin Guide, as a Michelin Recommended Bib Gourmand Restaurant for the third time in 2015. As a result, its banqueting segment saw an increase in revenue in 2015. Meanwhile, the School Food chain continued to expand with the addition of four new outlets in Mong Kok, Whampoa, Tai Koo and Tuen Mun.

During the reporting period, outbound traffic continued to increase, particularly in the long haul sector. Overall revenue increased 4% to HK$1,275 million, while EBITDA enjoyed a 39% growth to HK$74 million. Miramar Travel sponsored the popular “Empress of China” television drama series in April 2015 that increased the brand awareness of Miramar Travel, and subsequently the number of people signing up for tours. Its travel business will continue to invest and develop its online booking capabilities to expand and deepen customer reach.

## Corporate Finance

The Group has always adhered to prudent financial management principles. At 31 December 2015, net debt (including the shareholder’s loan totalling HK$1,185 million (2014: HK$5,021 million)) amounted to HK$40,317 million (2014: HK$37,420 million) giving rise to a financial gearing ratio of 16% (2014: 15.7%).

In March 2015, the Group concluded a HK$18,000 million 5-year term loan/revolving credit facility with a consortium of 22 leading international banks and local financial institutions. It is the largest syndicated credit facility that has ever been concluded by the Group, reflecting the continuing support and trust of the banking community in the Group.

In light of the low interest rate levels resulting from quantitative easing measures adopted by major economies around the world over the past years, the Group has concluded Hong Kong dollar interest rate swap contracts for certain medium and long-term periods. Such contracts were entered into for the purpose of converting part of the Group’s Hong Kong dollar borrowings from floating interest rates into fixed interest rates. It is considered that such a treasury management strategy will be of benefit to the Group in the long run.

## Prospects

The recent volatility in the global financial markets and concerns over the slowdown in the mainland economy have posed a drag on the economic growth in Hong Kong. The local property market has shown signs of correction. However, the prevailing low mortgage rate still gives considerable support to home buyers.

During the year under review, the Group has made use of multiple channels to replenish its development land bank in Hong Kong and encouraging progress was achieved. (1) In June 2015, the Group won the tender for a residential site in So Kwun Wat, Tuen Mun, at HK$3,628.9 million. (2) The number of urban redevelopment projects with 80% to 100% of their ownerships acquired increased to 45, representing about 3.8 million square feet in total attributable gross floor area, which is expected to be available for sale or leasing in 2017 or beyond. The Group's efforts in urban redevelopment have begun to bear fruit and significant returns are expected for the years to come. (3) The Group has also increased its land reserves in the New Territories to 45 million square feet, the largest holding among its peers in Hong Kong.

As regards "**property sales**", following the recent successful marketing of "Harbour Park", "Wellesley" and "Double Cove Summit", the Group plans to embark on sales launches of two urban redevelopment boutique residences and two commercial/office projects in this financial year. Together with the unsold stocks, a total of over 2,100 residential units and 430,000 square feet of quality office/commercial space in Hong Kong will be available for sale in 2016. It is through the above-mentioned diversified means of land replenishment that the Group manages to secure a stable supply of land for property development in the long run, enabling the sustainable growth of its property sales business.

Turning to mainland China, it is anticipated that "destocking" remains the main focus among all the policies for the property industry in 2016. Measures such as intensifying differentiated policies, stimulation of demand and supply control will be put forward gradually. It is also anticipated that easing money supply will persist, whilst the downpayment requirement for first home purchase and interest rates will be further reduced, thus boosting housing demand. The Group will actively look for quality residential and office projects in prime cities, as well as those second-tier cities exhibiting great potential. Also, the Group will continue to step up its co-operation with mainland property developers.

As regards "**rental business**", the Group currently holds a total attributable gross floor area of approximately 9.1 million square feet in completed investment properties in Hong Kong with most of them being quality offices and large-scale shopping malls, plus approximately 7.3 million square feet of completed investment properties in various prime cities in mainland China. Such a sizeable portfolio of quality investment properties provided an aggregate gross rental income (including the attributable contribution from subsidiaries, associates and joint ventures) of HK$8,152 million during the year under review. In July 2015, a prime office/commercial site of approximately 200,000 square feet in Shanghai Xuhui Riverside development area was acquired at RMB3,872 million. In Hong Kong, an array of rental properties is now under development or under planning, including the office development in King Wah Road, North Point, the redevelopment project at Johnston Road, Wanchai, as well as the project at Middle Road, Tsim Sha Tsui which was acquired through public tender. The Group's rental income is set to grow further against a continually expanding rental portfolio.

The "**associates**", namely, Hong Kong and China Gas, Miramar and Hong Kong Ferry, serve as another steady recurrent income stream to the Group. Hong Kong and China Gas, in particular, is Hong Kong's first public utility company. It has 222 projects spread across 25 provinces, autonomous regions and municipalities on the mainland, with businesses encompassing city-gas, city-water, wastewater treatment, natural gas pipelines, new energy, telecommunications and the production of gas-related materials and devices. With a total of over 22.7 million gas customers in Hong Kong and mainland China, as well as extensive coverage in other businesses, its contributions to the Group are promising.

Founded in 1976, the Group's businesses have grown rapidly over the past 40 years. The three major income pillars (namely, "**property sales**", "**rental business**" and "**associates**"), while providing substantial stable income to shareholders, also form a solid base to support the Group's continued asset expansion. With its sizeable assets, ample financial resources, as well as a shrewd and seasoned management team, the Group is well placed not only to face the challenges ahead but also to seize emerging opportunities to grow from strength to strength.

## Appreciation

I would like to take this opportunity to express my gratitude to my fellow directors for their wise counsel, and to thank all our staff for their dedication and hard work.

**Lee Shau Kee**
*Chairman*

Hong Kong, 21 March 2016

## THE H COLLECTION

- Asia Pacific Property Awards - Best Architecture Multiple Residence Hong Kong (5-Star)
- MIPIM Asia Awards - Best Innovative Green Building (Silver Prize)
- China Property Awards - Best Residential Development (Hong Kong) (Highly Commended)
- Autodesk HK BIM Awards
- BEAM Plus (New Buildings) (Provisional Gold Rating)

High Park Grand
Mong Kok, Hong Kong

## Status of property developments with anticipated completion during the period to the end of 2018

### Double Cove, 8 Wu Kai Sha Road, Ma On Shan (59% owned)

*Double Cove, Ma On Shan, Hong Kong (artist's impression)*

| | |
|---|---|
| **Site area** | **1,042,397 square feet** |
| **Gross floor area** | **2,950,640 square feet** |
| **Residential units** | **3,535** |
| **Completion** | **21 March 2016 (Phase 4)** |
| **Expected completion** | **Second quarter of 2016 (Phase 5)** |

Designed by the world-renowned Rogers Stirk Harbour + Partners, "Double Cove" is the first Hong Kong project to receive a Pre-Certification in the Leadership in Energy and Environmental Design for Neighbourhood Development (LEED-ND) awarded by the U.S. Green Building Council. Such accreditation elevated Double Cove's achievement from the level of "green building" to "green neighbourhood", meaning it has successfully promoted social and environmental harmony which benefitted the surrounding community. The International Property Awards, which are highly regarded in the industry, also announced "Double Cove" as the winner for the "Best International Residential High-Rise Development" among all the regions around the globe for 2015. Located on a unique twin-cove peninsula with sweeping views across Tolo Harbour and close proximity to Wu Kai Sha MTR terminus, this waterfront development is scheduled to be completed in five phases. Phases 1 to 3 of this development were already completed and its superior building quality and attentive handover services were highly appreciated by the purchasers and residents. Construction of the remaining two phases has proceeded to the superstructure stage. Phases 4 and 5 of its development were already launched for pre-sales in August 2015 and March 2016, respectively.

## High One, 571 Fuk Wa Street, Cheung Sha Wan (100% owned)

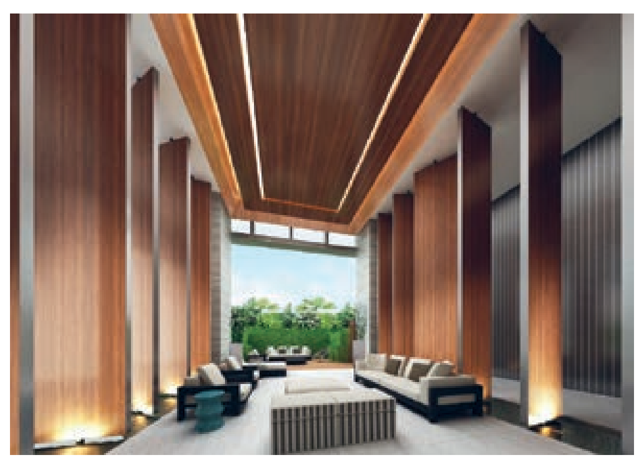
| | |
|---|---|
| **Site area** | **7,560 square feet** |
| **Gross floor area** | **63,788 square feet** |
| **Residential units** | **187** |
| **Completion** | **2 March 2016** |

*High One, Cheung Sha Wan, Hong Kong (artist's impression)*

"High One" a 27-storey residential-cum-commercial development, is situated close to both Cheung Sha Wan and Lai Chi Kok MTR stations, with an array of amenities (such as sports centre and sports ground) within its walking distance to meet the discerning tastes of the urban dwellers.

## Jones Hive, 8 Jones Street, Causeway Bay (79.762% owned)

| | |
|---|---|
| **Site area** | **6,529 square feet** |
| **Gross floor area** | **65,267 square feet** |
| **Residential units** | **119** |
| **Expected completion** | **Third quarter of 2016** |



*Jones Hive, Causeway Bay, Hong Kong (artist's impression)*

Located in Tai Hang, which houses an array of distinctive dining outlets with Causeway Bay shopping hub and Victoria Park within its walking distance, "Jones Hive" offers unrivalled living convenience to its residents. Superstructure work for this 37-storey residential tower is in progress. Pre-sale was launched in January 2015.

## AXIS, 200 Ma Tau Wai Road, Hung Hom (100% owned)

*AXIS, Hung Hom, Hong Kong (artist's impression)*

| | |
|---|---|
| **Site area** | 4,905 square feet |
| **Gross floor area** | 41,313 square feet |
| **Residential Units** | 120 |
| **Expected completion** | Fourth quarter of 2016 |

Adjacent to Ma Tau Wai MTR station of The Shatin to Central Link, which is now under construction, it will be developed into a residential-cum-commercial property and superstructure work is in progress. It was put up for pre-sales in May 2015.

## PARKER33, 33 Shing On Street, Shau Kei Wan (100% owned)

*PARKER33, Shau Kei Wan, Hong Kong (artist's impression)*

| | |
|---|---|
| **Site area** | 7,513 square feet |
| **Gross floor area** | 80,079 square feet |
| **Residential Units** | 234 |
| **Expected completion** | Fourth quarter of 2016 |

Located in Island East with Sai Wan Ho MTR station and various amenities in its proximity, such prime site will be developed into a residential-cum-commercial property. Market response was encouraging when it was launched for pre-sales in August 2015. Superstructure work is in progress.

## H•Bonaire, 68 Main Street, Ap Lei Chau (100% owned)

**Site area**
**7,953 square feet**

**Gross floor area**
**65,761 square feet**

**Residential Units**
**106**

**Expected completion**
**Fourth quarter of 2017**


*H•Bonaire, Ap Lei Chau, Hong Kong (artist's impression)*

H•Bonaire offers pristine views of Aberdeen Harbour to its residents, whilst its strategic location capitalizes on the forthcoming MTR South Island Line station at Lei Tung making it a new landmark apartment of the district. Superstructure work is now underway.

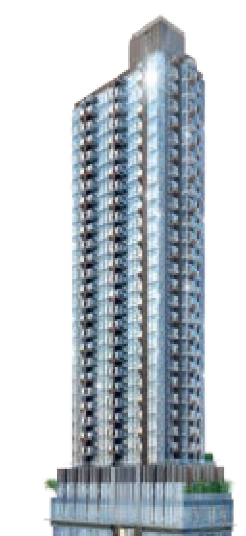
## The Zutten, 50 Ma Tau Kok Road (100% owned)

**Site area**
**11,400 square feet**

**Gross floor area**
**102,567 square feet**

**Residential Units**
**300**

**Expected completion**
**Second quarter of 2017**



*The Zutten, Ma Tau Kok, Hong Kong (artist's impression)*

Adjacent to the To Kwa Wan MTR station of The Shatin to Central Link, which is now under construction, this site will be built into a commercial-cum-residential development. According to the Government's Kai Tak Development Plan, an array of amenities including a multi-purpose sports complex and a metro park will be in its close proximity. It was launched for pre-sales in November 2015 and superstructure work is in progress.

## 38-40A Hillwood Road, Tsim Sha Tsui (100% owned)

| | |
|---|---|
| **Site area** | **4,586 square feet** |
| **Gross floor area** | **55,031 square feet** |
| **Expected completion** | **Second quarter of 2017** |

The prime location of being close to Jordan MTR station, plus premium quality, innovative design and high specifications make this commercial project a new benchmark in the vibrant Tsim Sha Tsui district. Superstructure work is in progress.

## Eltanin•Square Mile, 11 Li Tak Street, Mong Kok (100% owned)

*Eltanin•Square Mile, Mong Kok, Hong Kong (artist's impression)*

| | |
|---|---|
| **Site area** | **19,600 square feet** |
| **Gross floor area** | **176,373 square feet** |
| **Residential Units** | **448** |
| **Expected completion** | **Third quarter of 2017** |

Conveniently located in West Kowloon neighbouring Olympic MTR station, this innovatory development features a modern streamlined design, passages connecting subsequent phases, landscaped walkways and an open-air piazza for cultural and leisure activities. The site is now under superstructure stage and upon completion, this new hotspot will revitalise the streets and become an ideal living hub offering business vitality and residential relaxation. "Eltanin•Square Mile" was the first project being launched amongst the various major developments in the district being undertaken by the Group. The sales performance has been very successful since its launch for pre-sales in October 2015.

## Wellesley, 23 Robinson Road, Mid-Levels (25.07% owned)

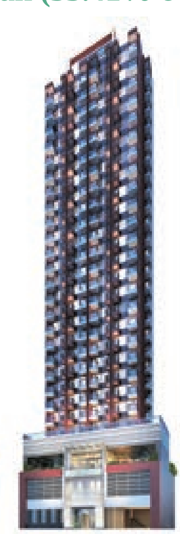
| | |
|---|---|
| **Site area** | **31,380 square feet** |
| **Gross floor area** | **156,901 square feet** |
| **Residential Units** | **90** |
| **Expected completion** | **Fourth quarter of 2017** |

*Wellesley, Mid-Levels, Hong Kong (artist's impression)*

Situated in the prestigious Mid-Levels district, this 30-storey signature residential project was well received when it was put up for pre-sales in January 2016. Construction of the superstructure is in progress.

## Harbour Park, 208 Tung Chau Street, Cheung Sha Wan (33.41% owned)

| | |
|---|---|
| **Site area** | **6,528 square feet** |
| **Gross floor area** | **55,077 square feet** |
| **Residential Units** | **161** |
| **Expected completion** | **Second quarter of 2018** |



*Harbour Park, Cheung Sha Wan, Hong Kong (artist's impression)*

"Harbour Park", a 29-storey residential tower, offers breathtaking views of the surrounding green parks. Only minutes from Nam Cheong MTR Station, the transport nexus of West Rail Line and Tung Chung Line, "Harbour Park" enjoys fast and easy access to every part of Hong Kong. Superstructure work is in progress and it was launched for pre-sales in January 2016.

## 7 Victory Avenue, Ho Man Tin (100% owned)


*7 Victory Avenue, Ho Man Tin, Hong Kong (artist's impression)*

| | |
|---|---|
| **Site area** | **9,865 square feet** |
| **Gross floor area** | **83,242 square feet** |
| **Residential Units** | **250** |
| **Expected completion** | **Second quarter of 2018** |

Located in the upmarket residential neighbourhood with easy reach to Mong Kok shopping hub, this boutique apartment tower offers homebuyers both tranquility and convenient access to modern life. Foundation work is in progress and upon completion, this 27-storey residential development will allow upper floor residences to enjoy vistas of the verdant Kadoorie Hill.

## 45-47 Pottinger Street and Ezra's Lane, Central (19.10% owned)

| | |
|---|---|
| **Site area** | **9,067 square feet** |
| **Gross floor area** | **135,995 square feet** |
| **Expected completion** | **Second quarter of 2018** |

*45-47 Pottinger Street and Ezra's Lane, Central, Hong Kong (artist's impression)*

This commercial project boasts a strategic location right at the heart of Central well-served by MTR and traffic arteries in the vicinity. Within breathing distance from Lan Kwai Fong, high-income customers are always around, not to mention the synergy with fine dining and clubbing scene nearby forming a tasteful entertainment community. Construction has proceeded to the superstructure stage and it will be held for rental purpose upon its completion.

# Location of Various Categories of Development Projects

## Major Development Projects with Unsold Units Offered for Sale

1 Double Cove (Phases 1-4)
2 The Reach
3 Green Code
4 High Park
5 High Point
6 High Place
7 The Hemispheres
8 The Gloucester
9 39 Conduit Road
10 Hill Paramount
11 Green Lodge
12 Metro6
13 High One Grand
14 High One
15 H•Bonaire
16 Jones Hive
17 High Park Grand
18 AXIS
19 PARKER33
20 Eltanin•Square Mile
21 The Zutten
22 Global Gateway Tower
23 E-Trade Plaza

## Projects Pending Sale in 2016

24 Harbour Park
25 Wellesley
26 Double Cove Summit
27 38-40A Hillwood Road, Tsim Sha Tsui
28 1-19 Nam Cheong Street, Sham Shui Po
29 7 Victory Avenue, Ho Man Tin
30 Big Star Centre

## Existing Urban Redevelopment Projects

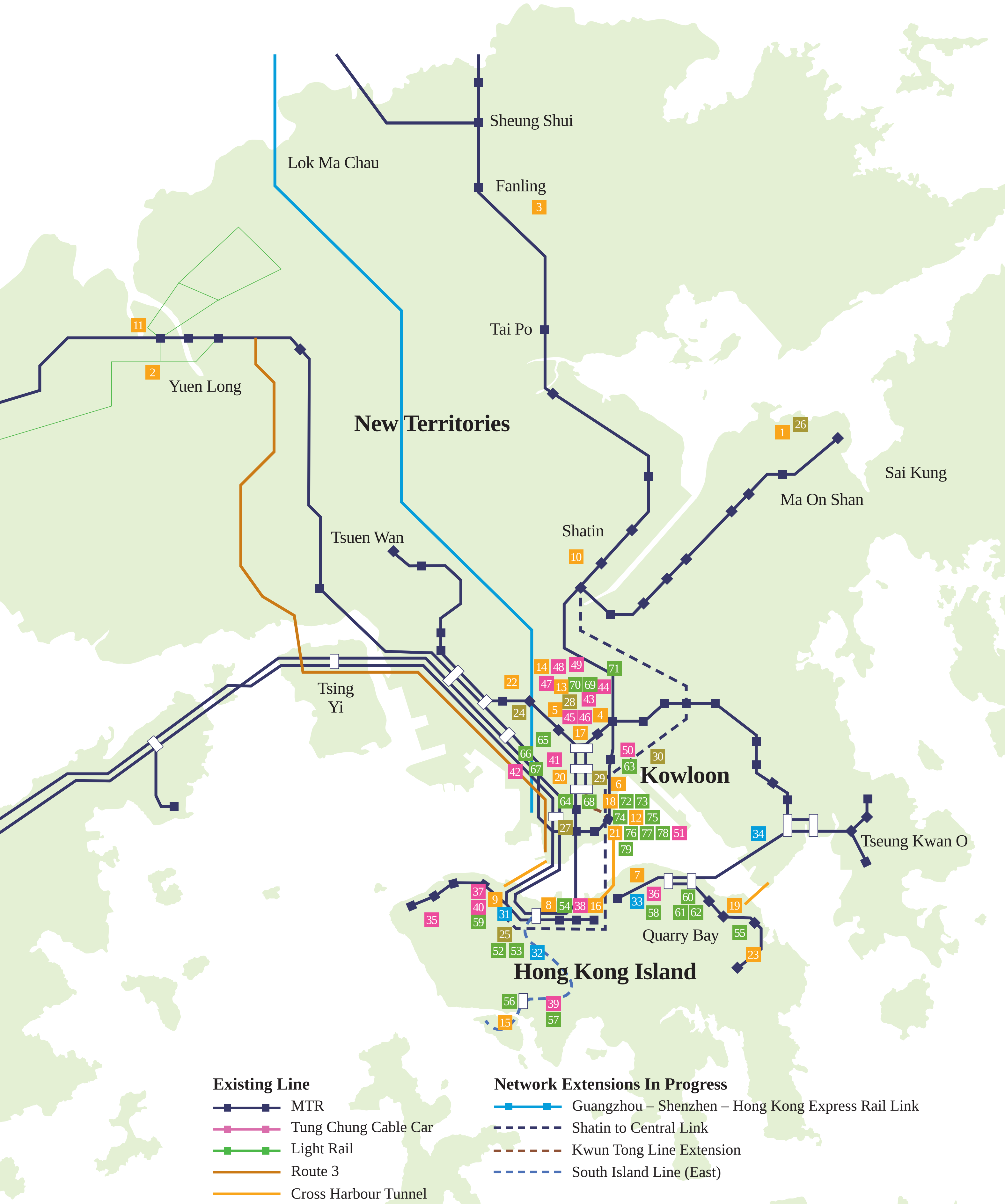
31 45-47 Pottinger Street and Ezra's Lane, Central
32 29 Lugard Road, The Peak
33 18 King Wah Road, North Point
34 Yau Tong Bay

## Newly-acquired Urban Redevelopment Projects – Over 80% Ownership Secured

52 4A-4P Seymour Road, Mid-Levels
53 73-73E Caine Road, Mid-Levels
54 13-15 Wood Road, Wanchai
55 2 Tai Cheong Street, Sai Wan Ho
56 85-95 Shek Pai Wan Road, Aberdeen
57 4-6 Tin Wan Street, Aberdeen
58 9-13 Sun Chun Street, Tai Hang
59 9-17 Chung Ching Street, Sheung Wan
60 40-46 Pan Hoi Street, Quarry Bay
61 72-94 Pan Hoi Street, Quarry Bay
62 983-987A King's Road and 16-22 Pan Hoi Street, Quarry Bay
63 57-69 Ma Tau Wai Road, 2-20 Bailey Street and 18A-30 Sung Chi Street, To Kwa Wan
64 2A-2F Tak Shing Street, Jordan
65 464-466 Sai Yeung Choi Street North and 50-56 Wong Chuk Street, Sham Shui Po
66 35-47 Li Tak Street, 2-16 Kok Cheung Street and 32-44 Fuk Chak Street, Tai Kok Tsui
67 1 Ka Shin Street, 39-53 Tai Kok Tsui Road and 2 Pok Man Street, Tai Kok Tsui
68 74-74C Waterloo Road and 15-25 Yau Moon Street, Ho Man Tin
69 21-27 Berwick Street, Shek Kip Mei
70 210-212 Nam Cheong Street, Shek Kip Mei
71 3-8 Yiu Tung Street, Shek Kip Mei
72 6-28 Gillies Avenue South and 76-78 Baker Street, Hung Hom
73 1-21C Whampoa Street and 80-86 Baker Street, Hung Hom
74 2-16A Whampoa Street, Hung Hom
75 30-44 Gillies Avenue South and 75-77 Baker Street, Hung Hom
76 23-25 Whampoa Street and 79-81 Baker Street, Hung Hom
77 26-36A Whampoa Street and 83-85 Baker Street,Hung Hom
78 39-41 Whampoa Street and 12A-12B Bulkeley Street, Hung Hom
79 18-22A Bulkeley Street and 46-50 Gillies Avenue South, Hung Hom


## Newly-acquired Urban Redevelopment Projects – Ownership Fully Consolidated

35 450-456G Queen's Road West, Western District
36 852-858 King's Road and 21-39 Mansion Street North Point
37 62C Robinson Road and 6 Seymour Terrace Mid-Levels
38 206-212 Johnston Road, Wanchai
39 12-18 Tin Wan Street, Aberdeen
40 1-3 Chung Ching Street, Sheung Wan
41 8-30A Ka Shin Street, Tai Kok Tsui
42 25-29 Kok Cheung Street, Tai Kok Tsui
43 456-462A Sai Yeung Choi Street North, Sham Shui Po
44 1-15 Berwick Street, Shek Kip Mei
45 202-208 Nam Cheong Street, Shek Kip Mei
46 214-220 Nam Cheong Street, Shek Kip Mei
47 342-348 Un Chau Street, Cheung Sha Wan
48 352-354 Un Chau Street, Cheung Sha Wan
49 11-19 Wing Lung Street, Cheung Sha Wan
50 69-83 Fuk Lo Tsun Road, Kowloon City
51 31-33 Whampoa Street, Hung Hom


Sheung Shui
Lok Ma Chau
Fanling
Tai Po
Yuen Long
New Territories
Sai Kung
Ma On Shan
Tsuen Wan
Shatin
Tsing Yi
Kowloon
Tseung Kwan O
Quarry Bay
Hong Kong Island
Existing Line
MTR
Tung Chung Cable Car
Light Rail
Route 3
Cross Harbour Tunnel
Network Extensions In Progress
Guangzhou – Shenzhen – Hong Kong Express Rail Link
Shatin to Central Link
Kwun Tong Line Extension
South Island Line (East)

# Major Completed Investment Properties

| Name | Location | Lease expiry | Group's interest (%) | Attributable gross floor area (square feet) Residential/ Hotel Serviced Suite | Commercial | Office | Industrial/ Office | Total | Attributable no. of carpark |
|---|---|---|---|---|---|---|---|---|---|
| **Hong Kong Island** | | | | | | | | | |
| Eva Court | 36 MacDonnell Road, Mid-Levels | 2895 | 100.00 | 108,214 | – | – | – | 108,214 | 49 |
| Golden Centre | 170-188 Des Voeux Road Central, Central | 2050 | 100.00 | – | 21,842 | 134,450 | – | 156,292 | – |
| FWD Financial Centre | 308-320 Des Voeux Road Central, Central | 2865 | 100.00 | – | 31,987 | 182,373 | – | 214,360 | – |
| AIA Tower | 183 Electric Road, North Point | 2047 | 100.00 | – | 22,338 | 490,072 | – | 512,410 | 207 |
| One International Finance Centre | 1 Harbour View Street, Central | 2047 | 40.77 | – | 53,465 | 319,833 | – | 373,298 | 71 |
| Two International Finance Centre (excluding levels of 33 to 52, 55, 56 and 77 to 88) | 8 Finance Street, Central | 2047 | 40.77 | – | 207,474 | 451,857 | – | 659,331 | 189 |
| Four Seasons Place | 8 Finance Street, Central | 2047 | 40.77 | 216,103 | – | – | – | 216,103 | 7 |
| Mira Moon | 388-390 Jaffe Road, Wanchai | 2026 | 100.00 | 66,128 | – | – | – | 66,128 | – |
| **Kowloon** | | | | | | | | | |
| Hollywood Plaza | 610 Nathan Road, Mong Kok | 2047 | 33.33 | – | 33,511 | 64,422 | – | 97,933 | – |
| Winning Centre | 29 Tai Yau Street, San Po Kong | 2047 | 100.00 | – | – | – | 150,212 | 150,212 | – |
| Well Tech Centre | 9 Pat Tat Street, San Po Kong | 2047 | 100.00 | – | – | 161,998 | – | 161,998 | 40 |
| Dragon Centre (formerly known as The Globe) | 79 Wing Hong Street, Cheung Sha Wan | 2023 | 100.00 | – | – | 172,113 | – | 172,113 | 76 |
| Manulife Financial Centre | 223-231 Wai Yip Street, Kwun Tong | 2050 | 88.50 | – | 47,860 | 919,004 | – | 966,864 | 394 |
| 78 Hung To Road | 78 Hung To Road, Kwun Tong | 2047 | 100.00 | – | – | – | 119,995 | 119,995 | 16 |
| Bamboos Centre | 52 Hung To Road, Kwun Tong | 2047 | 100.00 | – | – | – | 125,114 | 125,114 | – |
| AIA Financial Centre | 712 Prince Edward Road East, San Po Kong | 2047 | 100.00 | – | – | 216,593 | – | 216,593 | 70 |
| Cité 33 | 33 Lai Chi Kok Road, Mong Kok | 2026 | 100.00 | – | 13,620 | – | – | 13,620 | – |
| The Sparkle | 500 Tung Chau Street, Cheung Sha Wan | 2055 | 100.00 | – | 53,443 | – | – | 53,443 | – |
| 8 Observatory Road | 8 Observatory Road, Tsim Sha Tsui | 2064 | 50.00 | – | 45,312 | 37,273 | – | 82,585 | 32 |
| **New Territories** | | | | | | | | | |
| Fanling Centre | 33 San Wan Road, Fanling | 2047 | 100.00 | – | 151,513 | – | – | 151,513 | 302 |
| Flora Plaza | 88 Pak Wo Road, Fanling | 2047 | 60.00 | – | 94,657 | – | – | 94,657 | 130 |
| The Trend Plaza | Tuen Mun Heung Sze Wui Road, Tuen Mun | 2047 | 100.00 | – | 195,280 | – | – | 195,280 | 78 |
| Marina Cove | Lot No. 526 in D.D. No. 210, Sai Kung | 2047 | 40.00 | – | 9,566 *(Note)* | – | – | 9,566 | 151 |

| Name | Location | Lease expiry | Group's interest (%) | Attributable gross floor area (square feet) Residential/ Hotel Serviced Suite | Commercial | Office | Industrial/ Office | Total | Attributable no. of carpark |
|---|---|---|---|---|---|---|---|---|---|
| KOLOUR•Tsuen Wan I (formerly known as City Landmark I) | 68 Chung On Street, Tsuen Wan | 2047 | 74.96 | – | 138,555 | 156,981 | – | 295,536 | 100 |
| KOLOUR•Tsuen Wan II (formerly known as City Landmark II) | 145-165 Castle Peak Road, Tsuen Wan | 2047 | 100.00 | – | 155,022 | – | – | 155,022 | 85 |
| Skyline Plaza | 88 Tai Ho Road, Tsuen Wan | 2047 | 100.00 | – | 154,259 | – | – | 154,259 | 104 |
| Shatin Centre | 2-16 Wang Pok Street, Sha Tin | 2047 | 100.00 | – | 100,029 | – | – | 100,029 | 408 |
| Shatin Plaza | 21-27 Shatin Centre Street, Sha Tin | 2047 | 77.55 | – | 114,730 | – | – | 114,730 | 67 |
| Blocks A & B, Sunshine City | 18 On Shing Street, Ma On Shan | 2047 | 100.00 | – | 9,305 | – | – | 9,305 | – |
| Blocks C & D, Sunshine City | 22 On Shing Street, Ma On Shan | 2047 | 100.00 | – | 10,236 | – | – | 10,236 | – |
| Blocks N, P, Q & R, Sunshine City | 8 On Shing Street, Ma On Shan | 2047 | 100.00 | – | 58,881 | – | – | 58,881 | 186 |
| Sunshine City Plaza | 18 On Luk Street, Ma On Shan | 2047 | 100.00 | – | 532,637 | – | – | 532,637 | 829 |
| Sunshine Bazaar | 628 Sai Sha Road, Ma On Shan | 2047 | 100.00 | – | 79,642 | – | – | 79,642 | 224 |
| KOLOUR•Yuen Long (formerly known as Citimall) | 1 Kau Yuk Road, Yuen Long | 2047 | 100.00 | – | 140,341 | – | – | 140,341 | 51 |
| La Cité Noble Shopping Arcade | 1 Ngan O Road, Tseung Kwan O | 2047 | 100.00 | – | 35,186 | – | – | 35,186 | – |
| Dawning Views Plaza | 23 Yat Ming Road, Fanling | 2047 | 100.00 | – | 87,766 | – | – | 87,766 | – |
| Metro City Phase II Shopping Arcade | 8 Yan King Road, Tseung Kwan O | 2047 | 100.00 | – | 956,849 | – | – | 956,849 | 669 |
| The Metropolis, Metro City Phase III Shopping Arcade | 8 Mau Yip Road, Tseung Kwan O | 2047 | 100.00 | – | 266,954 | – | – | 266,954 | 233 |
| Citygate | 20 Tat Tung Road, Tung Chung, Lantau Island | 2047 | 20.00 | – | 92,536 | 32,280 | – | 124,816 | 233 |
| The Sherwood | 8 Fuk Hang Tsuen Road, Tuen Mun | 2052 | 100.00 | – | 30,139 | – | – | 30,139 | 250 |
| Double Cove Place | 8 Wu Kai Sha Road, Ma On Shan | 2060 | 59.00 | – | 58,131 | – | – | 58,131 | 328 |
| | | | **TOTAL:** | **390,445** | **4,003,066** | **3,339,249** | **395,321** | **8,128,081** | **5,579** |

*Note: In addition, there are 121 pontoons and 30 hardstand spaces attributable to the Group*

# Major Completed Investment Properties

1 Eva Court
2 Golden Centre
3 FWD Financial Centre
4 AIA Tower
5 One International Finance Centre
6 Two International Finance Centre
7 Four Seasons Place
8 Mira Moon
9 Hollywood Plaza
10 Winning Centre
11 Well Tech Centre
12 Dragon Centre
13 Manulife Financial Centre
14 78 Hung To Road
15 Bamboos Centre
16 AIA Financial Centre
17 Cité 33
18 The Sparkle
19 8 Observatory Road
20 Fanling Centre
21 Flora Plaza
22 The Trend Plaza
23 Marina Cove
24 KOLOUR•Tsuen Wan I
25 KOLOUR•Tsuen Wan II
26 Skyline Plaza
27 Shatin Centre
28 Shatin Plaza
29 Blocks A & B, Sunshine City
30 Blocks C & D, Sunshine City
31 Blocks N, P, Q & R, Sunshine City
32 Sunshine City Plaza
33 Sunshine Bazaar
34 KOLOUR•Yuen Long
35 La Cité Noble Shopping Arcade
36 Dawning Views Plaza
37 Metro City Phase II Shopping Arcade
38 The Metropolis, Metro City Phase III, Shopping Arcade
39 Citygate
40 The Sherwood
41 Double Cove Place

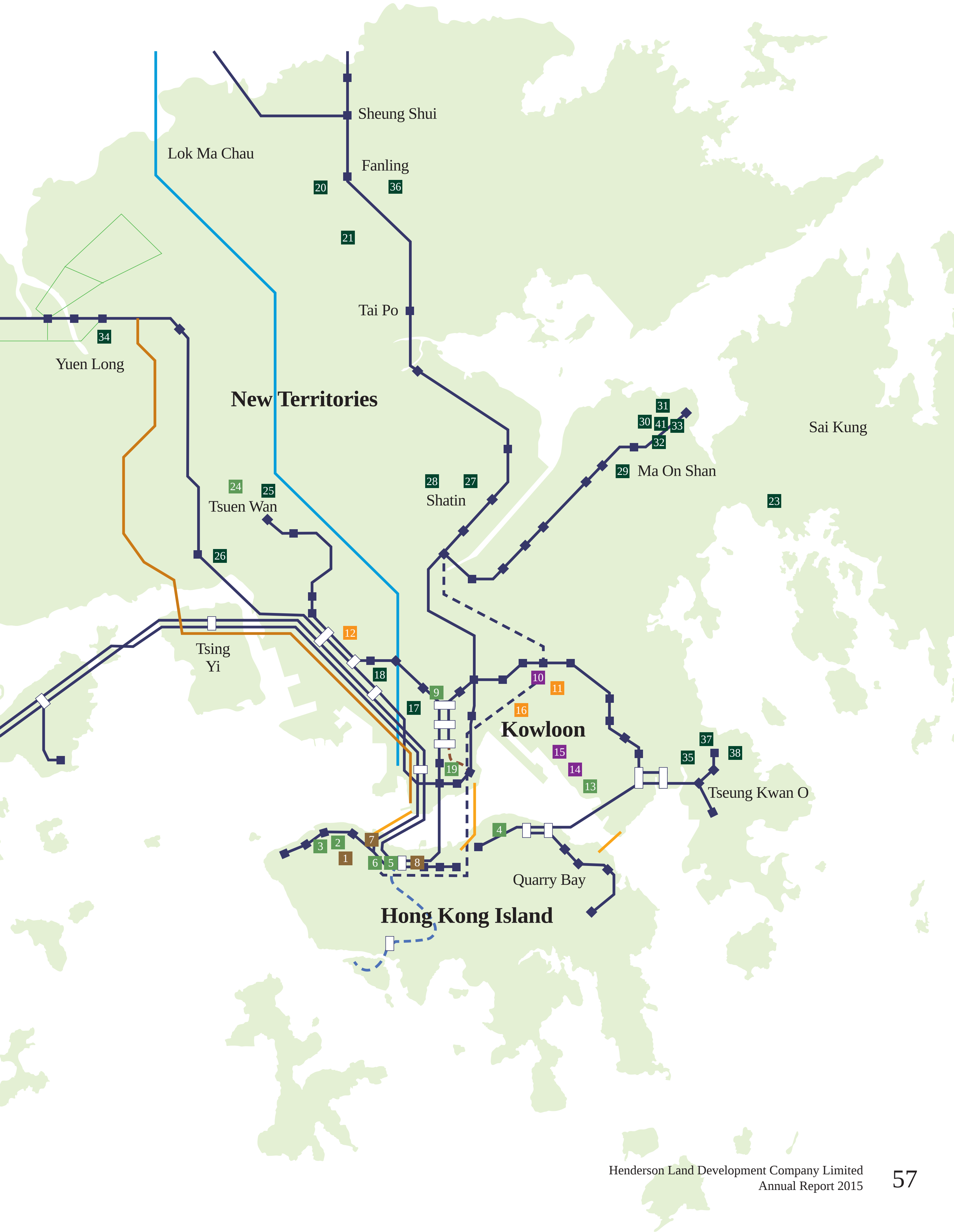

Residential / Hotel Serviced Suites
Commercial
Office
Industrial / Office & Industrial
Commercial & Office

**Existing Line**

MTR
Tung Chung Cable Car
Light Rail
Route 3
Cross Harbour Tunnel

**Network Extensions In Progress**

Guangzhou – Shenzhen – Hong Kong Express Rail Link
Shatin to Central Link
Kwun Tong Line Extension
South Island Line (East)


Sheung Shui
Lok Ma Chau
Fanling
20
36
21
Tai Po
34
Yuen Long
New Territories
31
30
41
33
32
Sai Kung
29
Ma On Shan
23
28
27
Shatin
24
25
Tsuen Wan
26
12
Tsing
Yi
18
9
17
10
11
16
Kowloon
19
15
14
13
37
38
35
Tseung Kwan O
4
7
3
2
1
6
5
8
Quarry Bay
Hong Kong Island


HENDERSON
ENVIRONMENTALLY
FRIENDLY BUILDING

HENDERSON
688廣場

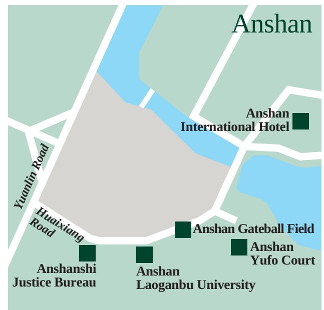
- Leadership in Energy and Environmental Design (LEED) (Gold Rating)
- Building Environmental Assessment Method (BEAM) (Platinum Standard)
- Intelligent Office Building (Distinction Rank)
- Jingan District Commercial Building Work Safety Standardization (5-Star Certificate)
- Shanghai Jingan District Excellent Property Management Certificate

Henderson 688
Jingan District, Shanghai

# Progress of Major Development Projects

## Anshan

### Arc De Triomphe (100% owned)




*Arc De Triomphe, Anshan (artist's impression)*

Adjacent to the scenic Yufoshan municipal park, a site in the city centre will be developed in phases into a high-end residential community with a total gross floor area of approximately 3,500,000 square feet. Phase 1 is a sale centre. Phase 2, with about 1,200,000 square feet of residences and 18,000 square feet of retail shops, kicked off its construction in 2013 with completion scheduled for the fourth quarter of 2016. Phase 3 of the residential development is under planning.

## Changsha

### The Arch of Triumph (100% owned)


*The Arch of Triumph, Changsha*

The Arch of Triumph is a community development with around 6,700,000 square feet of premium residential units to be built in three phases and its 33-storey Arc de Triomphe-style building is a landmark development in this new town of Xingsha. Phases 1, 2A and 2B were completed already. Phase 3 will provide approximately 3,270,000 square feet of residential area, in addition to 360,000 square feet of serviced apartments, commercial facilities and primary school upon their successive completion during the period from 2016 to 2019.

# Chengdu

## Chengdu ICC (30% owned)


*Chengdu ICC, Chengdu (artist's impression)*

Chengdu ICC is situated in a prime area of Dongda Road commercial and financial district near the Second Ring Road and River Shahe, with a panoramic view of Tazishan Park. It will be connected to a metro station linking Line No. 2 and the proposed Line No. 8, just two stops from the Chengdu East rail station, offering easy access to other parts of the country. This project will have over 13,000,000 square feet of gross floor area, including 280-metre twin towers regarded as the "Tianfu Gateway". This composite development will include Grade-A offices, modern shopping malls, a five-star hotel, an observation deck and luxury residences. Phase 1 deluxe residential development "Sirius", with about 1,600,000 square feet of gross floor area, was put up for sale.

# Dalian

## Henderson • Country Eagle Jin Shi Tan Project (50% owned)


*Henderson • Country Eagle Jin Shi Tan Project, Dalian (artist's impression)*

Located in Jin Shi Tan scenic spot with a light-rail station and Maple Leaf International School in the proximity, a site of about 3,200,000 square feet will be developed in phases into a low-density luxury residential project. Complemented by a resident clubhouse and commercial facilities, it will provide an aggregate gross floor area of about 1,400,000 square feet for about 1,600 households, of which over 900 residences were completed.

# Guangzhou

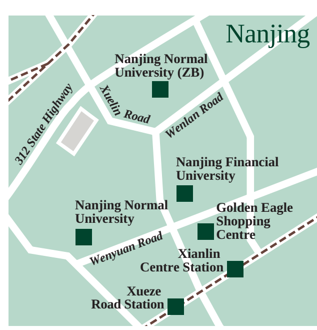
## Haizhu Plaza (100% owned)


*Haizhu Plaza, Guangzhou (artist's impression)*

In the Central Business District of Yuexiu District, Haizhu Plaza will be another of the Group's iconic integrated developments, comprising over 1,800,000 square feet of gross floor area made up of about 840,000 square feet of high-end retail space and two office towers of over 980,000 square feet. Sitting on the banks of Pearl River, this project is located atop Haizhu Square subway station, which is the interchange of metro line 2 and line 6. The concept design of the project was completed, and the site works will soon commence.

# Nanjing

## Emerald Valley (100% owned)




*Emerald Valley, Nanjing*

Located in Xianlin New District, this land lot of approximately 1,600,000 square feet will be developed in three phases into a high-end residential project, complemented by a nursery, amenities and a community centre and other facilities, providing an aggregate gross floor area of about 1,100,000 square feet. With the relocation of universities and colleges into this district and the commencement of operation of Xianlin subway station, this university town's community facilities and transportation network is being further enhanced. Following the completion of Phase 1 development in 2013, construction of Phase 2 commenced in the first quarter of 2014 with the scheduled completion in the second quarter of 2016.

# Shanghai

## Henderson • CIFI Centre (50% owned)


*Henderson • CIFI Centre, Shanghai (artist's impression)*

Located in the Minhang Hongqiao Central Business District, a land lot of about 910,000 square feet will be developed into approximately 1,350,000 square feet of saleable quality office space, complemented by luxury apartments and commercial area, providing a total saleable area of over 1,730,000 square feet.

## Xu Hui Riverside Commercial Project (100% owned)


*Xu Hui Riverside Commercial Project, Shanghai (artist's impression)*

The project is located at the Bund extension along the Huang Pu River and would become a bright spot together with the West Bund Media Port in the Xu Hui Riverside Development Area. With the presence of well developed infrastructure and excellent Bund view, the project would be developed as a landmark comprising a high-rise Grade A office building with an aggregate gross floor area of approximately 1,800,000 square feet and a shopping mall with an aggregate gross floor area of approximately 200,000 square feet.

### Amber Garden (35% owned)


*Amber Garden, Shanghai (artist's impression)*

Located in Chedong Town of Songjiang District with Songnan park and light-rail station in the proximity, a site of about 860,000 square feet is being built in two phases into a composite development. Complemented by commercial facilities, it will provide an aggregate gross floor area of over 1,040,000 square feet for 1,122 households upon scheduled completion in the second quarter of 2017.

## Shenyang

### Shenyang International Finance Centre (100% owned)


*Shenyang International Finance Centre, Shenyang (artist's impression)*

The Shenyang International Finance Centre project is located in the Shenyang Finance & Trade Development Zone and to its northwest is the Shenyang North Railway Station, whilst a subway station is also within walking distance, bringing added convenience to this project. This project will comprise serviced apartment buildings, a suite hotel, an office tower and a shopping mall, providing a total gross floor area of about 3,140,000 square feet.

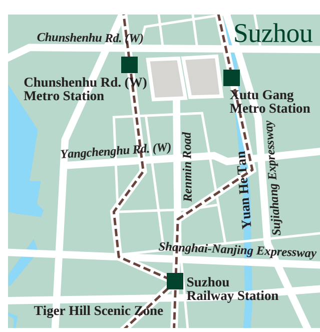
### Golden Riverside (100% owned)

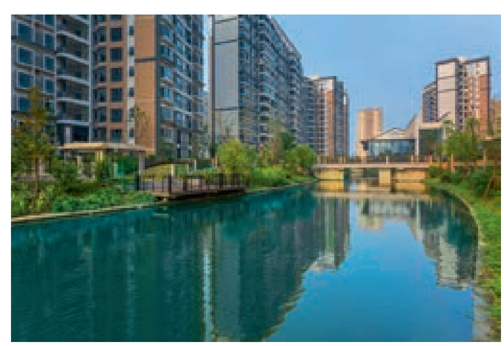

*Golden Riverside, Shenyang (artist's impression)*

Located in the scenic Puhe New District Development with many natural wonders such as Yueya Lake, Pu River, parks and hills within the vicinity, the site will be developed in phases into a low-rise and low-density residential development with a total gross floor area of about 7,560,000 square feet. Its first phase of development, with a total gross floor area of about 260,000 square feet for 68 low-rise residential units, was completed in 2014. Construction of the second phase of development, comprising 316 low-rise residential units and a block of multi-storey apartments with a total gross floor area of around 1,150,000 square feet, is due for completion in the first quarter of 2016.

## Suzhou

### Riverside Park (100% owned)



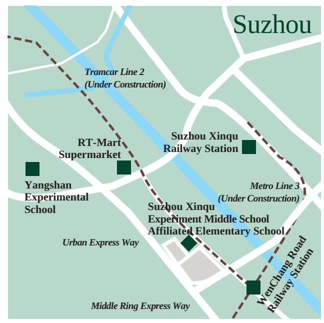



*Riverside Park, Suzhou*

Riverside Park, a community development project in Xiangcheng District, is supported by increasingly improved facilities. Benefiting from Suzhou's picturesque beauty and reputation as the "Venice of the East", its residential development nestles among scenic water-themed surroundings. The entire residential project will have over 6,360,000 square feet of gross floor area to be completed in six phases. Phases 1 to 3, with a total gross floor area of over 2,790,000 square feet for 2,276 luxury residences, were completed already. Phase 4, with a total gross floor area of about 860,000 square feet for 682 luxury residences, is scheduled for completion in the second half of 2016. Phase 5 of 1,233 luxury residences with the gross floor area of about 1,400,000 square feet kicked off its construction in the fourth quarter of 2014, whilst the remaining 990,000 square feet for 884 luxury residences under Phase 6 is also under construction.

Adjacent to the residential community of Riverside Park, there is an integrated commercial project. The main structure of its Phase 1 development, which boasts a total gross floor area of about 990,000 square feet, is under construction. It is due for completion in the fourth quarter of 2016.

### Henderson • CIFI City (50% owned)




*Henderson • CIFI City, Suzhou (artist's impression)*

Located in Xushuguan Development Zone of Gaoxin District, this community development will provide a total residential gross floor area of over 4,200,000 for 3,862 households, complemented by supporting facilities, on the site area of about 1,800,000 square feet. It will be developed in 3 phases with the scheduled completion for the whole project in the second quarter of 2019.

## Tieling

### New Town Central District Development (100% owned)


*New Town Central District Development, Tieling (artist's impression)*

Located next to the administration centre of the municipal government with the scenic Ruyi Lake in the proximity, the 2,750,000-square-foot land lot will be developed into an exhibition centre, as well as office-cum-commercial complex with a total gross floor area of approximately 4,900,000 square feet. Phase 1A with about 380,000 square feet kicked off its construction in the third quarter of 2014.

# Xian

## La Botanica, Chan River (50% owned)


*La Botanica, Chan River, Xian (artist's impression)*

Jointly developed by the Group and CapitaLand Township Private Limited of Singapore, La Botanica is located within the scenic Chan Ba Ecological District with a subway line connecting to the city centre. This community development will have a total gross floor area of about 32,400,000 square feet, providing homes for up to 28,000 households upon full completion. Phases 1A, 1B (C1 and C2), 2A, 3A (C1 and C2) and 2R6, with a total gross floor area of 8,370,000 square feet, were completed. Part of Phases 4-R1 and 2-R2, which comprise about 1,640,000 square feet and 2,450,000 square feet of residences respectively, was also completed in 2015.

## Palatial Crest (100% owned)


*Palatial Crest, Xian*

Adjacent to the Hujia Temple subway station, Palatial Crest is conveniently located at Jinhua North Road on the main artery of Second Ring Road East. The entire project will be completed in three phases, offering a total residential gross floor area of over 3,470,000 square feet for 2,744 households. Phase 1 of about 490,000 square feet was sold out and completed in 2012. Construction of deluxe high-rise residential units in Phase 2 with a gross floor area of approximately 2,200,000 square feet commenced in the first quarter of 2012, of which Phases 2A and 2B were completed and handed over to the buyers. Phase 2C was launched for pre-sale in the fourth quarter of 2014 with planned completion in late 2016. Phase 3, comprising approximately 780,000 square feet of deluxe high-rise residential flats, commenced construction in the third quarter of 2014. They will be handed over to buyers in two batches in the third quarter of 2017 and the second quarter of 2019, respectively.

# Xuzhou

## Xuzhou Lakeview Development (100% owned)


*Xuzhou Lakeview Development, Xuzhou*

Catering to mid to high-end home buyers, Xuzhou Lakeview Development benefits from the beautiful natural landscape of Dalong Lake, convenient transportation and a comprehensive range of facilities. The project, which includes luxury detached houses, high-rise apartments, commercial premises and other facilities, will be completed in four phases, providing a total residential area of approximately 4,500,000 square feet for 3,541 households. This project also boasts a commercial area of about 650,000 square feet.

# Yixing

## Grand Lakeview (100% owned)


*Grand Lakeview, Yixing*

Set amongst lush, tranquil surroundings in Dongjiu District, Grand Lakeview is just a 5-minute drive away from the city centre. To be completed in 8 phases, this lakefront development offers luxury living in a mix of semi-detached and duplex houses, multi-storey and low-rise apartments, providing an aggregate gross floor area of about 9,000,000 square feet for over 6,800 households. In the Site F, about 1,800,000 square feet of residences in Phases 1A/1B/1C, as well as about 300,000 square feet of residential-cum-commercial development in Phase 1D, were both completed. Development of Phases 1A/1B/1C in the Site B1, which boasts a total residential gross floor area of about 1,400,000 square feet and commercial gross floor area of about 50,000 square feet respectively, is now under construction with the scheduled completion in the fourth quarter of 2016.

# Major Completed Investment Properties

| Name | Location | Lease expiry | Group's interest (%) | Attributable gross floor area (square feet) Commercial | Office | Total | Carparks |
|---|---|---|---|---|---|---|---|
| **Beijing** | | | | | | | |
| World Financial Centre | No. 1 East Third Ring Middle Road, Chaoyang District | 2044 | 100.00 | 187,082 | 1,975,212 | 2,162,294 | – |
| Henderson Centre | No. 18 Jian Guo Men Nei Avenue, Dongcheng District | 2033 | 100.00 | 922,363 | – | 922,363 | 210,868 |
| **Shanghai** | | | | | | | |
| Henderson Metropolitan | No. 300 Nanjing Road East, Huangpu District | 2053 | 100.00 | 425,396 | 429,109 | 854,505 | 181,143 |
| Henderson 688 | No. 688 Nanjing Road West, Jingan District | 2044 | 100.00 | 49,807 | 660,829 | 710,636 | 209,631 |
| 2 Grand Gateway | No. 3 Hong Qiao Road, Xuhui District | 2043 | 100.00 | – | 687,981 | 687,981 | – |
| Skycity | No. 547 Tian Mu Road West, Zhabei District | 2042 | 100.00 | 293,448 | 142,353 | 435,801 | 93,782 |
| Centro | No. 568 Heng Feng Road, Zhabei District | 2042 | 100.00 | 65,467 | 368,658 | 434,125 | 74,938 |
| Greentech Tower | No. 436 Heng Feng Road, Zhabei District | 2042 | 100.00 | 52,922 | 355,883 | 408,805 | 71,016 |
| **Guangzhou** | | | | | | | |
| Heng Bao Plaza | No. 133 Bao Hua Road, Liwan District | 2040 | 100.00 | 699,875 | – | 699,875 | 216,157 |
| | | | **Total:** | **2,696,360** | **4,620,025** | **7,316,385** | **1,057,535** |

# Business Model and Strategic Direction

## Business Model

Henderson Land has established a diversified business model which comprises "three pillars" namely, property investment, strategic investments and property development in both Hong Kong and mainland China. The property investment business and strategic investments provide a reliable and growing income source to the Group, while the property development business is a dynamic profit driver.

The Group's property development business in Hong Kong is vertically integrated, enabling the design, development, construction, sales and management of development projects to be executed in an efficient manner. The Group applies a cost effective approach of land banking by acquiring old buildings for redevelopment in the urban areas and converting the land-use of New Territories land in order to obtain development land sites at a reasonable cost. For mainland China projects, the Group focuses on large-scale residential developments in the second and third-tier cities, which are characterised by a preponderance of middle class residents, whilst also owning a premier portfolio of commercial investment properties in the first-tier cities.

In Hong Kong, the Group's substantial and diverse property investment portfolio mainly comprises offices and shopping arcades in core areas, as well as a number of large-scale shopping malls located in strategic locations above or adjacent to MTR stations. In mainland China, the Group owns exceptionally well designed and quality large-scale commercial complexes situated in prime locations for rental purposes.

As regards strategic investments, the Group is the largest shareholder of three listed companies, namely, The Hong Kong and China Gas Company Limited ("HKCG"), Miramar Hotel and Investment Company, Limited ("Miramar") and Hong Kong Ferry (Holdings) Company Limited ("HKF"). HKCG is engaged in the production and distribution of gas in Hong Kong and mainland China. Miramar is engaged in property investment, hotel operation and food and beverage operations. HKF is engaged in property development and investment. HKCG, being a public utility company, provides a very substantial income to the Group.

## Strategic Direction

The Group is dedicated to maximising value for shareholders over the long term by executing the following strategies:

### Building for a sustainable future with low land costs

The Group replenishes its land bank by acquiring old tenement buildings for redevelopment and applying for land-use conversion for its portfolio of New Territories land. Such dual approach to land banking has proven to be a reliable source of land supply with a reasonable acquisition cost, which is beneficial to the Group's development returns in the long term.

As a sustainable property developer, the Group is highly proactive in its commitment to environmental stewardship during the process of its development activities, and carefully anticipates the needs and concerns of society.

### Locating prime sites for property investment with a stable income stream

The Group's property investment portfolio is well diversified with commercial properties situated in prime locations, generating a recurring and steady income stream. Furthermore, the department store business operated by the Group's listed subsidiary – Henderson Investment Limited, mainly at the Group's properties, serve to maximise the value and occupancy rate of the Group's investment properties.

### Expanding the mainland China market

Property development and property investment in mainland China provide the Group with potential for territorial expansion. The Group will actively seek to expand its land bank in mainland China, targeting projects for first time home buyers and upgraders. Apart from developing properties on its own, the Group will continue looking for new joint-venture projects with local property developers.

### Holding of strategic investment for constant return

The investments in the three listed associates, HKCG, Miramar and HKF, provide stable and constant returns for the Group. The distinctive business nature of HKCG, in particular, is a supplement to the Group's core businesses of property development and property investment and allows Henderson Land to smooth out the cyclicality of the Group's property development business.

### Conservative financial strategy

The Group employs a conservative funding and treasury strategy. It consistently keeps a low to moderate financial gearing ratio with abundant unutilised committed banking facilities in place that are of medium term in tenor. The Group maintains an excellent ongoing relationship with the major commercial banks while endeavouring to diversify its funding sources through debt issuance in different financial markets.

## Management discussion and analysis

## Results of operations

The following discussions should be read in conjunction with the Company's audited consolidated financial statements for the year ended 31 December 2015.

### Revenue and profit

| | Revenue | | | Contribution/(loss) from operations | | |
|---|---|---|---|---|---|---|
| | **Year ended 31 December** | | *Increase/* | **Year ended 31 December** | | *Increase/* |
| | **2015** | 2014 | *(Decrease)* | **2015** | 2014 | *(Decrease)* |
| | **HK$ million** | HK$ million | *%* | **HK$ million** | HK$ million | *%* |
| Reportable segments | | | | | | |
| – Property development | **15,690** | 15,466 | *+1%* | **4,092** | 2,861 | *+43%* |
| – Property leasing | **5,589** | 5,009 | *+12%* | **4,129** | 3,656 | *+13%* |
| – Hotel operation | **99** | 188 | *-47%* | **(31)** | 47 | *-166%* |
| – Department store operation | **879** | 867 | *+1%* | **301** | 323 | *-7%* |
| – Other businesses | **1,384** | 1,841 | *-25%* | **1,045** | 238 | *+339%* |
| | **23,641** | 23,371 | *+1%* | **9,536** | 7,125 | *+34%* |

| | **Year ended 31 December** | | |
|---|---|---|---|
| | **2015** | 2014 | *Increase* |
| | **HK$ million** | HK$ million | *%* |
| Profit attributable to equity shareholders of the Company | | | |
| – including the Group's attributable share of changes in fair value of investment properties and investment properties under development (net of deferred taxation) held by the Group's subsidiaries, associates and joint ventures | **21,326** | 16,752 | *+27%* |
| – excluding the Group's attributable share of changes in fair value of investment properties and investment properties under development (net of deferred taxation) held by the Group's subsidiaries, associates and joint ventures ("Underlying Profit") *(Note)* | **11,009** | 9,818 | *+12%* |

*Note: Underlying profit attributable to equity shareholders of the Company ("Underlying Profit") excludes the Group's attributable share of fair value change (net of deferred tax) of the investment properties and investment properties under development held by subsidiaries, associates and joint ventures. In order to fully exclude the aforesaid effects of changes in fair value from the Underlying Profit, the Group's attributable share of the cumulative fair value change of investment properties disposed of during the year (which has been included in calculating the net gain on disposal of investment properties and hence the profit attributable to equity shareholders of the Company during the year) of HK$616 million (2014: HK$526 million) was added back in arriving at the Underlying Profit. The comparative figure of the Underlying Profit for the corresponding year ended 31 December 2014 has been restated to conform to the current year's presentation basis.*

Excluding the effects of certain one-off income/expense items from the Underlying Profit for the years ended 31 December 2015 and 2014, the adjusted Underlying Profit for the two financial years is as follows:

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | **2015** | 2014 | *Increase/(Decrease)* | |
| | **HK$ million** | HK$ million | *HK$ million* | *%* |
| Underlying Profit | **11,009** | 9,818 | *1,191* | *+12%* |
| (Less)/add: | | | | |
| One-off (income)/expense items – | | | | |
| The Group's attributable share of a one-off gain arising from the Compensation Payment and the Joint Venture Company Impairment (as referred to in the paragraph headed "Other businesses" below) | **(246)** | – | *(246)* | |
| Gain on disposal of certain available-for-sale securities during the year | **(164)** | – | *(164)* | |
| Aggregate net gain after tax on disposals of en-bloc investment properties | **(64)** | (557) | *493* | |
| Fair value gain on the Group's holding of equity-linked derivative financial instruments which remained unexercised at the end of the reporting period | **(84)** | – | *(84)* | |
| Gain on bargain purchase arising from the Group's on-market purchases of an aggregate of 7,177,000 shares of Miramar Hotel and Investment Company, Limited ("Miramar") during the year | **(85)** | – | *(85)* | |
| Reversal of the accrued site settlement cost of a terminated development project in mainland China | **–** | (113) | *113* | |
| Overdue interest income in relation to the refund of land deposits regarding land sites in mainland China (net of tax) | **(80)** | (10) | *(70)* | |
| Impairment in project expenditures arising from a planned surrender of a development land site in mainland China (net of tax) | **50** | – | *50* | |
| Impairment loss in relation to an investment in available-for-sale securities | **1** | 362 | *(361)* | |
| **Adjusted Underlying Profit** | **10,337** | 9,500 | *837* | *+9%* |

Discussions on the major reportable segments are set out below.

## Property development

### Gross revenue – subsidiaries

The gross revenue from property sales during the years ended 31 December 2015 and 2014 generated by the Group's subsidiaries, and by geographical contribution, is as follows:

| | **Year ended 31 December** | | | |
|---|---|---|---|---|
| | **2015** | 2014 | *Increase/(Decrease)* | |
| | **HK$ million** | HK$ million | *HK$ million* | *%* |
| *By geographical contribution:* | | | | |
| Hong Kong | **12,091** | 10,122 | *1,969* | *+19%* |
| Mainland China | **3,599** | 5,344 | *(1,745)* | *-33%* |
| | **15,690** | 15,466 | *224* | *+1%* |

The gross revenue from property sales in Hong Kong during the year ended 31 December 2015 is mainly contributed from "High Park", "The Hemispheres", "Global Gateway Tower", "High One Grand" and "Double Cove Starview Prime" (being property development projects completed during the year) in the aggregate amount of HK$8,344 million, as well as from the other completed projects mainly comprising "39 Conduit Road", "The Reach", "Legende Royale", "High Point" and "High West" in the aggregate amount of HK$3,747 million. By comparison, the gross revenue from property sales in Hong Kong during the corresponding year ended 31 December 2014 was mainly contributed as to HK$5,412 million from property development projects which were completed in that year, and as to HK$4,710 million from the other completed projects.

The gross revenue from property sales in mainland China during the year ended 31 December 2015 is mainly contributed from those property development projects which were completed and the sold units of which were delivered to the buyers during the year, namely "Grand Waterfront" Phase 2A in Chongqing, "Palatial Crest" Phase 2B in Xian and "Grand Lakeview" Phase 1D in Yixing in the aggregate amount of HK$1,806 million, as well as from the delivery of the sold units to the buyers of the other projects which were completed prior to 2015 mainly comprising "The Arch of Triumph" Phase 2B in Changsha and "High West" in Chongqing in the aggregate amount of HK$1,793 million. By comparison, the gross revenue from property sales in mainland China during the corresponding year ended 31 December 2014 was mainly contributed as to HK$4,775 million from property development projects which were completed in that year, and as to HK$569 million from the delivery of the sold units to the buyers in relation to the other projects which were completed prior to 2014.

**Pre-tax profits – subsidiaries, associates and joint ventures**

The Group's attributable share of pre-tax profits from property sales, by geographical contribution and from subsidiaries (after deducting non-controlling interests), associates and joint ventures during the years ended 31 December 2015 and 2014, is as follows:

| | **Year ended 31 December** | | | |
|---|---|---|---|---|
| | **2015** | 2014 | *Increase/(Decrease)* | |
| | **HK$ million** | HK$ million | *HK$ million* | *%* |
| *By geographical contribution:* | | | | |
| Hong Kong | **3,349** | 2,716 | *633* | *+23%* |
| Mainland China | **631** | 660 | *(29)* | *-4%* |
| | **3,980** | 3,376 | *604* | *+18%* |

The increase in the Group's share of pre-tax profits from property sales in Hong Kong during the year ended 31 December 2015 of HK$633 million, or 23%, is mainly attributable to the increase in gross revenue as explained above.

The decrease in the Group's share of pre-tax profits from property sales in mainland China during the year ended 31 December 2015 of HK$29 million, or 4%, is mainly attributable to the decrease in the gross revenue as referred to above, which is nevertheless being partially offset by the increase in the Group's share of pre-tax profit contribution from a project in mainland China held by an associate of the Group which was completed during the year as mentioned below.

| | **Year ended 31 December** | | | |
|---|---|---|---|---|
| | **2015** | 2014 | *Increase/(Decrease)* | |
| | **HK$ million** | HK$ million | *HK$ million* | *%* |
| *By contribution from subsidiaries (after deducting non-controlling interests), associates and joint ventures:* | | | | |
| Subsidiaries | **3,530** | 2,680 | *850* | *+32%* |
| Associates | **426** | 327 | *99* | *+30%* |
| Joint ventures | **24** | 369 | *(345)* | *-93%* |
| | **3,980** | 3,376 | *604* | *+18%* |

The increase in the Group's share of pre-tax profit contribution from the property sales of subsidiaries during the year ended 31 December 2015 of HK$850 million, or 32%, is mainly attributable to the increase in gross revenue contributed from the projects in Hong Kong which were completed during the year as referred to above.

The increase in the Group's share of pre-tax profit contribution from the property sales of associates during the year ended 31 December 2015 of HK$99 million, or 30%, is mainly attributable to the decrease in the Group's share of pre-tax profit contribution of HK$305 million from "Green Code", being a project held by Hong Kong Ferry (Holdings) Company Limited ("HK Ferry", a listed associate of the Group) and completed in 2014, which nevertheless is being offset by the increase in (i) the Group's share of pre-tax profit contribution of HK$30 million from "Metro6", being another project held by HK Ferry which was completed during the year; and (ii) the Group's share of pre-tax profit contribution of HK$376 million from "Henderson CIFI Centre" in Shanghai, being a project in mainland China held by an associate of the Group which was completed during the year.

The decrease in the Group's share of pre-tax profit contribution from the property sales of joint ventures during the year ended 31 December 2015 of HK$345 million, or 93%, is mainly attributable to the decrease in the Group's share of pre-tax profit contributions from "Mount Parker Residences" in Hong Kong and "La Botanica", Xian and "Chengdu ICC" in mainland China, all being projects held by joint ventures of the Group, in the aggregate amount of HK$358 million.

### Property leasing

#### Gross revenue – subsidiaries

The gross revenue from property leasing during the years ended 31 December 2015 and 2014 generated by the Group's subsidiaries, and by geographical contribution, is as follows:

| | **Year ended 31 December** | | | |
|---|---|---|---|---|
| | **2015** | 2014 | *Increase* | |
| | **HK$ million** | HK$ million | *HK$ million* | *%* |
| *By geographical contribution:* | | | | |
| Hong Kong | **3,852** | 3,540 | *312* | *+9%* |
| Mainland China | **1,737** | 1,469 | *268* | *+18%* |
| | **5,589** | 5,009 | *580* | *+12%* |

#### Pre-tax net rental income – subsidiaries, associates and joint ventures

The Group's attributable share of pre-tax net rental income, by geographical contribution and from subsidiaries (after deducting non-controlling interests), associates and joint ventures during the years ended 31 December 2015 and 2014, is as follows:

| | **Year ended 31 December** | | | |
|---|---|---|---|---|
| | **2015** | 2014 | *Increase* | |
| | **HK$ million** | HK$ million | *HK$ million* | *%* |
| *By geographical contribution:* | | | | |
| Hong Kong | **4,950** | 4,658 | *292* | *+6%* |
| Mainland China | **1,353** | 1,096 | *257* | *+23%* |
| | **6,303** | 5,754 | *549* | *+10%* |

| | **Year ended 31 December** | | | |
|---|---|---|---|---|
| | **2015** | 2014 | *Increase* | |
| | **HK$ million** | HK$ million | *HK$ million* | *%* |
| *By contribution from subsidiaries (after deducting non-controlling interests), associates and joint ventures:* | | | | |
| Subsidiaries | **4,114** | 3,644 | *470* | *+13%* |
| Associates | **731** | 689 | *42* | *+6%* |
| Joint ventures | **1,458** | 1,421 | *37* | *+3%* |
| | **6,303** | 5,754 | *549* | *+10%* |

The increase in gross revenue and pre-tax net rental income in Hong Kong is mainly attributable to the year-on-year increase in average rentals in relation to the portfolio of investment properties in Hong Kong during the year ended 31 December 2015.

The increase in gross revenue and pre-tax net rental income in mainland China is mainly attributable to the new contributions from "Henderson 688" in Shanghai (which project was completed in May 2014) and the increased contributions from "World Financial Centre" in Beijing, in respect of which the strong demand for and the limited supply of Grade A office properties in Beijing's central business district have enabled "World Financial Centre" to reap the benefits of increased occupancy and to secure higher rentals for new tenancy leases and upon tenancy lease renewals. The remarkable increase in pre-tax net rental income contribution from "Henderson 688" in Shanghai and "World Financial Centre" in Beijing, both being held by wholly-owned subsidiaries of the Group, also mainly accounts for the 13% year-on-year increase in pre-tax net rental income from subsidiaries as referred to above.

### Hotel operation

Revenue for the year ended 31 December 2015 decreased by HK$89 million (or 47%) to HK$99 million, and recorded an operating loss of HK$31 million for the year ended 31 December 2015 (2014: operating profit of HK$47 million).

During the year ended 31 December 2015, the Group's operation of Newton hotels recorded (i) an average occupancy rate of 53.4%, which represents a remarkable year-on-year decrease when compared with 73.5% for the corresponding year ended 31 December 2014; and (ii) a year-on-year decrease of 14% in the average daily room rate when compared with that for the corresponding year ended 31 December 2014. Such decreases are mainly due to (i) the difficult market conditions for the hotel industry in Hong Kong during the year ended 31 December 2015 as a result of the decrease in tourist arrivals from mainland China to Hong Kong when compared with the corresponding year ended 31 December 2014; (ii) the unfavourable development of the market sentiment and economic environment in Hong Kong during the second half of 2015; and (iii) the cessation of business operation of Newton Hong Kong Hotel on 25 August 2015 to make way for its redevelopment into an office building.

### Department store operation

Department store operation is carried out by Citistore (Hong Kong) Limited ("Citistore HK") which became a wholly-owned subsidiary of Henderson Investment Limited ("HIL", a subsidiary of the Company) following the completion of HIL's acquisition of Citistore HK from the Group on 1 December 2014.

For the year ended 31 December 2015, revenue increased by HK$12 million (or 1%) to HK$879 million. However, profit contribution decreased by HK$22 million (or 7%) to HK$301 million, which is mainly attributable to (i) the reduced profit contribution of HK$5 million from certain merchandise sections located on the ground floor of the Tsuen Wan store which underwent renovation in July and August 2015; and (ii) the downturn of Hong Kong's retail market sentiment during the months of November and December 2015 which resulted in reduced profit contribution of HK$12 million when compared with that for the corresponding two months of November and December 2014.

## Other businesses

Other businesses mainly comprise construction, infrastructure, provision of finance, investment holding, project management, property management, agency services, cleaning and security guard services, as well as the trading of building materials and disposal of leasehold land.

In relation to the infrastructure business, reference is made to the paragraph headed "Henderson Investment Limited ("HIL")" under the section "Business Review" of the Chairman's Statement of the Company's annual report for the year ended 31 December 2015 and of which this Financial Review forms a part. On 30 April 2015 (being the date on which the arbitral tribunal of CIETAC issued the final arbitral award in relation to the Arbitration), the intangible operating right in relation to Hangzhou Qianjiang Third Bridge was fully impaired by HIL. The entire Compensation Payment was settled by Hangzhou Municipal People's Government with HIL on 29 July 2015. Based on the Compensation Payment (net of expenses incurred in relation to the Arbitration) of HK$471 million and after (i) deducting HIL's impairment loss on the toll bridge operating right and the related net assets of the Joint Venture Company of HK$379 million at 30 April 2015 (the "Joint Venture Company Impairment"); (ii) recognising the reversal of the exchange reserve attributable to the Joint Venture Company of HK$138 million at 30 April 2015; and (iii) deducting the operating loss of the Joint Venture Company in the aggregate amount of HK$15 million during the period from 1 January 2015 to 30 April 2015, a profit of HK$215 million was recognised by the infrastructure business during the year ended 31 December 2015, representing a year-on-year increase in profit contribution of HK$269 million compared with the operating loss of HK$54 million for the corresponding year ended 31 December 2014. Adding back HIL's non-controlling interests' attributable share of the Joint Venture Company Impairment and the Joint Venture Company's operating loss in the aggregate amount of HK$140 million, a one-off gain of HK$355 million was generated to HIL and in relation to which the Group's 69.27% attributable share amounted to HK$246 million.

Revenue of other businesses for the year ended 31 December 2015 decreased by HK$457 million, or 25%, from that for the corresponding year ended 31 December 2014. This is mainly due to the decrease in construction revenue of HK$514 million which is mainly attributable to the non-recurrence of the revenue contribution from the construction contract of "Green Code" project following its project completion in 2014. Such decrease is mitigated by (i) the increase in interest income from the provision of financing services of HK$26 million; and (ii) the increase in revenue contribution from the trading of building materials of HK$27 million.

The profit contribution of other businesses for the year ended 31 December 2015 increased by HK$807 million, or 339%, over that for the corresponding year ended 31 December 2014. This is mainly attributable to (i) the increase in profit contribution from the infrastructure business of HK$269 million as referred to above; (ii) a gain on disposal of certain available-for-sale securities in the amount of HK$164 million during the year ended 31 December 2015; (iii) the fair value gain of HK$84 million recognised by the Group from its holding of equity-linked derivative financial instruments which remained unexercised at the end of the reporting period; and (iv) the non-recurrence of an impairment loss in relation to an investment in available-for-sale securities in the amount of HK$362 million for the corresponding year ended 31 December 2014, which in aggregate are being partially offset by (v) the increase in operating loss from construction activities of HK$9 million for the reason as referred to above; and (vi) the non-recurrence of a one-off income item of HK$113 million arising from the reversal during the corresponding year ended 31 December 2014 of the accrued site settlement cost of a terminated development project in mainland China.

### Associates

The Group's attributable share of post-tax profits less losses of associates during the year ended 31 December 2015 amounted to HK$4,247 million (2014: HK$4,181 million), representing an increase of HK$66 million, or 2%, over that for the corresponding year ended 31 December 2014. Excluding the Group's attributable share of changes in fair value of investment properties held by the associates (net of deferred taxation) of HK$864 million during the year ended 31 December 2015 (2014: HK$796 million), the Group's attributable share of the underlying post-tax profits less losses of associates for the year ended 31 December 2015 (as adjusted for by adding back the Group's attributable share of the cumulative fair value change of investment properties disposed of during the year of HK$76 million (2014: Nil), which is consistent with the basis as referred to in "Note" to the paragraph headed "Revenue and profit" above) amounted to HK$3,459 million (2014: HK$3,385 million), representing an increase of HK$74 million, or 2%, over that for the corresponding year ended 31 December 2014. Such year-on-year increase in the underlying post-tax profits was mainly due to the following:

(i) the Group's attributable share of increase in the underlying post-tax profit contribution from Miramar of HK$237 million, mainly due to the share of gain on disposal of an investment property of HK$132 million during the year (2014: Nil) (as adjusted for by adding back the Group's attributable share of the cumulative fair value change of investment properties disposed of during the year of HK$76 million (2014: Nil), which is consistent with the basis as referred to in "Note" to the paragraph headed "Revenue and profit" above) and the gain on bargain purchase to the Group of HK$85 million (2014: Nil) arising from the Group's on-market purchases of an aggregate of 7,177,000 shares of Miramar during the year;

(ii) the Group's attributable share of post-tax underlying profit contribution of HK$291 million (2014: Nil) from "Henderson CIFI Centre" in Shanghai, being a project in mainland China held by an associate of the Group which was completed during the year;

(iii) the Group's attributable share of decrease in the underlying post-tax profit contribution from The Hong Kong and China Gas Company Limited ("HKCG") of HK$241 million, mainly due to the adverse impact resulted from low international oil prices, declining growth in industrial production in mainland China and the depreciation of Renminbi during the year; and

(iv) the Group's attributable share of decrease in the underlying post-tax profit contribution from HK Ferry of HK$225 million, mainly due to the non-recurrence of the sizeable share of post-tax profit contribution of HK$253 million from the property sales of "Green Code" which was a project completed in 2014.

### Joint ventures

The Group's attributable share of post-tax profits less losses of joint ventures during the year ended 31 December 2015 amounted to HK$4,053 million (2014: HK$2,657 million), representing an increase of HK$1,396 million, or 53%, over that for the corresponding year ended 31 December 2014. Excluding the Group's attributable share of changes in fair value of investment properties held by the joint ventures (net of deferred taxation) of HK$2,814 million during the year ended 31 December 2015 (2014: HK$1,188 million), the Group's attributable share of the underlying post-tax profits less losses of joint ventures for the year ended 31 December 2015 amounted to HK$1,239 million (2014: HK$1,469 million), representing a decrease of HK$230 million, or 16%, from that for the corresponding year ended 31 December 2014. Such year-on-year decrease in the underlying post-tax profits was mainly attributable to the decrease in the Group's attributable share of post-tax profit contributions from property sales of the joint venture property development projects of "Mount Parker Residences" in Hong Kong as well as "La Botanica", Xian and "Chengdu ICC" in mainland China, in the aggregate amount of HK$270 million.

### Finance costs

Finance costs (comprising interest expense and other borrowing costs) recognised as expenses for the year ended 31 December 2015 were HK$842 million (2014: HK$859 million). Finance costs before interest capitalisation for the year ended 31 December 2015 were HK$1,795 million (2014: HK$2,021 million). During the year ended 31 December 2015, the Group's effective borrowing rate was approximately 3.69% per annum (2014: approximately 4% per annum).

### Revaluation of investment properties and investment properties under development

The Group recognised an increase in fair value on its investment properties and investment properties under development (before deferred taxation and non-controlling interests) of HK$7,310 million in the consolidated statement of profit or loss for the year ended 31 December 2015 (2014: HK$5,538 million).

## Financial resources and liquidity

### Medium Term Note Programme

At 31 December 2015, the aggregate carrying amount of notes guaranteed by the Company and issued under the Group's Medium Term Note Programme established on 30 August 2011 and which remained outstanding was HK$10,202 million (2014: HK$10,420 million), with tenures of between four years and twenty years (2014: between four years and twenty years). These notes are included in the Group's bank and other borrowings at 31 December 2015 as referred to in the paragraph headed "Maturity profile and interest cover" below.

### Maturity profile and interest cover

The maturity profile of the total debt, the cash and bank balances and the gearing ratio of the Group were as follows:

| | **At 31 December 2015 HK$ million** | At 31 December 2014 HK$ million |
|---|---|---|
| Bank and other borrowings repayable: | | |
| – Within 1 year | **12,408** | 13,590 |
| – After 1 year but within 2 years | **8,454** | 6,940 |
| – After 2 years but within 5 years | **28,389** | 20,512 |
| – After 5 years | **1,660** | 1,660 |
| Amount due to a fellow subsidiary | **1,185** | 5,021 |
| Total debt | **52,096** | 47,723 |
| Less: Cash and bank balances | **(11,779)** | (10,303) |
| Net debt | **40,317** | 37,420 |
| Shareholders' funds | **251,247** | 238,150 |
| Gearing ratio (%) | **16.0%** | 15.7% |

At 31 December 2015, after taking into account the effect of swap contracts designated as cash flow hedging instruments, 54% (2014: 60%) of the Group's total debt carried fixed interest rates.

Gearing ratio is calculated based on the net debt and shareholders' funds of the Group at the end of the reporting period.

The interest cover of the Group is calculated as follows:

| | Year ended 31 December<br>**2015**<br>**HK$ million** | <br>2014<br>HK$ million |
|---|---|---|
| Profit from operations (before changes in fair value of investment properties and investment properties under development) plus the Group's share of the underlying profits less losses of associates and joint ventures | **13,192** | 11,810 |
| Interest expense (before interest capitalisation) | **1,610** | 1,840 |
| Interest cover (times) | **8** | 6 |

With abundant banking facilities in place and the recurrent income generation from its operations, the Group has adequate financial resources in meeting the funding requirements for its ongoing operations as well as its future expansion.

## Treasury and financial management

The Group is exposed to interest rate and foreign exchange risks. To efficiently and effectively manage these risks, the Group's financing and treasury activities are centrally co-ordinated at the corporate level. As a matter of policy, all transactions in derivative financial instruments are undertaken solely for risk management purposes and no derivative financial instruments were held by the Group at the end of the reporting period for speculative purposes.

The Group conducts its business primarily in Hong Kong with the related cash flows, assets and liabilities being denominated mainly in Hong Kong dollars. The Group's primary foreign exchange exposure arises from its property developments and investments in mainland China which are denominated in Renminbi ("RMB"), the guaranteed notes ("Notes") which are denominated in United States dollars ("US$"), Sterling ("£") and Singapore dollars ("S$"), the bank borrowings which are denominated in Japanese Yen ("¥") ("Yen borrowings"), as well as the fixed coupon rate bond ("Bond") which is denominated in United States dollars.

In respect of the Group's operations in mainland China, apart from its capital contributions and, in some cases, loan contributions to projects which are denominated in RMB and are not hedged, the Group endeavours to establish a natural hedge by maintaining an appropriate level of external borrowings in RMB. In respect of the Notes, the Bond and the Yen borrowings in the aggregate principal amounts of US$672,000,000, £50,000,000, S$200,000,000 and ¥10,000,000,000 at 31 December 2015 (2014: US$672,000,000, £50,000,000, S$200,000,000 and ¥10,000,000,000), interest rate swap contracts and cross currency interest rate swap contracts were entered into between the Group and certain counterparty banks for the purpose of hedging against interest rate risk and foreign currency risk during their tenure. Furthermore, in respect of certain of the Group's bank loans denominated in Hong Kong dollars which bear floating interest rates in the aggregate principal amount of HK$11,700,000,000 at 31 December 2015 (2014: HK$12,000,000,000), interest rate swap contracts were entered into between the Group and certain counterparty banks for the purpose of hedging against interest rate risk during their tenure.

# Material acquisitions and disposals

### Material acquisitions

On 17 June 2015, a wholly-owned subsidiary of the Company acquired a land site situated in Kwun Chui Road, Area 56, Tuen Mun, New Territories, through public tender for a land premium of HK$3,628.9 million. The land site will be held for development of residential properties for sale.

On 30 July 2015, a wholly-owned subsidiary of the Company won a bid for a prime office/commercial land site situated in Binjiang area, Xuhui, Shanghai, mainland China, for a consideration of RMB3,872 million (equivalent to HK$4,636 million). The land site is planned to be developed into a composite development for future leasing purpose.

### Material disposals

During the year ended 31 December 2015, the Group disposed of certain en-bloc investment properties comprising an aggregate of 219 private carparking spaces and certain bicycle storage spaces for an aggregate consideration of HK$141 million, and from which the Group recognised an aggregate net gain on disposal of HK$64 million.

Save for the aforementioned, the Group did not undertake any other significant acquisitions or any other significant disposals of subsidiaries or assets during the year ended 31 December 2015.

# Charge on assets

Assets of the Group's subsidiaries were not charged to any third parties at both 31 December 2015 and 31 December 2014, except for certain available-for-sale securities and held-to-maturity debt securities in the aggregate carrying amount of HK$689 million at 31 December 2015 (2014: HK$646 million) which were pledged in favour of certain financial institutions for credit facilities granted to a wholly-owned subsidiary of the Group.

# Capital commitments

At 31 December 2015, capital commitments of the Group amounted to HK$27,173 million (2014: HK$26,303 million). In addition, the Group's attributable share of capital commitments in relation to its associates and joint ventures at 31 December 2015 amounted to HK$2,221 million (2014: HK$3,104 million).

The Group plans to finance its capital expenditure requirements for the year ending 31 December 2016 by way of the Group's own internally generated cash flow, bank deposits and funds raised from the capital markets including but not limited to general banking facilities and debt capital markets.

## Contingent liabilities

At 31 December 2015, the Group's contingent liabilities amounted to HK$1,375 million (2014: HK$2,019 million), of which:

(i) an amount of HK$38 million (2014: HK$536 million) relates to performance bonds to guarantee for the due and proper performance of the obligations undertaken by the Group's subsidiaries and projects, the decrease of which is mainly attributable to the release of the bank guarantee on the construction activities of "Double Cove Starview Prime", the Group's property development project in Hong Kong which was completed in October 2015 upon the issuance of the occupation permit;

(ii) an amount of HK$Nil (2014: HK$232 million) relates to guarantees given by the Company in respect of certain bank loans and borrowings entered into by an entity whose shares were held by the Company as available-for-sale securities at 31 December 2015, for the reason that such bank loans and borrowings were fully repaid by the abovementioned entity at 31 December 2015; and

(iii) an amount of HK$1,324 million (2014: HK$1,234 million) relates to guarantees given by the Group to financial institutions on behalf of purchasers of property units in mainland China in relation to which the related Building Ownership Certificate (房產證) had not yet been issued at 31 December 2015 (and such guarantees will be released upon the issuance of the Building Ownership Certificate).

## Employees and remuneration policy

At 31 December 2015, the Group had approximately 7,910 (2014: 8,560) full-time employees, which saw a decrease in headcount by 650 as compared with that at 31 December 2014. Among the reduced headcount, 559 employees were from the Group's operation in mainland China. It was mainly due to adjustments in the business process in some of the Group's development projects in mainland China where contractual partners were engaged to manage the projects from project management, construction, through to sales. As a result, certain positions were duplicated and redundancy was made to streamline the operation. The reduced headcount also includes 50 employees in relation to the Group's infrastructure business in mainland China, which was discontinued following HIL's full impairment on the intangible operating right in relation to Hangzhou Qianjiang Third Bridge and the related net assets of the Joint Venture Company on 30 April 2015.

The remuneration of the employees is in line with the market and commensurate with the level of pay in the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. Other benefits to the employees include medical insurance, retirement scheme, training programmes and education subsidies.

Total staff costs for the year ended 31 December 2015 amounted to HK$2,176 million (2014: HK$2,088 million), which comprised (i) staff costs included under directors' remuneration of HK$148 million (2014: HK$138 million); and (ii) staff costs (other than directors' remuneration) of HK$2,028 million (2014: HK$1,950 million).

# Five Year Financial Summary

| | | Year ended 31 December | | | | |
|---|---|---|---|---|---|---|
| | | 2011 | 2012 | 2013 | 2014 | 2015 |
| | | (restated) | (restated) | (restated) | (restated) | |
| | *Note* | HK$ million | HK$ million | HK$ million | HK$ million | HK$ million |
| Profit for the year | *1&3* | 17,184 | 20,201 ^ | 15,948 | 16,752 | **21,326** |
| Underlying Profit for the year | *1,2&3* | 6,186 ^ | 8,116 ^ | 9,232 ^ | 9,818 ^ | **11,009** |
| | | HK$ | HK$ | HK$ | HK$ | HK$ |
| Earnings per share | *1,3&5* | 5.59 | 6.36 ^ | 4.93 | 5.11 | **6.46** |
| Underlying earnings per share | *1,2,3&5* | 2.01 ^ | 2.55 ^ | 2.86 ^ | 2.99 ^ | **3.33** |
| Dividends per share | *1* | 1.00 | 1.06 | 1.06 | 1.10 | **1.45** |

| | | At 31 December | | | | |
|---|---|---|---|---|---|---|
| | | 2011 | 2012 | 2013 | 2014 | 2015 |
| | | (restated) | (restated) | | | |
| | *Note* | HK$ million | HK$ million | HK$ million | HK$ million | HK$ million |
| Investment properties | | 90,424 | 98,509 | 106,931 | 117,836 | **128,597** |
| Other property, plant and equipment | | 2,347 | 2,563 | 1,941 | 1,869 | **1,692** |
| Interest in associates | *3* | 40,092 ^ | 42,403 ^ | 48,108 | 50,146 | **51,953** |
| Interest in jointly controlled entities/joint ventures | | 23,722 | 29,588 | 31,046 | 32,365 | **35,619** |
| Inventories | | 68,204 | 76,403 | 80,233 | 80,101 | **81,556** |
| Net debt | *4* | 36,890 | 35,205 | 38,344 | 37,420 | **40,317** |
| Net asset value | *1&3* | 185,311 ^ | 205,163 ^ | 223,402 | 238,150 | **251,247** |
| Net debt to net asset value | | 19.9% | 17.2% | 17.2% | 15.7% | **16.0%** |
| | | HK$ | HK$ | HK$ | HK$ | HK$ |
| Net asset value per share | *1,3&5* | 78.22 ^ | 84.95 ^ | 82.77 | 79.38 | **76.00** |

^ *Restated as a result of changes in the presentation basis of Underlying Profit and Underlying earnings per share and in the Group's accounting policy as referred to in notes 2 and 3 below respectively.*

*Notes:*

1 *The profits, earnings, dividends and net asset values shown or referred to above were all attributable to equity shareholders of the Company.*

2 *Definitions of "Underlying Profit" and "Underlying earnings per share" are referred to in note 14(b) to the Company's audited consolidated financial statements for the year ended 31 December 2015 as contained in the Company's annual report for the year ended 31 December 2015.*

3 *For the year ended 31 December 2013, as a result of the adoption of revised Hong Kong Accounting Standard ("HKAS") 19, "Employee benefits", the Group's certain associates have changed their accounting policy with respect to defined benefit plans. This change in accounting policy has been applied retrospectively by restating the balances at 1 January 2012 and 31 December 2012, with consequential adjustments to the comparative figures for the year ended 31 December 2012.*

4 *Net debt represents the total of bank loans and overdrafts, guaranteed notes and the amount due to a fellow subsidiary minus cash and bank balances.*

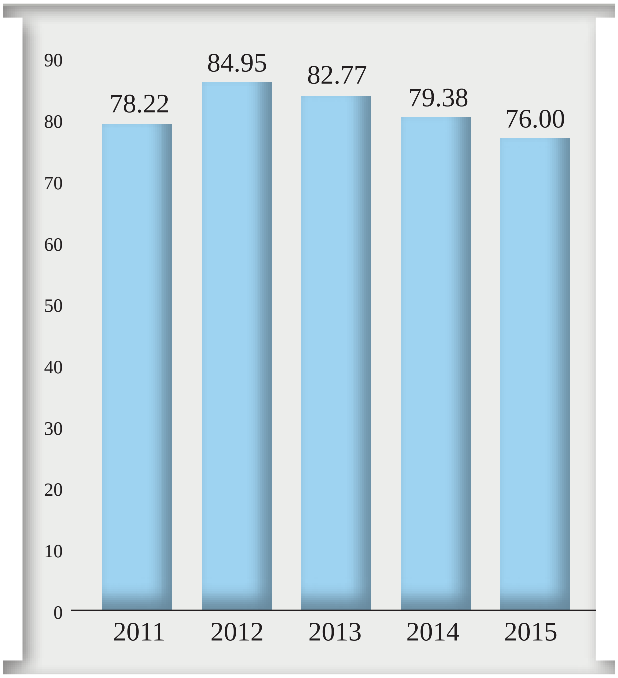
5 *Under HKAS 33, "Earnings per share", the earnings per share for the years ended 31 December 2011, 2012, 2013 and 2014 were calculated based on the weighted average number of shares for each of the aforementioned years as adjusted for the effect of the bonus shares issued in July 2015.*

*The earnings per share for the years ended 31 December 2011, 2012 and 2013 were calculated based on the weighted average number of shares for each of the aforementioned years as adjusted for the effect of the bonus shares issued in July 2014.*

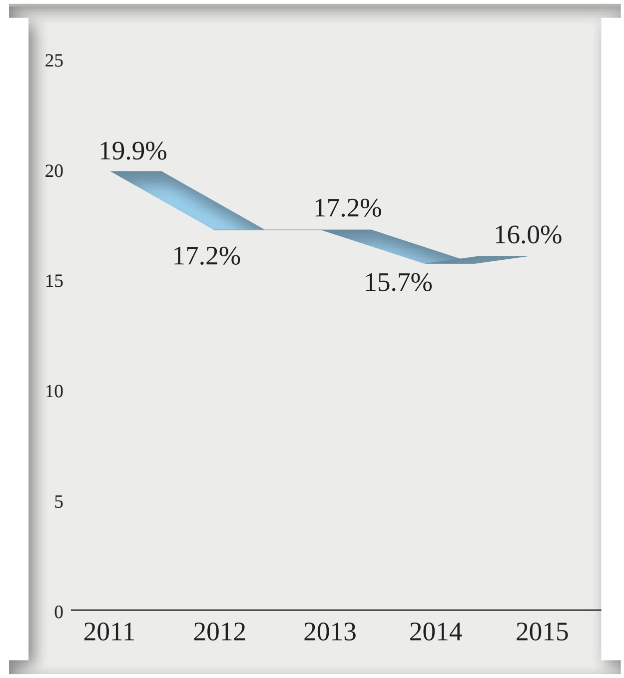
*The earnings per share for the years ended 31 December 2011 and 2012 were calculated based on the weighted average number of shares for each of the aforementioned years as adjusted for the effect of the bonus shares issued in July 2013.*

*The net asset values per share were calculated based on the number of issued shares outstanding at the end of the respective reporting periods.*

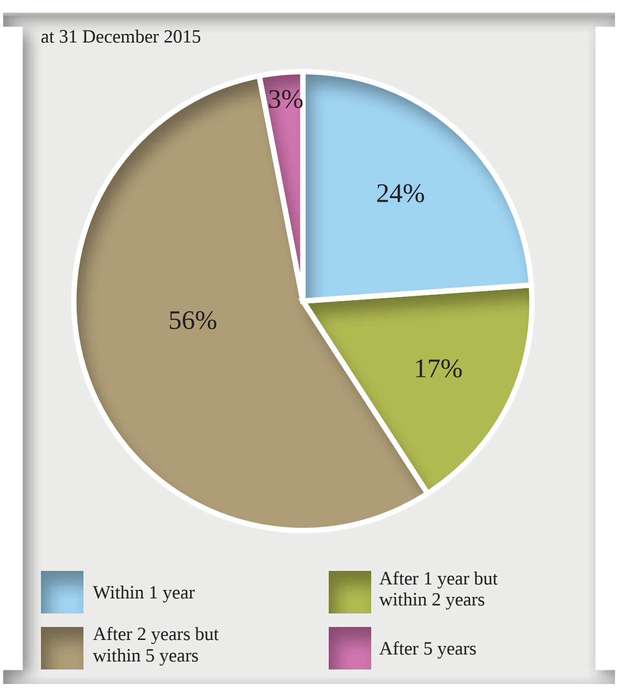
## Net asset value per share (HK$)



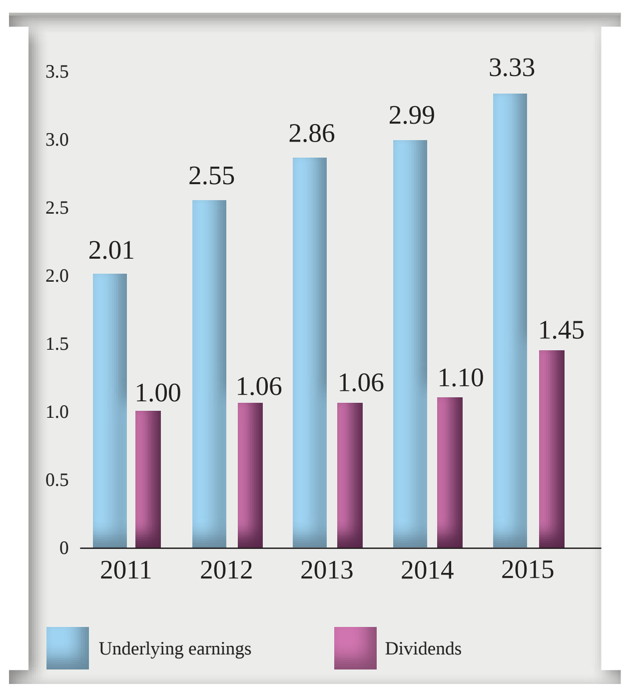

## Net debt to net asset value (%)




## Maturity profile of the Group's bank and other borrowings repayable[note 1]




## Underlying earnings / dividends per share (HK$)




*Note 1: Excluding the amount due to a fellow subsidiary.*

# Sustainability and CSR


This chapter provides a summary of Henderson Land's strategy and achievements in respect of sustainability. For further details, please refer to the 2015 Sustainability and CSR Report on the Company's website www.hld.com.

The Group places utmost priority on its social responsibilities, on acting with integrity and on putting the needs of stakeholders at the heart of everything it does. Henderson Land's comprehensive Environmental and CSR policies guide its overall management strategies, decision making process and organisational culture, ensuring that the Group maximises the economic, social and environmental benefits that it delivers to the community. The Group is committed to best practice CSR, going beyond minimum regulatory requirements in areas such as workplace quality, environmental protection, operating practices and community involvement, amongst others. It is also committed to maintaining open and transparent dialogue with stakeholders. Similarly, the Group considers environmental aspects at every stage of its business operations with a thorough policy that also pertains to its people and its supply chain.

Henderson Land continues to stay at the forefront of sustainable design and development through innovation and inspiration. During the year, the Group's in-house green building professionals collaborated closely with colleagues from various departments to generate new ideas for sustainable design and more environmentally friendly construction methods.

During 2015, Henderson Land was again honoured to receive many awards for its sustainability achievements. To date the Group has achieved nine LEED, 18 BEAM, 17 BEAM Plus and four Green Building Design Label project accreditations for its projects, comprising 13 office and commercial developments, 19 residential developments and one hotel property.

The Group's property management subsidiaries continuously aim to optimise the environmental performance of buildings that they manage. For example, Goodwill has developed and implemented Environmental Instructions (EI) which cover emissions in accordance with the requirements of ISO 14001. 56 properties under the management of Well Born and Hang Yick compiled carbonless reports detailing their energy consumption. Five properties obtained "Green Organisation Labels" and 49 properties obtained "Carbon Reduction Certificates" under Hong Kong Awards for Environmental Excellence.

Henderson Land is committed to the development of its employees and to enhancing their skills and knowledge so that they contribute fully to the Group's growth and success. Comprehensive internal training programmes are developed each year to further their professional development and ensure that in-house expertise meets existing needs. During the reporting year, a total of about 160,000 hours of employee training activities were delivered, comprising 63 internal training courses with a broad range of subjects including language skills, negotiation skills, computer skills, commerce seminars, as well as a number of health and safety courses and seminars.

Health and safety is a priority and Henderson Land is committed to minimising risk and providing a safe and secure workplace for all employees and site staff across its operations. Carefully managed safety measures on the Group's sites in 2015 ensured that the accident rates remained well below the 2015 target of not more than 10 in 1,000 workers. E Man reported an accident rate of 6.4 per 1,000 workers during the year.

Henderson Land actively seeks feedback on its products and services through a range of channels in order to continuously improve and tailor them to meet the needs of customers. In respect of the Group's property management services, in 2015, The Chinese University of Hong Kong was commissioned to conduct an Annual Customer Services Survey. As evidence to the Group's long-standing commitment to high standards of customer service, satisfaction rates recorded by residents were 99.6% for Hang Yick and 98.5% for Well Born.

The Group always aims to exert a positive influence on its supply chain, which comprises over 2,600 suppliers, representing an expenditure of about HK$7 billion for the year. It seeks to both engage and create long-term partnerships with them, driving improvements in ESG performance and in turn improving their environmental and social impacts.

As a responsible organisation with a long-term outlook, Henderson Land has adopted a holistic approach to risk management that considers various aspects of the Group's business and operations. Risks that continue to affect the Group are ESG risks in its supply chain and those posed more broadly by climate change. The Group addresses each of these risks strategically, devising policies to reduce or mitigate their impact.

Through corporate philanthropy and employee volunteerism activities, Henderson Land has vigorously supported certain community initiatives for many years, providing financial assistance as well as dedicated manpower and the personal involvement of its senior executives. During the year, the Group initiated, supported or participated in over 90 community programmes and 15 volunteer activities forging close collaboration with various NGOs and creating significant social impact for the betterment of the community.

During the year, the three volunteer teams of the Group as well as HKCG's Towngas Volunteer Service Team and HKF's Hong Kong Ferry Corporate Volunteer Team devoted a cumulative total of over 230,000 volunteer hours to worthy causes, providing assistance to the underprivileged, promoting arts and culture, and advocating environmental education. The Group will continue to devise new community initiatives, while strengthening its long-term partnerships with NGOs, thereby building further momentum for delivering sustained positive change in the community.

At the heart of Henderson Land's status as one of Hong Kong's leading property developers is the Group's commitment to building a more prosperous and sustainable society. Recognising this, the Group will strive to continue to improve its sustainability performance in the year ahead.

# Corporate Governance Report

The Board of Directors of the Company (the "Board") is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2015.

## 1) Commitment to Corporate Governance

The Company acknowledges the importance of good corporate governance practices and procedures and regards a pre-eminent board of directors, sound internal controls and accountability to all shareholders as the core elements of its corporate governance principles. The Company endeavours to ensure that its businesses are conducted in accordance with rules and regulations, and applicable codes and standards.

## 2) Corporate Governance Code

During the year ended 31 December 2015, the Company complied with the applicable code provisions set out in the Corporate Governance Code (the "CG Code") as stated in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), with the exception that the roles of the chairman and the chief executive officer of the Company have not been segregated as required by code provision A.2.1 of the CG Code. The Company is of the view that it is in the best interest of the Company that Dr Lee Shau Kee, with his profound expertise in property business, shall continue in his dual capacity as the Chairman and Managing Director.

## 3) Board of Directors

### a) Responsibilities of and Support for Directors

The Board has the responsibility for management of the Company, which includes formulating business strategies, and directing and supervising the Company's affairs, approving interim reports and annual reports, announcements and press releases of interim and final results, considering dividend policy, approving the issue, allotment or disposal, or grant of options, in respect of securities or debentures of the Company and reviewing the effectiveness of the risk management and internal control systems which include reviewing the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Board makes broad policy decisions and has delegated the responsibility for detailed considerations to the standing committee of the Board (the "Standing Committee").

The day-to-day management, administration and operation of the Company are delegated to the management team. The Board gives clear directions to the management as to their powers of management, and circumstances in which the management should report back.

Every Director ensures that he/she gives sufficient time and attention to the affairs of the Company. Each Director shall disclose to the Company at the time of his/her appointment the directorships held in listed companies or nature of offices held in public organisations and other significant commitment, with the identity of such listed companies or public organisations. The Company has also requested Directors to provide in timely manner any change on such information. Each Director is also required to disclose to the Company his/her time commitment. The details of the Directors' time commitment are disclosed under the sub-paragraph "Directors' Time Commitments and Trainings" below.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The Directors will be notified of code provision amendment updates in respect of the CG Code so as to be kept abreast of latest code provision requirements and be assisted in fulfilling their responsibilities. The Directors are also provided with monthly updates which contain periodic financials with summaries of key events, outlook and business related matters of the Group. The monthly updates present a balanced and understandable assessment of the Company's performance and position. The Non-executive Directors and Independent Non-executive Directors may take independent professional advice at the Company's expense in carrying out their functions, after making a request to the Board.

### b) Corporate Governance Function

The Corporate Governance Committee as set up in 2012 has undertaken the corporate governance function as required under the CG Code. Details of the Corporate Governance Committee are shown in paragraph 4 "Board Committees" below.

### c) Board Composition

The Board currently comprises twenty members, as detailed below:

| **Executive Directors** | **Non-executive Directors** | **Independent Non-executive Directors** |
|---|---|---|
| Dr Lee Shau Kee *(Chairman and Managing Director)* | Lee Pui Ling, Angelina | Kwong Che Keung, Gordon |
| Dr Lee Ka Kit *(Vice Chairman)* | Lee Tat Man | Professor Ko Ping Keung |
| Dr Lam Ko Yin, Colin *(Vice Chairman)* | | Wu King Cheong |
| Lee Ka Shing *(Vice Chairman)* | | Woo Ka Biu, Jackson |
| Yip Ying Chee, John | | Leung Hay Man |
| Suen Kwok Lam | | Professor Poon Chung Kwong |
| Lee King Yue | | Dr Chung Shui Ming, Timpson |
| Fung Lee Woon King | | |
| Lau Yum Chuen, Eddie | | |
| Kwok Ping Ho | | |
| Wong Ho Ming, Augustine | | |

The biographical details of the Directors are set out on pages 121 to 125 of this Annual Report. Dr Lee Shau Kee is the father of Dr Lee Ka Kit and Mr Lee Ka Shing, father-in-law of Mr Li Ning who was an Executive Director of the Company up to his retirement on 2 June 2015 and is currently an executive director of Henderson Investment Limited ("HIL"), the listed subsidiary of the Company, and the brother of Mr Lee Tat Man and Madam Fung Lee Woon King. Save as aforesaid, none of the members of the Board is related to one another. A List of Directors and their Role and Function is available on the Company's website.

The Board comprises male and female Directors with diverse backgrounds and/or extensive expertise in the Group's businesses. The Board also has a balanced composition of Executive and Non-executive Directors so that there is a strong independent element on the board, which can effectively exercise independent judgement.

The term of office of all Non-executive Directors (including Independent Non-executive Directors) has been fixed for a specific term of not more than three years. They are subject to retirement by rotation and re-election at the Company's Annual General Meeting ("AGM") in accordance with the Articles of Association of the Company ("Articles").

During the year ended 31 December 2015, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. The Company has also met the requirement of at least one-third of members of the Board being independent non-executive directors.

The Company has received confirmation in writing of independence from each of the Independent Non-executive Directors and considers them to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgement. The Board considers that each of the Non-executive Directors and Independent Non-executive Directors brings his/her own relevant expertise to the Board.

### d) Appointment and Re-election of Directors

The Board is empowered under the Articles to appoint any person, as a Director, either to fill a casual vacancy on or to be an additional member of the Board. Only the most suitable candidates who are experienced and competent and able to fulfill the fiduciary duties and exercise reasonable care, skill and diligence would be recommended to the Board for selection. Appointments are first considered by the Nomination Committee in accordance with its terms of reference and the Company's board diversity policy, and recommendation of the Nomination Committee are then put to the Board for decision.

In accordance with the Articles, new appointments to the Board are subject to re-election by shareholders at the next following AGM. Furthermore, nearest one-third of the Directors, including those appointed for a specific term, will retire from office by rotation but are eligible for re-election at the AGM and the Board will ensure that every Director is subject to retirement by rotation at least once every three years. Each Director was appointed by a letter of appointment setting out the key terms and conditions of his/her appointment.

The appointment of Independent Non-executive Directors adheres to the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules.

## e) Board Meetings

*i) Number of Meetings and Directors' Attendance*

The Board meets from time to time and at least four times a year to discuss and exchange ideas on the affairs of the Company. During the year ended 31 December 2015, the Board held four meetings to approve interim/final results announcements and interim/annual reports, to determine the level of dividends, to discuss significant issues and the general operation of the Company and to approve matters and transactions specifically reserved to the Board for its decision. The attendance of the Directors is set out in the table on page 97.

During the year, the Non-executive Directors (including Independent Non-executive Directors) held a meeting themselves. In addition, the Chairman held a meeting with the Non-executive Directors (including Independent Non-executive Directors) without the Executive Directors being present in accordance with the CG Code.

*ii) Practices and Conduct of Meetings*

Notices of regular Board meetings are given to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given. Meeting agenda and accompanying Board papers are sent to all Directors in a timely manner and at least 3 days before the Board/committee meetings.

The Company Secretary of the Company is responsible to take and keep minutes of all Board and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final signed version is open for Directors' inspection with copies sent to all Directors for their records.

## f) Conflict of Interest

If a Director has a material interest in a matter to be considered by the Board, a physical meeting will be held to discuss the matter instead of seeking Directors' written consent by way of circulation of written resolution. In accordance with the Articles, such Director who considered to be materially interested in the matter shall abstain from voting and not be counted in the quorum.

### g) Director's and Officer's Liability Insurance

The Company has arranged director's and officer's liability insurance to indemnify the Directors and senior management against any potential liability arising from the Company's business activities which such Directors and senior management may be held liable.

The Company also keeps Directors indemnified against any claims to the fullest extent permitted by the applicable laws and regulations arising out of Directors' proper discharge of duties except for those attributable to any gross negligence or wilful misconduct.

### h) Directors' Time Commitments and Trainings

The Company has received confirmation from each Director that he/she had sufficient time and attention to the affairs of the Company for the year. Directors have disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organisations and other significant commitments, with the identity of the public companies and organisations and an indication of the time involved. Directors are encouraged to participate in professional, public and community organisations. They are also reminded to notify in a timely manner the Company of any change of such information. In respect of those Directors who stand for re-election at the 2016 AGM, all their directorships held in listed public companies in the past three years are set out in the Circular of general mandates. Other details of Directors are set out in the biographical details of Directors on pages 121 to 125 of this Annual Report.

During the year, arrangements were made for speakers delivering talks and presentations to Directors of the Company on relevant topics with emphasis on the roles, functions and duties of directors, as well as corporate governance. Talks arranged during the year included the topics of i) Risk Management, ii) Contracts (Rights of Third Parties) Ordinance, Cap. 623 and iii) The One Belt, One Road Strategy of China. Monthly legal and regulatory updates are provided to the Directors for their reading. Directors are also encouraged to attend outside talks and seminars to enrich their knowledge in discharging their duties as a director. On a regular basis, information of seminars organised by professional bodies are provided to the Directors, and the seminar enrolments are handled by the company secretarial department.

According to the training records provided by the Directors to the Company, all Directors participated in continuous professional development in 2015 which comprised attending seminars and talks, and reading legal and regulatory updates and other reference materials.

# 4) Board Committees

The Board has five Board Committees, namely, the Standing Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee, and the Corporate Governance Committee for overseeing particular aspects of the Company's affairs. The Standing Committee of the Board operates as a general management committee with delegated authority from the Board.

The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

## a) Audit Committee

The Audit Committee was established in December 1998 and reports to the Board. The members of the Audit Committee are:

**Independent Non-executive Directors**

Kwong Che Keung, Gordon *(Chairman)*
Professor Ko Ping Keung
Wu King Cheong
Leung Hay Man

The Chairman has the appropriate professional qualifications as required under the Listing Rules. None of the members of the Audit Committee was a former partner of the Company's existing external auditor within one year immediately prior to the dates of their respective appointments. All members have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of public companies. The Board expects the Committee members to exercise independent judgement in conducting the business of the Committee.

The written terms of reference also include the authority and duties of the Audit Committee and amongst its principal duties are the review and supervision of the Company's financial reporting process and risk management and internal control systems. The terms of reference of the Audit Committee are available on the Company's website.

The Audit Committee held three meetings during the year ended 31 December 2015. The major work performed by the Audit Committee in respect of the year ended 31 December 2015 included reviewing and recommending the re-appointment of external auditor, approving the terms of engagement (including the remuneration) of the external auditor and the audit plan, reviewing the unaudited interim report and interim results announcement for the six months ended 30 June 2015, reviewing the audited financial statements and final results announcement for the year ended 31 December 2014, reviewing the work of the Group's audit department and assessing the effectiveness of the Group's systems of risk management and internal control. The Audit Committee also discussed with the management to ensure that the Company is having adequate resources, qualified and experienced staff of the accounting and financial reporting function, training programmes and budget.

### b) Remuneration Committee

The Remuneration Committee which was established in January 2005 comprises:

| Executive Directors | Independent Non-executive Directors |
|---|---|
| Dr Lee Shau Kee | Wu King Cheong *(Chairman)* |
| Dr Lam Ko Yin, Colin | Kwong Che Keung, Gordon |
| | Professor Ko Ping Keung |

Each member is sufficiently experienced and is appropriately skilled in the issue of determining executive compensations in public companies. The Board expects the committee members to exercise independent judgement in conducting the business of the committee.

The written terms of reference include the specific duties of determining, with delegated responsibility, the remuneration package of the individual Executive Director and senior management and making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management. The terms of reference of the Remuneration Committee are available on the Company's website.

During the year ended 31 December 2015, the Remuneration Committee held a meeting to review the salary structure of the employees of the Company and the level of salary increments for 2016 as well as the remuneration of senior management staff and the Directors with reference to the remuneration level of directors of comparable listed companies.

Particulars of the Directors' remuneration disclosed pursuant to the Companies Ordinance and Appendix 16 of the Listing Rules are set out in note 9 to the financial statements on pages 172 to 174 while the analysis of the senior management's remuneration by band is set out on page 174. The Director's fees are fixed at the rate of HK$100,000 per annum for each Executive Director/Non-executive Director, HK$200,000 per annum for each Independent Non-executive Director and in case of each Independent Non-executive Director acting as member of (i) the Audit Committee an additional remuneration at the rate of HK$250,000 per annum, (ii) the Nomination Committee an additional remuneration at the rate of HK$50,000 per annum, (iii) the Remuneration Committee an additional remuneration at the rate of HK$50,000 per annum and (iv) the Corporate Governance Committee an additional remuneration at the rate of HK$100,000 per annum until the Company in general meetings otherwise determines. Other emoluments shall from time to time be determined by the Board with reference to the Directors' duties and responsibilities and subject to a review by the Remuneration Committee.

### c) Nomination Committee

The Nomination Committee which was established in December 2011 comprises:

| Executive Directors | Independent Non-executive Directors |
|---|---|
| Dr Lee Shau Kee *(Chairman, in his absence, Professor Ko Ping Keung, acting as Chairman)* | Kwong Che Keung, Gordon |
| | Professor Ko Ping Keung |
| Dr Lam Ko Yin, Colin | Wu King Cheong |

Each member is sufficiently experienced and is appropriately skilled in the issues of the nomination of directors to the Board. The Company has provided the Nomination Committee with sufficient resources to perform its duties. Nomination Committee may seek independent professional advice, at the Company's expense, to perform its responsibilities.

The written terms of reference include the specific duties of reviewing of the structure, size and composition of the Board with due regards to the board diversity policy and to make recommendation on any proposed changes to the Board to complement the Company's corporate policy. The board diversity policy provides that selection of candidates will be based on a range of diversity perspectives, which would include but not be limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The terms of reference of the Nomination Committee are available on the Company's website.

During the year ended 31 December 2015, the Nomination Committee held two meetings to assess the independence of Independent Non-executive Directors of the Company, review the size and composition of the Board and the board diversity policy. It also recommended to extend the terms of office of two Independent Non-executive Directors of the Company. After the above review, the Nomination Committee considered that the board diversity policy was appropriate and effective.

The Nomination Committee noted that the proposed re-elections of Mr Kwong Che Keung, Gordon ("Mr Kwong") and Professor Ko Ping Keung ("Professor Ko"), both of them had been serving as Independent Non-executive Directors of the Company for more than nine years since 2004, should be subject to a separate resolution to be approved by the shareholders at the forthcoming AGM in accordance with the CG Code.

Mr Kwong is the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company. Professor Ko is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. During their tenures of office, Mr Kwong and Professor Ko had been able to fulfill all the requirements regarding their independence as independent non-executive directors. Besides, they have been providing objective and independent views to the Company over the years, and they remain committed to their independent roles. The members of the Nomination Committee were of the view that the long service of Mr Kwong and Professor Ko would not affect their exercise of independent judgement and were satisfied that Mr Kwong and Professor Ko have the required character, integrity and experience to continue fulfilling the roles of independent non-executive directors. Mr Kwong and Professor Ko are also independent non-executive directors of HIL. Mr Kwong and Professor Ko had not engaged in any executive management roles in the Group. Taking into the consideration of their independent scope of works in the past years, and that their annual confirmation of independence were in full compliance with Rule 3.13 of the Listing Rules, the members of the Nomination Committee were satisfied with the independence of Mr Kwong and Professor Ko despite their over nine years' service and their common directorships in HIL, which had no bearing on their independence.

### d) Corporate Governance Committee

The Corporate Governance Committee which was established in October 2012 comprises:

**Independent Non-executive Directors**

Dr Chung Shui Ming, Timpson *(Chairman)*
Leung Hay Man
Professor Poon Chung Kwong

Each member is sufficiently experienced and is appropriately skilled in the issues of corporate governance. The Company has provided the Corporate Governance Committee with sufficient resources to perform its duties.

The written terms of reference include the duties of developing and reviewing the Company's policies and practices on corporate governance and monitor such policies and practices on compliance with legal and regulatory requirements. The terms of reference of the Corporate Governance Committee are available on the Company's website.

During the year, the Corporate Governance Committee held a meeting to review the Company's policies and practices on corporate governance and formulated the workplan for the 2015 Corporate Governance Report.

### e) Attendance Record at Board Meeting, Committees' Meeting and Annual General Meeting

The attendance of the individual Director at the meetings of the Board, the Audit Committee, the Remuneration Committee, the Nomination Committee, the Corporate Governance Committee and Annual General Meeting during the year ended 31 December 2015 is set out in the following table:

| | No. of meetings attended/No. of meetings held | | | | | |
|---|---|---|---|---|---|---|
| | Board | Audit Committee | Remuneration Committee | Nomination Committee | Corporate Governance Committee | Annual General Meeting |
| **Executive Directors:** | | | | | | |
| Lee Shau Kee *(Chairman and Managing Director)* | 4/4 | N/A | 1/1 | 2/2 | N/A | 1/1 |
| Lee Ka Kit | 4/4 | N/A | N/A | N/A | N/A | 1/1 |
| Lam Ko Yin, Colin | 4/4 | N/A | 1/1 | 2/2 | N/A | 1/1 |
| Lee Ka Shing | 4/4 | N/A | N/A | N/A | N/A | 1/1 |
| Yip Ying Chee, John | 4/4 | N/A | N/A | N/A | N/A | 1/1 |
| Suen Kwok Lam | 4/4 | N/A | N/A | N/A | N/A | 1/1 |
| Lee King Yue | 4/4 | N/A | N/A | N/A | N/A | 1/1 |
| Fung Lee Woon King | 4/4 | N/A | N/A | N/A | N/A | 1/1 |
| Lau Yum Chuen, Eddie | 4/4 | N/A | N/A | N/A | N/A | 1/1 |
| Li Ning | 1/1[1] | N/A | N/A | N/A | N/A | 1/1 |
| Kwok Ping Ho | 4/4 | N/A | N/A | N/A | N/A | 1/1 |
| Wong Ho Ming, Augustine | 4/4 | N/A | N/A | N/A | N/A | 1/1 |
| **Non-executive Directors:** | | | | | | |
| Lee Pui Ling, Angelina | 4/4 | N/A | N/A | N/A | N/A | 1/1 |
| Lee Tat Man | 3/4 | N/A | N/A | N/A | N/A | 1/1 |
| **Independent Non-executive Directors:** | | | | | | |
| Kwong Che Keung, Gordon | 4/4 | 3/3 | 1/1 | 2/2 | N/A | 1/1 |
| Ko Ping Keung | 4/4 | 3/3 | 1/1 | 2/2 | N/A | 1/1 |
| Wu King Cheong | 4/4 | 3/3 | 1/1 | 2/2 | N/A | 1/1 |
| Woo Ka Biu, Jackson | 4/4 | N/A | N/A | N/A | N/A | 1/1 |
| Leung Hay Man | 4/4 | 3/3 | N/A | N/A | 1/1 | 1/1 |
| Poon Chung Kwong | 4/4 | N/A | N/A | N/A | 1/1 | 1/1 |
| Chung Shui Ming, Timpson | 3/4 | N/A | N/A | N/A | 1/1 | 0/1 |
| Au Siu Kee, Alexander | 1/1[1] | N/A | N/A | N/A | N/A | 1/1 |

*Remark: 1. Antecedent to Mr Li Ning's and Mr Au Siu Kee, Alexander's retirement on 2 June 2015, there was only one Board meeting held.*

## 5) Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2015, which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on going concern basis in accordance with the statutory requirements and applicable accounting standards.

The statement of the Auditor of the Company about their reporting responsibilities on the financial statements of the Company is set out in the Auditor's Report on page 130.

## 6) Auditor's Remuneration

For the year ended 31 December 2015, the Auditor(s) of the Company and its subsidiaries agreed to receive approximately HK$20.0 million for audit and audit related services (2014: HK$20.1 million) as well as HK$8.3 million for non-audit services (2014: HK$3.7 million). The non-audit services rendered were tax services, corporate and advisory services and other reporting services.

## 7) Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules as the code for dealing in securities of the Company by the Directors (the "Model Code"). Having made specific enquiries, the Company confirms that all Directors have complied with the required standards as set out in the Model Code.

## 8) Continuing Connected Transactions

The Independent Non-executive Directors and the Auditor of the Company conducted reviews on the continuing connected transactions as disclosed in the Report of the Directors of this Annual Report.

## 9) Inside Information Policy

The Board approved and adopted the Inside Information Policy in December 2012 which contains the guidelines to the directors, officers and all relevant employees (likely possessing the unpublished inside information) of the Group to ensure that the Inside Information of the Group is to be disseminated to public in equal and timely manner in accordance with the applicable laws and regulations. The Inside Information Policy is available on the Company's website.

## 10) Corporate Social Responsibility

The Company is a founding constituent member of the Hang Seng Corporate Sustainability Index Series launched in July 2010.

A Corporate Social Responsibility Committee, chaired by a Vice-chairman with certain Directors and department heads as members, was formed in 2012 to assist the Board in reviewing corporate social responsibility policy and overseeing relevant issues including workplace quality, environmental protection, operating practices and community involvement. The Corporate Social Responsibility Policy and the terms of reference of the Corporate Social Responsibility Committee have been adopted and posted on the Company's website.

During the year, the Corporate Social Responsibility Committee held a meeting to review the corporate social responsibility policy and performance as well as formulate the strategies for the coming year. A standalone Sustainability and CSR Report is to be published on the same date of this Annual Report and posted on the Company's website.

## 11) Internal Audit, Risk Management and Internal Controls

### Internal Audit

The Board is responsible for ensuring sound and effective risk management and internal control systems to safeguard the shareholders' interests and the Company's assets.

The Audit Department of the Company, which reports directly to the Audit Committee and is independent of the Company's daily operations, is responsible for conducting regular audits on the major activities of the Company. Its objective is to ensure that all material controls, including financial, operational and compliance controls and risk management functions are in place and functioning effectively.

In addition, an email link has been set up in the webpage of the intranet of the Company for employees to express their opinions or concerns about the Group's operations directly to the Vice Chairman. The Company has provided an email link on its website, by which stakeholders can freely provide comments and suggestions on the operations of the Company so that proper actions can be taken to address issues being raised. It is also considered that the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function are adequate.

### Risk Management and Internal Controls

The successful management of risks is essential for the long-term growth and sustainability of the Group's business. The Board is responsible for setting strategies, business objectives and risk appetite as well as ensuring a review of effectiveness of the risk management and internal control systems, and oversees management in the design, implementation and monitoring of the risk management and internal control systems. Under the CG Code, management should provide a confirmation to the Board on the effectiveness of such systems.

Risk management is proactive to ensure that significant risks are:

- identified;
- assessed by considering the impacts and likelihoods of their occurrence; and
- effectively managed by identifying suitable controls and countermeasures, and assessing the cost effectiveness of the mitigating actions proposed.

*i) Approach to Risk Management*

The risk management of the Group combines a top-down strategic view with a bottom-up operational process.

The Board, by the top-down approach, has a particular focus on determining the nature and extent of significant risks it is willing to take in achieving the strategic objectives of the Group.

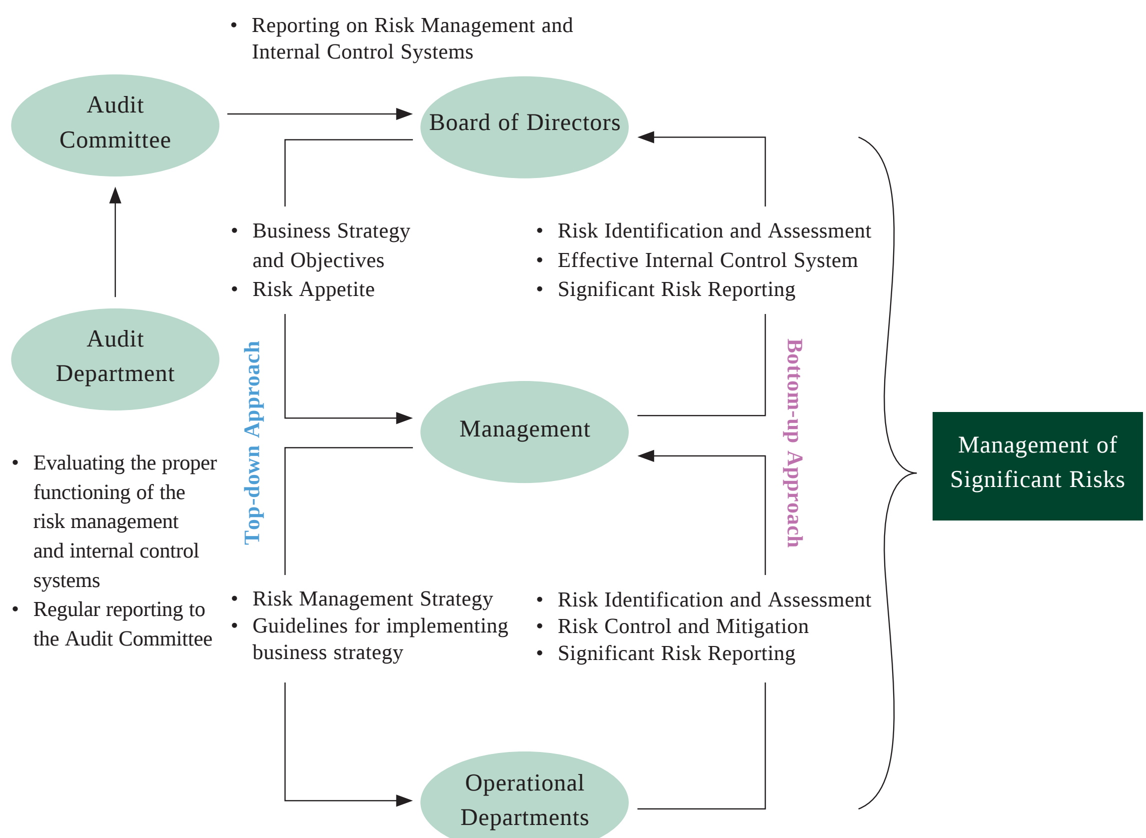
Each department of the Group is responsible for identifying its own risks and designing, implementing and monitoring the relevant risk management and internal control systems. The process involves the maintenance of risk register setting out the particulars of material risks together with the control measures as reported by significant departments of the Group. This bottom-up approach is embedded in the operations of the Group and complements the top-down strategic view by identifying the principal risks and ensuring the significant risks to be considered by the Board in determining the risk appetite.

In alignment with the amendments to the CG Code, the terms of reference of the Audit Committee has been revised to include the responsibility of reviewing the risk management and control systems. In addition, a risk management policy has been adopted to serve as a guideline for risk management and internal control systems. The risk management policy is available on the Company's website.

*ii)* *Risk Management Reporting and Framework*

The Audit Department performed audits to evaluate the proper functioning of the risk management and internal control systems for the financial year ended 31 December 2015. It is intended to carry out this evaluation process on an ongoing basis. The Audit Committee, after reviewing and considering the risk management findings submitted by the Audit Department, then reported to the Board of the Company and confirmed to the Board that the risk management and internal control systems are effective and adequate.

The diagram below summarises the complementary top-down and bottom-up aspects of the integrated approach of the Group to risk management.



iii) *Significant Risks and Control/Mitigation*

Certain significant risks have been identified through the process of risk identification and assessment. A summary on such significant risks of the Group together with the relevant internal control measures or mitigation in place is listed below:

a) *Regulatory and Compliance Risk*

As a listed and a diversified property development and investment, construction and real estate developer company, the Group is exposed to and subject to extensive government policies and regulations of mainland China and Hong Kong. These include the Companies Ordinance, financial and tax legislations, Residential Properties (First-hand Sales) Ordinance and construction legislations and regulations, as well as the Listing Rules in Hong Kong.

Any non-compliance with these policies and regulations may cause damage to the Group, delay its project development and affect its ability to deliver its primary objectives.

The Group is committed to complying with the relevant policies, regulations and guidelines applicable to its operations through developing internal guidelines, frequent staff trainings, sufficient time for review process, compliance handling by experienced and professional staff as well as by consultancy with external experts.

b) *Economic Risk*

The Group is dependent on the regional economic conditions in which the Group is active. Global economic uncertainty, prospect of interest rates hike, slowdown of mainland China's economic growth and possible sluggish economy of Hong Kong would adversely affect the Group's profitability.

The Group reviews and optimizes its asset portfolio to ensure that it is sufficiently cost effective and efficient. The risk of adverse economic conditions is managed by ensuring proper monitoring of the business performance, and constant assessment of economic conditions and the appropriateness of the prevailing investment and business strategy.

c) *Market Risk*

The Group operates in areas that are highly competitive, and failure to compete effectively in terms of price, product quality and specification or levels of service can have an adverse impact on the Group's results. The market demand and supply condition is also one of the significant factors impacting the Group's performance.

The Group manages market risks by keeping track of the property market condition, strengthening its brand names and product quality, and setting sales strategies commensurate with the market demand.

d) *Financial Risk*

An effective and sound financial management system is essential to the Group's operations. The Group may be exposed and impacted by factors such as shortage of fund flow, increase in costs of funding and currency fluctuation.

The Group's finance team is embedded within the Group to provide financial management support by monitoring the financial market conditions and setting an appropriate financial strategy. The Group maintains an open and proactive relationship with the banking community, arranging different terms of loan facilities from different sources with different tenures and ensures continuous assessment of counterparty risks.

*e)* *Image/Reputation Risk*

The Group's reputation is one of its most valuable assets, playing a major part in the continued success of the business. The image of the Group may be affected by possible oppositions or protests during the property development process, delayed handover of residential units and quality issues.

The Group is committed to employ, train, develop and retain a diverse and talented workforce to cope with potential complaints and ensuring proper quality delivery. The Group frequently organises brand name promotion events and maintains good public relations.

*f)* *Sales, Leasing, Construction and Property Development Risk*

The Group continues to develop its well-planned property development and construction projects. Various measures have been well established to ensure that the development projects are built with high quality standards, on time and within budget.

Whilst the Group ensures that strong management controls are in place and monitoring systems are enforced, it has occasionally encountered increases in development and selling costs, delays in property development, contractors' incapability and contract disputes. Minimal risk has been encountered by Leasing operations.

## 12) Company Secretary

The company secretary is to support the Board by ensuring that there is good information flow and the board policy and procedures are strictly followed. The company secretary is responsible for advising the Board on governance matters and also facilitating the induction and professional development of Directors.

During the year, the company secretary took no less than 15 hours of relevant professional training.

## 13) Shareholder Rights and Investor Relations

The Board is committed to maintaining an on-going dialogue with shareholders and providing timely disclosure of information concerning the Group's material developments to shareholders and investors.

The AGM of the Company provides a forum for communication between shareholders and the Board. The notice of the AGM is despatched to all shareholders at least 20 clear business days prior to such AGM. The chairmen of all Board Committees are invited to attend the AGM. The Chairman of the Board and the chairmen of all the Board Committees, or in their absence, other members of the respective Committees, are available to answer questions at the AGM. The Auditor is also invited to attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor's independence. The Company's policy is to involve shareholders in the Company's affairs and to communicate with them about the activities and prospects face-to-face at the AGM.

Pursuant to the Listing Rules, any vote of shareholders at a general meeting will be taken by poll. Detailed procedures for conducting a poll will be explained to the shareholders at the general meeting to ensure that shareholders are familiar with such voting procedures. The poll results will be posted on the websites of The Stock Exchange of Hong Kong Limited and the Company on the business day following the general meeting. Moreover, separate resolution will be proposed by the chairman of a general meeting in respect of each substantially separate issue.

Under Section 566 of the Companies Ordinance, shareholders representing at least 5% of the total voting rights of all the shareholders having a right to vote at the general meetings are entitled to send a request to the Company to convene a general meeting. Such requisition must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. The request may be sent to the Company in hard copy form or in electronic form and must be authenticated by the shareholder(s) making it and deposited at the registered office of the Company or sent to the Company's email address at ir@hld.com. Besides, in relation to an annual general meeting which a company is required to hold, Sections 615 and 616 of the Companies Ordinance provide that shareholders representing at least 2.5% of the total voting rights of all shareholders of the company having a right to vote on the resolution at the annual general meeting or at least 50 shareholders having a right to vote on the resolution at the annual general meeting, may request the company to circulate a notice of the resolution for consideration at the annual general meeting, by sending a request, which must be authenticated by the shareholder(s) making it, in a hard copy form or in electronic form. Such request must be deposited at the registered office of the Company or sent to the Company's email address at ir@hld.com.

Shareholders may make enquiries to the Board by contacting the Company either through the Company Investor Relations on telephone number 2908 8392 or email at ir@hld.com or directly by raising questions at general meetings.

The Company has also maintained a Shareholders' Communication Policy to handle enquires put to the Board and contact details have been provided so as to enable such enquires be properly directed. The Shareholders' Communication Policy is available on the Company's website.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular communication and dialogue with shareholders, investors and analysts. A meeting with analysts will be held after the announcement of interim or annual results which strengthens the communication with investors. Enquiries from investors are dealt with in an informative and timely manner.

As a channel to further promote effective communication, the Group maintains a website at http://www.hld.com where the Company's announcements and press releases, business developments and operations, financial information, corporate governance code and other information are posted.

# Report of the Directors

The Directors have pleasure in submitting to shareholders their annual report together with the audited financial statements for the year ended 31 December 2015.

## Principal Activities

The Company is an investment holding company and the principal activities of its subsidiaries during the year were property development and investment, construction, hotel operation, finance, department store operation, project management, investment holding and property management.

An analysis of the Group's revenue and contribution from operations by business and geographical segments is set out in note 15 to the financial statements on pages 183 to 188.

## Business Review

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in the Chairman's Statement and Review of Operations on pages 10 to 69 of this Annual Report. Possible risks and uncertainties that the Group may be facing are set out in the Financial Review on pages 72 to 83 and the Corporate Governance Report on pages 88 to 103. There were no important events affecting the Group since the end of the financial year end. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Five Year Financial Summary on pages 84 and 85 of this Annual Report. An environmental policy has been put in place to give due consideration to environment issues and minimise the impact of business operations on environment. In addition, discussions on the Group's environmental policies and relationships with employees, customers, suppliers and stakeholders are contained in the Sustainability and CSR and the Corporate Governance Report on pages 86 and 87 and pages 88 to 103 of this Annual Report respectively as well as the standalone Sustainability and CSR Report.

The Residential Properties (First-hand Sales) Ordinance (Cap. 621) ("RPFSO") regulates the sales and marketing activities in relation to the first-hand residential properties in Hong Kong, with a view to enhancing the transparency, fairness and consumer protection of the sales of first-hand residential properties. The Group takes particular care to comply with the requirements of the RPFSO through established internal procedures, as well as by engaging external professional advisors including architects, surveyors and solicitors in the checking of the accuracy of the information contained in sales brochures and other relevant documents made available to the public in connection with such sales.

The Group is also committed to safeguarding the security and proper use of personal data. When collecting, processing and using such data in the course of leasing, sale and marketing of properties, the Group complies with the Personal Data (Privacy) Ordinance (Cap. 486) and the guidelines issued by the Office of the Privacy Commissioner for Personal Data from time to time, with a view to protecting the privacy of, amongst others, the purchasers of its properties, in relation to personal data under its management.

In addition, the Group observes the requirements of trademarks, copyrights and other intellectual properties by obtaining the trademark and copyright owners' consent before the use of their products and artworks for the sale promotion of residential units. For the proper use and the protection of the Group's interests, chosen prestige brand names and chosen property names are registered under the Trade Marks Ordinance (Cap. 559) in Hong Kong.

The Company has complied with the requirements under the Companies Ordinance (Cap. 622), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Securities and Futures Ordinance (Cap. 571) for, among other things, the disclosure of information and corporate governance. The Company has also adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules as the code of dealing in securities of the Company by the Directors.

## Subsidiaries

Particulars of the principal subsidiaries of the Company as at 31 December 2015 are set out on pages 221 to 227.

## Group Profit

The profit of the Group for the year ended 31 December 2015 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 131 to 229.

## Dividends

An interim dividend of HK$0.38 per share was paid on 8 October 2015. The Directors have recommended the payment of a final dividend of HK$1.07 per share to shareholders whose names appear on the Register of Members of the Company on Monday, 13 June 2016, and such final dividend will not be subject to any withholding tax in Hong Kong.

The proposed final dividend will be payable in cash and is expected to be distributed to shareholders on Thursday, 23 June 2016.

## Issue of Bonus Shares

The Board of Directors proposes to make a bonus issue of one new share for every ten shares held (2014: one bonus share for every ten shares held) to shareholders whose names appear on the Register of Members on Monday, 13 June 2016. The relevant resolution will be proposed at the forthcoming annual general meeting, and if passed and upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in such new shares, share certificates of the bonus shares will be posted on Thursday, 23 June 2016.

## Charitable Donations

Charitable donations made by the Group during the year amounted to HK$23,000,000 (2014: HK$71,000,000).

## Investment Properties and Other Property, Plant and Equipment

Particulars of the movements in investment properties and other property, plant and equipment during the year are set out in note 16 to the financial statements on pages 189 to 193.

## Bank Loans and Overdrafts, Guaranteed Notes and Medium Term Note Programme

Particulars of bank loans and overdrafts, Guaranteed Notes and Medium Term Note Programme of the Company and the Group as at 31 December 2015 are set out in notes 29 and 30 to the financial statements on pages 207 to 209, respectively.

## Interest Capitalised

The amount of interest capitalised by the Group during the year ended 31 December 2015 is set out in note 8(a) to the financial statements on page 170.

## Reserves

Particulars of the movements in reserves of the Company during the year ended 31 December 2015 are set out in note 39(b) to the financial statements on page 218.

## Shares Issued and Share Capital

During the year, the Company issued 300,033,920 bonus shares on the basis of one share for every ten shares held; 4,801,477 shares in lieu of the 2014 final cash dividends at a market value of HK$54.41 per share and 1,557,870 shares in lieu of the 2015 interim cash dividends at a market value of HK$47.58 per share. The reason for the bonus shares issuance was to enable the shareholders to enjoy a pro-rata increase in the number of shares being held in the Company without incurring any costs while the reason for the scrip shares issuance was to give the shareholders an opportunity to increase their interest in the Company at market value without incurring brokerage fees, stamp duty and related dealing costs.

Details of the Company's share capital are set out in note 39(c) to the financial statements on pages 219 and 220.

## Group Financial Summary

The results, assets and liabilities of the Group for the last five years ended 31 December 2015 are summarised on pages 84 and 85.

## Development and Investment Properties

Particulars of development and investment properties of the Group are set out on pages 42 to 69.

## Directors' Emoluments

Particulars of the Directors' emoluments disclosed pursuant to the Companies Ordinance (Cap. 622) and Appendix 16 of the Listing Rules are set out in note 9 to the financial statements on pages 172 to 174.

## Directors

The Directors of the Company during the financial year and up to the date of this report were:

| **Executive Directors** | **Non-executive Directors** | **Independent Non-executive Directors** |
|---|---|---|
| Dr Lee Shau Kee | Lee Pui Ling, Angelina | Kwong Che Keung, Gordon |
| *(Chairman and Managing Director)* | Lee Tat Man | Professor Ko Ping Keung |
| Dr Lee Ka Kit | | Wu King Cheong |
| *(Vice Chairman)* | | Woo Ka Biu, Jackson |
| Dr Lam Ko Yin, Colin | | Leung Hay Man |
| *(Vice Chairman)* | | Professor Poon Chung Kwong |
| Lee Ka Shing | | Dr Chung Shui Ming, Timpson |
| *(Vice Chairman)* | | Au Siu Kee, Alexander *(retired on 2 June 2015)* |
| Yip Ying Chee, John | | |
| Suen Kwok Lam | | |
| Lee King Yue | | |
| Fung Lee Woon King | | |
| Lau Yum Chuen, Eddie | | |
| Li Ning *(retired on 2 June 2015)* | | |
| Kwok Ping Ho | | |
| Wong Ho Ming, Augustine | | |

Mr Li Ning and Mr Au Siu Kee, Alexander retired as Directors at the annual general meeting held on 2 June 2015 in order that Mr Li Ning, an executive director of Henderson Investment Limited ("HIL") would like to devote more time in running the "Citistore" business of HIL and Mr Au Siu Kee, Alexander, an independent non-executive director of HIL would like to devote time, making use of his invaluable financial and banking experience, in advising HIL upon its new business development. The Board would like to express its gratitude to them for their support, devotion and invaluable contribution.

Mr Lee King Yue, Mr Kwok Ping Ho, Mr Wong Ho Ming, Augustine, Mr Lee Tat Man, Mr Kwong Che Keung, Gordon, Professor Ko Ping Keung, Professor Poon Chung Kwong and Dr Chung Shui Ming, Timpson shall retire by rotation at the forthcoming annual general meeting in accordance with Article 116 of the Company's Articles of Association and the Corporate Governance Code.

Mr Kwok Ping Ho, Mr Wong Ho Ming, Augustine, Mr Lee Tat Man, Mr Kwong Che Keung, Gordon, Professor Ko Ping Keung and Professor Poon Chung Kwong had offered themselves for re-election. Mr Lee King Yue and Dr Chung Shui Ming, Timpson had not offered themselves for re-election and will retire from the Board at the conclusion of the forthcoming annual general meeting. Mr Kwong Che Keung, Gordon and Professor Ko Ping Keung have been serving as Independent Non-executive Directors of the Company for more than nine years. Under the Corporate Governance Code, their further appointment would be subject to separate resolutions to be approved by the shareholders at the forthcoming annual general meeting.

The list of directors of the subsidiaries of the Company during the financial year and up to the date of this report is available on the Company's website at www.hld.com under the "Corporate Governance" section.

# Disclosure of Interests

## Directors' Interests in Shares

As at 31 December 2015, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or which were notified to the Company or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

***Ordinary Shares** (unless otherwise specified)*

*Long Positions*

| Name of Company | Name of Director | Note | Personal Interests | Family Interests | Corporate Interests | Other Interests | Total | % Interest |
|---|---|---|---|---|---|---|---|---|
| Henderson Land Development Company Limited | Lee Shau Kee | 1 | 10,619,949 | | 2,368,258,714 | | 2,378,878,663 | 71.94 |
| | Lee Ka Kit | 1 | | | | 2,368,258,714 | 2,368,258,714 | 71.62 |
| | Lee Ka Shing | 1 | | | | 2,368,258,714 | 2,368,258,714 | 71.62 |
| | Lee Tat Man | 2 | 150,467 | | | | 150,467 | 0.00 |
| | Lee Pui Ling, Angelina | 3 | 44,092 | | | | 44,092 | 0.00 |
| | Lee King Yue | 4 | 363,145 | | 28,501 | | 391,646 | 0.01 |
| | Fung Lee Woon King | 5 | 1,702,847 | | | | 1,702,847 | 0.05 |
| | Woo Ka Biu, Jackson | 6 | | 2,662 | | | 2,662 | 0.00 |
| | Chung Shui Ming, Timpson | 7 | 66,550 | | | | 66,550 | 0.00 |
| Henderson Investment Limited | Lee Shau Kee | 8 | | | 2,115,274,943 | | 2,115,274,943 | 69.41 |
| | Lee Ka Kit | 8 | | | | 2,115,274,943 | 2,115,274,943 | 69.41 |
| | Lee Ka Shing | 8 | | | | 2,115,274,943 | 2,115,274,943 | 69.41 |
| | Lee Tat Man | 9 | 6,666 | | | | 6,666 | 0.00 |
| | Lee King Yue | 10 | 1,001,739 | | | | 1,001,739 | 0.03 |
| The Hong Kong and China Gas Company Limited | Lee Shau Kee | 11 | | | 4,800,418,503 | | 4,800,418,503 | 41.52 |
| | Lee Ka Kit | 11 | | | | 4,800,418,503 | 4,800,418,503 | 41.52 |
| | Lee Ka Shing | 11 | | | | 4,800,418,503 | 4,800,418,503 | 41.52 |
| | Poon Chung Kwong | 12 | | | | 150,596 | 150,596 | 0.00 |
| Hong Kong Ferry (Holdings) Company Limited | Lee Shau Kee | 13 | 799,220 | | 119,017,090 | | 119,816,310 | 33.63 |
| | Lee Ka Kit | 13 | | | | 119,017,090 | 119,017,090 | 33.41 |
| | Lee Ka Shing | 13 | | | | 119,017,090 | 119,017,090 | 33.41 |
| | Lam Ko Yin, Colin | 14 | 150,000 | | | | 150,000 | 0.04 |
| | Fung Lee Woon King | 15 | 465,100 | | | | 465,100 | 0.13 |
| | Leung Hay Man | 16 | 2,250 | | | | 2,250 | 0.00 |
| Miramar Hotel and Investment Company, Limited | Lee Shau Kee | 17 | | | 319,464,100 | | 319,464,100 | 46.12 |
| | Lee Ka Kit | 17 | | | | 319,464,100 | 319,464,100 | 46.12 |
| | Lee Ka Shing | 17 | | | | 319,464,100 | 319,464,100 | 46.12 |

***Ordinary Shares** (unless otherwise specified)* *(continued)*

*Long Positions*

| Name of Company | Name of Director | Note | Personal Interests | Family Interests | Corporate Interests | Other Interests | Total | % Interest |
|---|---|---|---|---|---|---|---|---|
| Towngas China Company Limited | Lee Shau Kee | 18 | | | 1,666,590,813 | | 1,666,590,813 | 62.53 |
| | Lee Ka Kit | 18 | | | | 1,666,590,813 | 1,666,590,813 | 62.53 |
| | Lee Ka Shing | 18 | | | | 1,666,590,813 | 1,666,590,813 | 62.53 |
| Henderson Development Limited | Lee Shau Kee | 19 | | | 8,190 (Ordinary A Shares) | | 8,190 (Ordinary A Shares) | 100.00 |
| | Lee Shau Kee | 20 | | | 3,510 (Non-voting B Shares) | | 3,510 (Non-voting B Shares) | 100.00 |
| | Lee Shau Kee | 21 | 35,000,000 (Non-voting Deferred Shares) | | 15,000,000 (Non-voting Deferred Shares) | | 50,000,000 (Non-voting Deferred Shares) | 100.00 |
| | Lee Ka Kit | 19 | | | | 8,190 (Ordinary A Shares) | 8,190 (Ordinary A Shares) | 100.00 |
| | Lee Ka Kit | 20 | | | | 3,510 (Non-voting B Shares) | 3,510 (Non-voting B Shares) | 100.00 |
| | Lee Ka Kit | 21 | | | | 15,000,000 (Non-voting Deferred Shares) | 15,000,000 (Non-voting Deferred Shares) | 30.00 |
| | Lee Ka Shing | 19 | | | | 8,190 (Ordinary A Shares) | 8,190 (Ordinary A Shares) | 100.00 |
| | Lee Ka Shing | 20 | | | | 3,510 (Non-voting B Shares) | 3,510 (Non-voting B Shares) | 100.00 |
| | Lee Ka Shing | 21 | | | | 15,000,000 (Non-voting Deferred Shares) | 15,000,000 (Non-voting Deferred Shares) | 30.00 |
| Best Homes Limited | Lee Shau Kee | 22 | | | 26,000 | | 26,000 | 100.00 |
| | Lee Ka Kit | 22 | | | | 26,000 | 26,000 | 100.00 |
| | Lee Ka Shing | 22 | | | | 26,000 | 26,000 | 100.00 |
| Feswin Investment Limited | Lee Ka Kit | 23 | | | 5,000 | 5,000 | 10,000 | 100.00 |

***Ordinary Shares** (unless otherwise specified) (continued)*

*Long Positions*

| Name of Company | Name of Director | Note | Personal Interests | Family Interests | Corporate Interests | Other Interests | Total | % Interest |
|---|---|---|---|---|---|---|---|---|
| Fordley Investment Limited | Fung Lee Woon King | 24 | 2,000 | | | | 2,000 | 20.00 |
| Furnline Limited | Lee Shau Kee | 25 | | | 100 (A Shares) | | 100 (A Shares) | 100.00 |
| | Lee Shau Kee | 26 | | | 1 (B Share) | | 1 (B Share) | 100.00 |
| | Lee Ka Kit | 25 | | | | 100 (A Shares) | 100 (A Shares) | 100.00 |
| | Lee Ka Kit | 26 | | | | 1 (B Share) | 1 (B Share) | 100.00 |
| | Lee Ka Shing | 25 | | | | 100 (A Shares) | 100 (A Shares) | 100.00 |
| | Lee Ka Shing | 26 | | | | 1 (B Share) | 1 (B Share) | 100.00 |
| Gain Base Development Limited | Fung Lee Woon King | 27 | 50 | | | | 50 | 5.00 |
| Heyield Estate Limited | Lee Shau Kee | 28 | | | 100 | | 100 | 100.00 |
| | Lee Ka Kit | 28 | | | | 100 | 100 | 100.00 |
| | Lee Ka Shing | 28 | | | | 100 | 100 | 100.00 |
| Perfect Bright Properties Inc. | Lee Shau Kee | 29 | | | 100 (A Shares) | | 100 (A Shares) | 100.00 |
| | Lee Shau Kee | 30 | | | 1 (B Share) | | 1 (B Share) | 100.00 |
| | Lee Ka Kit | 29 | | | | 100 (A Shares) | 100 (A Shares) | 100.00 |
| | Lee Ka Kit | 30 | | | | 1 (B Share) | 1 (B Share) | 100.00 |
| | Lee Ka Shing | 29 | | | | 100 (A Shares) | 100 (A Shares) | 100.00 |
| | Lee Ka Shing | 30 | | | | 1 (B Share) | 1 (B Share) | 100.00 |

Save as disclosed above, none of the Directors or Chief Executive of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO.

## Share Option Schemes

The Company and its subsidiaries have no share option schemes.

## Arrangements to Purchase Shares or Debentures

At no time during the year ended 31 December 2015 was the Company or any of its holding companies, subsidiary companies or fellow subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Equity-linked Agreements

No equity-linked agreements entered into by the Company were subsisting as at 31 December 2015 and the Company did not enter into any equity-linked agreements during the year under review.

## Substantial Shareholders' and Others' Interests

As at 31 December 2015, the interests and short positions of every person, other than Directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

*Long Positions*

| | **No. of shares in which interested** | **% Interest** |
|---|---|---|
| **Substantial Shareholders:** | | |
| Rimmer (Cayman) Limited (Note 1) | 2,368,258,714 | 71.62 |
| Riddick (Cayman) Limited (Note 1) | 2,368,258,714 | 71.62 |
| Hopkins (Cayman) Limited (Note 1) | 2,368,258,714 | 71.62 |
| Henderson Development Limited (Note 1) | 2,366,262,916 | 71.56 |
| Yamina Investment Limited (Note 1) | 1,079,345,656 | 32.64 |
| Believegood Limited (Note 1) | 544,968,195 | 16.48 |
| South Base Limited (Note 1) | 544,968,195 | 16.48 |
| **Persons other than Substantial Shareholders:** | | |
| Cameron Enterprise Inc. (Note 1) | 253,497,312 | 7.67 |
| Richbond Investment Limited (Note 1) | 287,300,463 | 8.69 |

*Notes:*

1. *Of these shares, Dr Lee Shau Kee was the beneficial owner of 10,619,949 shares, and for the remaining 2,368,258,714 shares, (i) 990,908,319 shares were owned by Henderson Development Limited ("HD"); (ii) 287,300,463 shares were owned by Richbond Investment Limited which was a wholly-owned subsidiary of HD; (iii) 253,497,312 shares were owned by Cameron Enterprise Inc.; 544,968,195 shares were owned by Believegood Limited which was wholly-owned by South Base Limited; 104,431,156 shares were owned by Prosglass Investment Limited which was wholly-owned by Jayasia Investments Limited; 96,094,504 shares were owned by Fancy Eye Limited which was wholly-owned by Mei Yu Ltd.; 80,354,489 shares were owned by Spreadral Limited which was wholly-owned by World Crest Ltd.; and Cameron Enterprise Inc., South Base Limited, Jayasia Investments Limited, Mei Yu Ltd. and World Crest Ltd. were wholly-owned subsidiaries of Yamina Investment Limited which in turn was 100% held by HD; (iv) 7,457,060 shares were owned by Superfun Enterprises Limited, a wholly-owned subsidiary of The Hong Kong and China Gas Company Limited ("China Gas") which was 41.52% held by Henderson Land Development Company Limited ("HL") which in turn was 71.56% held by HD; (v) 1,995,798 shares were owned by Fu Sang Company Limited ("Fu Sang"); and (vi) 852,078 shares and 399,340 shares were respectively owned by Tako Assets Limited and Thommen Limited, both were wholly-owned subsidiaries of Hong Kong Ferry (Holdings) Company Limited ("HKF") which in turn was 33.41% held by HL as set out in Note 13. Hopkins (Cayman) Limited ("Hopkins") as trustee of a unit trust (the "Unit Trust") owned all the issued ordinary shares of HD and Fu Sang. Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"), as trustees of respective discretionary trusts, held units in the Unit Trust. The entire issued share capital of Hopkins, Rimmer and Riddick were owned by Dr Lee Shau Kee. Dr Lee Shau Kee was taken to be interested in these shares by virtue of SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.*

2. *Mr Lee Tat Man was the beneficial owner of these shares.*

3. *Mrs Lee Pui Ling, Angelina was the beneficial owner of these shares.*

4. *Of these shares, Mr Lee King Yue was the beneficial owner of 363,145 shares, and the remaining 28,501 shares were held by Ngan Hei Development Company Limited which was 50% each owned by Mr Lee King Yue and his wife.*

5. *Madam Fung Lee Woon King was the beneficial owner of these shares.*

6. *These shares were owned by the wife of Mr Woo Ka Biu, Jackson.*

7. *Dr Chung Shui Ming, Timpson was the beneficial owner of these shares.*

8. *Of these shares, (i) 843,249,284 shares, 602,398,418 shares, 363,328,900 shares, 217,250,000 shares and 84,642,341 shares were respectively owned by Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited, Gainwise Investment Limited and Darnman Investment Limited, all of which were wholly-owned subsidiaries of Kingslee S.A. which in turn was 100% held by HL; and (ii) 3,000,000 shares and 1,406,000 shares were respectively owned by Tako Assets Limited and Thommen Limited, both of which were wholly-owned subsidiaries of HKF which in turn was 33.41% held by HL. Dr Lee Shau Kee was taken to be interested in HL as set out in Note 1 and Henderson Investment Limited by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.*

9. *Mr Lee Tat Man was the beneficial owner of these shares.*

10. *Mr Lee King Yue was the beneficial owner of these shares.*

11. *Of these shares, 2,672,405,723 shares and 1,037,979,286 shares were respectively owned by Disralei Investment Limited and Medley Investment Limited, both of which were wholly-owned subsidiaries of Timpani Investments Limited; 1,090,033,494 shares were owned by Macrostar Investment Limited, a wholly-owned subsidiary of Chelco Investment Limited; and Timpani Investments Limited and Chelco Investment Limited were wholly-owned subsidiaries of Faxson Investment Limited which in turn was 100% held by HL. Dr Lee Shau Kee was taken to be interested in HL as set out in Note 1 and China Gas by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.*

12. *These shares were owned by Professor Poon Chung Kwong and his wife jointly.*

13. *Of these shares, Dr Lee Shau Kee was the beneficial owner of 799,220 shares, and for the remaining 119,017,090 shares, 48,817,090 shares were held by Wiselin Investment Limited, 23,400,000 shares each were respectively owned by Graf Investment Limited, Mount Sherpa Limited and Paillard Investment Limited, all of which were wholly-owned subsidiaries of Pataca Enterprises Limited which in turn was 100% held by HL. Dr Lee Shau Kee was taken to be interested in HL as set out in Note 1 and HKF by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.*

14. *Dr Lam Ko Yin, Colin was the beneficial owner of these shares.*

15. *Madam Fung Lee Woon King was the beneficial owner of these shares.*

16. *Mr Leung Hay Man was the beneficial owner of these shares.*

17. *This interest included 267,416,250 shares and 52,047,850 warrants, of which 100,612,750 shares and 20,122,550 warrants were owned by Higgins Holdings Limited ("Higgins"), 86,298,500 shares and 15,824,300 warrants were owned by Multiglade Holdings Limited ("Multiglade") and 80,505,000 shares and 16,101,000 warrants were owned by Threadwell Limited ("Threadwell"), Higgins, Multiglade and Threadwell were wholly-owned subsidiaries of Aynbury Investments Limited which in turn was 100% held by HL. Dr Lee Shau Kee was taken to be interested in HL as set out in Note 1 and Miramar Hotel and Investment Company, Limited by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.*

18. *These shares were owned by Hong Kong & China Gas (China) Limited, Planwise Properties Limited and Superfun Enterprises Limited, wholly-owned subsidiaries of China Gas. Dr Lee Shau Kee was taken to be interested in China Gas as set out in Note 11 and Towngas China Company Limited by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.*

19. *These shares were held by Hopkins as trustee of the Unit Trust.*

20. *These shares were held by Hopkins as trustee of the Unit Trust.*

21. *Of these shares, Dr Lee Shau Kee was the beneficial owner of 35,000,000 shares, and Fu Sang owned the remaining 15,000,000 shares.*

22. *Of these shares, (i) 10,400 shares were owned by HL; and (ii) 15,600 shares were owned by Manifest Investments Limited which was 100% held by HD.*

23. *Of these shares, (i) 5,000 shares were owned by Applecross Limited which was wholly-owned by Dr Lee Ka Kit; and (ii) 5,000 shares were owned by Henderson (China) Investment Company Limited, a wholly-owned subsidiary of Andcoe Limited which was wholly-owned by Henderson China Holdings Limited, an indirect wholly-owned subsidiary of HL.*

24. *Madam Fung Lee Woon King was the beneficial owner of these shares.*

25. *These shares were owned by Jetwin International Limited.*

26. *This share was owned by Sunnice Investment Limited, a wholly-owned subsidiary of Profit Best Development Limited which in turn was wholly-owned by HL.*

27. *Madam Fung Lee Woon King was the beneficial owner of these shares.*

28. *Of these shares, (i) 80 shares were owned by Tactwin Development Limited, a wholly-owned subsidiary of HL; (ii) 10 shares were owned by Henderson Finance Company Limited, a wholly-owned subsidiary of HD; and (iii) 5 shares each were owned by Perfect Bright Properties Inc. and Furnline Limited, and Jetwin International Limited was the sole holder of A shares in each of Perfect Bright Properties Inc. and Furnline Limited (the "A Shares") with the A Shares being entitled to all interests and, liable for all liabilities in Heyield Estate Limited. Triton (Cayman) Limited as trustee of a unit trust owned all the issued share capital of Jetwin International Limited. Triumph (Cayman) Limited and Victory (Cayman) Limited, as trustees of respective discretionary trusts, held units in the unit trust. The entire share capital of Triton (Cayman) Limited, Triumph (Cayman) Limited and Victory (Cayman) Limited were owned by Dr Lee Shau Kee who was taken to be interested in such shares by virtue of the SFO. As discretionary beneficiaries of the discretionary trusts holding units in such unit trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in such shares by virtue of the SFO.*

29. *These shares were owned by Jetwin International Limited.*

30. *This share was owned by Sunnice Investment Limited, a wholly-owned subsidiary of Profit Best Development Limited which in turn was wholly-owned by HL.*

## Interests in Transactions, Arrangements or Contracts and Continuing Connected Transactions

During the year under review, the Group entered into the following transactions and arrangements as described below with persons who are "connected persons" for the purposes of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"):

(1) (i) Henderson Finance Company Limited, a wholly-owned subsidiary of Henderson Development Limited, made unsecured advances from time to time to Henderson Real Estate Agency Limited, Jetkey Development Limited and Perfect Grand Development Limited, subsidiaries of the Company, with interest chargeable on the balances outstanding from time to time by reference to HIBOR quoted by banks or Renminbi benchmark loan rates announced by the People's Bank of China (where appropriate). As at 31 December 2015, the amounts of approximately HK$1,034 million, HK$26 million and HK$125 million were due by Henderson Real Estate Agency Limited, Jetkey Development Limited and Perfect Grand Development Limited respectively to Henderson Finance Company Limited, which have been included in the financial statements under "Amount due to a fellow subsidiary".

(ii) Agreements for the management and construction of the properties of certain owner companies (the "Owner Companies") indirectly controlled by the private trust of the family of Dr Lee Shau Kee entered into by the Owner Companies (including the Henderson Development Limited group) with Henderson Real Estate Agency Limited and the subsidiaries of E Man Construction Company Limited, wholly-owned subsidiaries of the Company, still subsisted at the year end date.

Dr Lee Shau Kee, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in the transactions, arrangements and contracts referred to in the above as directors of the Company's ultimate holding company, Henderson Development Limited (and as more particularly described in the section "Disclosure of Interests" above) with respect to their interests in Henderson Development Limited or the trust.

(2) As at 31 December 2015, there was a 50:50 joint venture company, Feswin Investment Limited ("Feswin") owned by Henderson China Holdings Limited ("Henderson China"), a wholly-owned subsidiary of the Company and Dr Lee Ka Kit. Feswin had interest in a project at Lot 470 of Wanping Road South, Shanghai, PRC.

Dr Lee Ka Kit agreed to provide and had provided finance in the form of advances to Feswin in proportion to his equity interests therein, under an agreement entered into between Henderson China and Dr Lee Ka Kit on 15 March 1996, which provided that all existing and future advances made by Henderson China and Dr Lee Ka Kit to Feswin would be unsecured, on the same basis and at the same interest rate or without interest. As at 31 December 2015, such advances made by Dr Lee Ka Kit to Feswin amounted to approximately HK$80 million and from 1 January 2003 to 31 December 2015, no interest on the advances made by Dr Lee Ka Kit was charged.

(3) During the year ended 31 December 2015, the Group made unsecured advances to the following non wholly-owned subsidiaries and associates as working capital repayable on demand:

Fair Pacific Development Limited
Feswin Investment Limited
Futime Investment Limited
Great Project Development Limited
Hang Seng Quarry Company Limited
Harvest Development Limited
Heng Fai Concrete Limited
Solar Classics Limited

Certain Directors of the Company or its subsidiaries have interests in the above companies. Both the Group and such Directors' associates made advances in proportion to their equity interests in the companies. The advances made by the Group and the Directors' associates to the individual companies listed above were either both interest-bearing on identical normal commercial terms or both without interest and were unsecured.

(4) The Company had the following continuing connected transactions, each of which, as disclosed by way of an announcement, was subject to the reporting and announcement requirements but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules:

Sunlight Real Estate Investment Trust ("Sunlight REIT") being a trust in accordance with Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong (the "REIT Code") was regarded by the Hong Kong Stock Exchange as a connected person of the Company under the Listing Rules so long as the aggregate percentage unitholdings in Sunlight REIT held by the Group and the Shau Kee Financial Enterprises Limited group ("SKFE Group") (controlled by a family trust of Dr Lee Shau Kee, the Chairman and Managing Director of the Company) is above 30%.

As disclosed in the announcement dated 13 May 2015, new annual cap amounts in respect of each of the three financial years ending up to 31 December 2018 were set for the continuing connected transactions between the Group and Sunlight REIT group contemplated under the following agreements/deeds, and a third supplemental agreement dated 12 May 2015 (the "Third Supplemental Agreement") was made to extend the term of appointment of Henderson Sunlight Property Management Limited (the "Property Manager"), a wholly-owned subsidiary of the Company as follows:

(a) a property management agreement dated 29 November 2006 (as supplemented by supplemental agreements respectively dated 28 April 2009, 25 June 2012 and further supplemented by the Third Supplemental Agreement) was entered into between Henderson Sunlight Asset Management Limited ("HSAM"), as manager of Sunlight REIT, and the Property Manager. Property holding companies under the Sunlight REIT group had also subsequently acceded to the said agreement. The agreement related to the provision of certain property management and lease management as well as marketing services in respect of the properties of Sunlight REIT at a fee of 3% per annum of the gross property revenue of the relevant properties of Sunlight REIT plus a commission on the base rent or licence fee for a tenancy or a licence secured. By the Third Supplemental Agreement entered into by HSAM and the Property Manager, the term of the appointment of the Property Manager for the provision of the said property related management services has been extended (the "Property Management Transactions") to 30 June 2018;

(b) a trust deed dated 26 May 2006 (as supplemented by supplemental deeds dated 1 June 2006, 28 November 2006, 28 April 2009, 23 July 2010, 30 April 2012 and 16 March 2015 respectively while the last supplemental deed related to the expanded investment scope of Sunlight REIT in alignment with the amendments to the REIT Code, etc.) was entered into between Uplite Limited, a subsidiary of SKFE Group, as settlor, HSAM, a wholly-owned subsidiary of the Company, as manager, and HSBC Institutional Trust Services (Asia) Limited as trustee in respect of, among other things, the appointment of HSAM as the manager of Sunlight REIT for the management and operation of Sunlight REIT at a base fee not exceeding 0.4% per annum of the property values of Sunlight REIT for the relevant financial year and a variable fee of 3% per annum of the relevant net property income of Sunlight REIT payable in the form of cash and/or Sunlight REIT units as HSAM may elect. HSAM is also entitled to an acquisition fee in respect of acquisition of real estate by Sunlight REIT, and a divestment fee in respect of any real estate sold or divested by Sunlight REIT (where applicable) and certain reimbursement (the “Asset Management Transactions”);

(c) agreements are from time to time entered into between the Property Manager and Megastrength Security Services Company Limited (“Megastrength”), the Company’s subsidiary in respect of the provision of security and related services for property(ies) of the Sunlight REIT for various terms, typically of durations ranging from short intervals up to 24 months at fees determined through a tendering/quotation procedure or on the basis of commercial negotiations. On 16 April 2015, both parties entered into an agreement in relation to the provision of related services to a property owned by Sunlight REIT Group for a term of 24 months from 1 May 2015 to 1 May 2017 (the “Security Services Transactions”) at a fixed monthly fee of approximately HK$190,000 payable to Megastrength; and

(d) agreements or arrangements to be entered into from time to time between members of the Group and members of Sunlight REIT group for the provision of other ancillary property services for the properties of Sunlight REIT (the “Other Ancillary Property Services Transactions”).

The maximum aggregate sums to be paid by the Sunlight REIT group to the Group under the Property Management Transactions, the Asset Management Transactions, the Security Services Transactions and the Other Ancillary Property Services Transactions would not exceed the following:

| **Financial year ended 31 December 2015 (HK$ million)** | **Financial year ending 31 December 2016 (HK$ million)** | **Financial year ending 31 December 2017 (HK$ million)** | **Financial year ending 31 December 2018 (HK$ million)** |
|---:|---:|---:|---:|
| 167 | 175 | 197 | 219 |

For the year ended 31 December 2015, the Group received HK$48,664,000 for the Property Management Transactions, HK$87,928,000 for the Asset Management Transactions and HK$2,408,000 for the Security Services Transactions which in aggregate amounted to HK$139,000,000; while no fee was received for the Other Ancillary Property Services Transactions (collectively the “Sunlight REIT Transactions”).

The Independent Non-executive Directors of the Company have reviewed and confirmed that the Sunlight REIT Transactions are (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms; and (c) in accordance with the terms of the respective agreements/deeds relating to the transactions in question and are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Auditor of the Company has also confirmed that nothing has come to the Auditor's attention that causes it to believe that the Sunlight REIT Transactions (a) have not been received the approval of the Board; (b) were not, in all material respects, in accordance with the pricing policies of the Group; (c) were not entered into, in all material respects, in accordance with the relevant agreements/deeds governing such transactions; and (d) have exceeded the respective caps as aforesaid.

The Company's Auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "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 his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this Annual Report in accordance with Rule 14A.56 of the Listing Rules. The Company has provided a signed copy of the said letter to the Hong Kong Stock Exchange.

(5) The material related party transactions set out in note 38 to the financial statements on pages 215 and 216 include transactions that constitute continuing connected transactions for which the disclosure requirements under the Listing Rules have been met.

Save as disclosed above, no other transaction, arrangement or contract of significance to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company had a material interest, subsisted at the year end or at any time during the year.

## Directors' Interests in Competing Business

Pursuant to Rule 8.10 of the Listing Rules, the interests of Directors of the Company in businesses which might compete with the Group during the year ended and as at 31 December 2015 were as follows:

Dr Lee Shau Kee, the Chairman of the Company, and Dr Lee Ka Kit and Mr Lee Ka Shing, Directors of the Company, have deemed interests and/or held directorships in companies engaged in the same businesses of property investment, development and management in Hong Kong and mainland China as the Group. As those companies which engage in the same businesses as the Group were involved in the investment, development and management of properties of different types and/or in different locations, and the Group has been operating independently of, and at arm's length from, the businesses of those companies, no competition is considered to exist.

## Service Contracts

None of the Directors has a service contract with the Company or any of its subsidiaries which is of a duration exceeding three years or which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

## Management Contracts

No contracts (as defined in Section 543 of the Companies Ordinance (Cap. 622)) 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.

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

Except for the issue of shares regarding the scrip dividend schemes and bonus shares, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

## Major Customers and Suppliers

For the year ended 31 December 2015:

(1) the aggregate amount of purchases attributable to the Group's largest and five largest suppliers represented approximately 22.4% and 30.6% of the Group's total purchase respectively; and

(2) the aggregate amount of revenue attributable to the Group's five largest customers represented less than 30% of the Group's total revenue.

As far as the Company is aware, at no time during the year did the Directors, their close associates or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) had any material interest in any of the Group's five largest suppliers.

## Management Discussion and Analysis

A management discussion and analysis of the Group's results for the year ended 31 December 2015 is shown on pages 72 to 83.

## Sustainability and Corporate Social Responsibility

The standalone Sustainability and CSR Report is to be published on the same date of this Annual Report and posted on the Company's website.

## Retirement Benefits Scheme

The Group's Hong Kong employees participate in the Henderson Staff Provident Fund (the "Fund"), a defined contribution provident fund scheme as defined in the Occupational Retirement Schemes Ordinance or in another defined contribution scheme (the "Scheme") as mentioned below or in schemes (the "MPF Schemes") registered under the Mandatory Provident Fund Scheme Ordinance ("MPFO").

Contributions to the Fund are made by the participating employers at rates ranging from 4% to 6%, and by the employees at 2%, of the employees' basic monthly salaries. The portion of employers' contributions to which the employees are not entitled and which has been forfeited shall not be used to reduce the future contributions of the participating employers.

As for the Scheme, contributions are made by both the employers and the employees at the rate of 5% of the employees' basic monthly salaries. Forfeited contributions can be applied towards reducing the amount of future contributions payable by the employers. There were no forfeited contributions of the Scheme utilised during the year ended 31 December 2015 (2014: Nil). As at 31 December 2015, there were no forfeited contributions that could be utilised to reduce the Group's contributions to the Scheme (2014: Nil).

No employees of the Group were eligible to join the Fund or the Scheme on or after 1 December 2000.

Employees of the Group who are not members of the Fund and the Scheme participate in the MPF Schemes. In addition to the minimum benefits set out in the MPFO, the Group provides certain voluntary top-up benefits to employees participating in the MPF Schemes. The portion of employer's contributions to which the employees are not entitled and which has been forfeited can be used by the Group to reduce the future contributions. The total amount so utilised in the year ended 31 December 2015 was HK$1,800,000 (2014: HK$1,500,000) and there was no balance available to be utilised as at 31 December 2015 (2014: Nil).

The Group also participates in the state-organised pension scheme operated by the Government of the PRC for its PRC employees and contributes a certain percentage of the employees' covered payroll to fund the benefits.

The Group's retirement costs charged to the profit and loss account for the year ended 31 December 2015 were HK$88,000,000 (2014: HK$87,000,000).

## Permitted Indemnity

The Articles of Association of the Company provides that 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 (to the fullest extent permitted by the Companies Ordinance (Cap. 622)) which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto.

In addition, the indemnity agreements made by the Company, which are currently in force and were in force throughout the financial year, contained permitted indemnity provisions (as permitted in section 469(2) of the Companies Ordinance (Cap. 622)), for the benefit of the Directors of the Company. The Company has also taken out and maintained Director's liability insurance throughout the year, which provides appropriate cover for the Directors.

## Revolving Credit Agreement with Covenants of the Controlling Shareholders

The Company through its wholly-owned subsidiaries as borrowers, has obtained the following credit facilities from groups of syndicate of banks under separate guarantees given by the Company:

(i) a 5-year term loan and revolving credit facilities of up to HK$10,000,000,000 in June 2011;

(ii) a 4-year term loan, 5-year term loan and revolving credit facilities of up to HK$13,800,000,000 in January 2014; and

(iii) a 5-year term loan and revolving credit facilities of up to HK$18,000,000,000 in March 2015.

The HK$13,250,000,000 5-year term loan and revolving credit facilities obtained in 2010 was repaid in June 2015.

In connection with each of the above credit facilities, it will be an event of default if the Company is deemed to be ultimately controlled by any person(s) other than Dr Lee Shau Kee and/or his family and/or companies controlled by any of them or any trust in which Dr Lee Shau Kee and/or his family and/or companies controlled by any of them are beneficiaries. If any event of default occurs, the outstanding amounts (if any) under the respective credit facilities may become due and payable on demand.

## Public Float

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

## Auditor

A resolution for the re-appointment of KPMG as Auditor of the Company is to be proposed at the forthcoming annual general meeting.

## Corporate Governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 88 to 103.

On behalf of the Board

**Lee Shau Kee**
*Chairman*

Hong Kong, 21 March 2016

# Biographical Details of Directors and Senior Management

## Executive Directors

**Dr the Hon LEE Shau Kee**, *GBM, DBA (Hon), DSSc (Hon)*, LLD (Hon), aged 87, is the founder of the Company. He has been the Chairman and Managing Director of the Company since 1976 and has been engaged in property development in Hong Kong for more than 60 years. He is also the Chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. He is the founder, and continues to act as executive director of Henderson Investment Limited after his stepping down as chairman and managing director on 1 July 2015. He is also the chairman of The Hong Kong and China Gas Company Limited, the vice chairman of Sun Hung Kai Properties Limited as well as a non-executive director of Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited, all of which are listed companies. He previously served as an independent non-executive director of The Bank of East Asia, Limited, a listed company, until his resignation on 24 April 2013. Dr Lee was awarded Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region in 2007. Dr Lee is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development Limited, Believegood Limited and Cameron Enterprise Inc. which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the brother of Mr Lee Tat Man and Madam Fung Lee Woon King, the father of Ms Lee Pui Man, Margaret, Dr Lee Ka Kit and Mr Lee Ka Shing and the father-in-law of Mr Li Ning.

**Dr LEE Ka Kit**, *GBS, JP, DBA (Hon)*, aged 52, a Member of the Standing Committee of the 12th National Committee of the Chinese People's Political Consultative Conference, has been an Executive Director of the Company since 1985 and Vice Chairman since 1993. He was educated in the United Kingdom and has been primarily responsible for the development of the PRC business of Henderson Land Group since he joined the Company in 1985. He is the vice chairman of Henderson Development Limited ("Henderson Development"). He is also the vice chairman of Henderson Investment Limited as well as a non-executive director of The Hong Kong and China Gas Company Limited and The Bank of East Asia, Limited, all of which are listed companies. He previously served as a non-executive director of Intime Department Store (Group) Company Limited (now known as Intime Retail (Group) Company Limited), a listed company, until his retirement on 31 May 2013. He was appointed as a Justice of the Peace in 2009 and was awarded the Gold Bauhinia Star (GBS) in 2015 by the Government of the Hong Kong Special Administrative Region. He has been appointed Council Member of the Hong Kong Trade Development Council for two years from 1 January 2016. He was awarded an Honorary University Fellowship by The University of Hong Kong in 2009 and an Honorary Degree of Doctor of Business Administration by Edinburgh Napier University in July 2014. He is a director of Henderson Development which has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the son of Dr Lee Shau Kee, the brother of Ms Lee Pui Man, Margaret and Mr Lee Ka Shing, the brother-in-law of Mr Li Ning and the relative of Mr Lee Tat Man and Madam Fung Lee Woon King.

**Dr LAM Ko Yin, Colin**, *FCILT, FHKIoD, DB (Hon)*, aged 64, joined the Company in 1982 and has been an Executive Director since 1985 and Vice Chairman since 1993. He is also a member of the Remuneration Committee and the Nomination Committee of the Company. Dr Lam holds a B.Sc. (Honours) degree from The University of Hong Kong and has over 42 years' experience in banking and property development. He is also the chairman of Hong Kong Ferry (Holdings) Company Limited, the vice chairman of Henderson Investment Limited as well as a non-executive director of The Hong Kong and China Gas Company Limited and an executive director of Miramar Hotel and Investment Company, Limited, all of which are listed companies. He is the Deputy Chairman of The University of Hong Kong Foundation for Educational Development and Research and a Director of Fudan University Education Development Foundation. Dr Lam was awarded an Honorary University Fellowship by The University of Hong Kong in 2008, and was conferred with a degree of Doctor of Business (Honoris Causa) by Macquarie University in 2015. He is a Fellow of The Chartered Institute of Logistics and Transport in Hong Kong and a Fellow of The Hong Kong Institute of Directors. Dr Lam is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development Limited and Believegood Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

**LEE Ka Shing**, aged 44, a Committee Member of the 12th Beijing Committee, and previously a Committee Member of the 10th Guangxi Zhuangzu Zizhiqu Committee and of the 10th Foshan Committee, of the Chinese People's Political Consultative Conference, PRC, has been an Executive Director of the Company since 1993 and Vice Chairman since 2005. He was educated in Canada. Mr Lee is the vice chairman of Henderson Development Limited ("Henderson Development"). On 1 July 2015, he was re-designated from the vice chairman to chairman and managing director of Henderson Investment Limited. He is also the chairman and chief executive officer of Miramar Hotel and Investment Company, Limited as well as a non-executive director of The Hong Kong and China Gas Company Limited, all of which are listed companies. He is a member of The Court of The Hong Kong Polytechnic University. Mr Lee is a director of Henderson Development, Believegood Limited and Richbond Investment Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the son of Dr Lee Shau Kee, the brother of Ms Lee Pui Man, Margaret and Dr Lee Ka Kit, the brother-in-law of Mr Li Ning and the relative of Mr Lee Tat Man and Madam Fung Lee Woon King.

**YIP Ying Chee, John**, *LLB*, *FCIS*, aged 67, has been an Executive Director of the Company since 1997. He graduated from The University of Hong Kong and the London School of Economics and is a solicitor and a certified public accountant. He has over 35 years' experience in corporate finance, and corporate and investment management.

**SUEN Kwok Lam**, *BBS*, *JP*, *MH*, *FHIREA*, aged 69, joined the Company in 1997 and has been an Executive Director of the Company since January 2002. He is also an independent non-executive director of China Overseas Property Holdings Limited, a listed company. Mr Suen is the Vice President of Hong Kong Institute of Real Estate Administrators and an individual Member of The Real Estate Developers Association of Hong Kong. He was the President of Hong Kong Association of Property Management Companies from 2003 to 2007. He has over 45 years' experience in property management. He was awarded the Medal of Honour in 2005 and the Bronze Bauhinia Star (BBS) in 2015 and appointed as a Justice of the Peace in 2011 by the Government of the Hong Kong Special Administrative Region respectively.

**LEE King Yue**, aged 89, has been an Executive Director of the Company since 1976. He joined Henderson Development Limited, the parent company of the Company on its incorporation in 1973 and has been engaged with Chairman in property development for over 60 years. Mr Lee is a director of Yamina Investment Limited, Believegood Limited, Cameron Enterprise Inc., South Base Limited and Richbond Investment Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

**FUNG LEE Woon King**, aged 77, has been an Executive Director of the Company since 1976. She joined Henderson Development Limited ("Henderson Development"), the parent company of the Company as treasurer in 1974 and has been an executive director of Henderson Development since 1979. She is also the treasurer of Henderson Development Group, Henderson Land Group and Henderson Investment Group. Madam Fung is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development, Yamina Investment Limited, Believegood Limited, Cameron Enterprise Inc., South Base Limited and Richbond Investment Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. She is the sister of Dr Lee Shau Kee and Mr Lee Tat Man and the relative of Dr Lee Ka Kit, Mr Lee Ka Shing, Ms Lee Pui Man, Margaret and Mr Li Ning.

**LAU Yum Chuen, Eddie**, aged 69, has been an Executive Director of the Company since 1987. He has over 45 years' experience in banking, finance and investment. Mr Lau is also a non-executive director of Hong Kong Ferry (Holdings) Company Limited and an executive director of Miramar Hotel and Investment Company, Limited, both of which are listed companies.

**KWOK Ping Ho**, *BSc*, *MSc*, *Post-Graduate Diploma in Surveying*, *ACIB*, aged 63, joined the Company in 1987 and has been an Executive Director since 1993. He holds a B.Sc. (Engineering) degree, an M.Sc. (Administrative Sciences) degree and a Post-Graduate Diploma in Surveying (Real Estate Development). Mr Kwok is an Associate Member of The Chartered Institute of Bankers of the United Kingdom and he had worked in the international banking field for more than 11 years with postings in London, Chicago, Kuala Lumpur, Singapore as well as in Hong Kong before joining the Company. He is also a non-executive director of Henderson Sunlight Asset Management Limited, the manager of the publicly-listed Sunlight Real Estate Investment Trust. Mr Kwok is a director of Believegood Limited which has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. Mr Kwok is also an Honorary Professor in the Department of Real Estate and Construction, Faculty of Architecture of The University of Hong Kong.

**WONG Ho Ming, Augustine**, *JP*, *MSc*, *MEcon*, *FHKIS*, *MRICS*, *MCIArb*, *RPS (GP)*, aged 55, joined the Company in 1996 and has been an Executive Director of the Company since September 2010. He is presently the General Manager of Property Development Department as well. He is a registered professional surveyor and has over 31 years' experience in property appraisal, dealing and development. He was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region in 2008.

## Non-executive Directors

**LEE Pui Ling, Angelina**, *SBS*, *JP*, *LLB*, *FCA*, aged 67, has been a Director of the Company since 1996 and was re-designated as Non-executive Director in 2004. Mrs Lee is a Partner of the firm of solicitors, Woo, Kwan, Lee & Lo, and is a Fellow of the Institute of Chartered Accountants in England and Wales. Mrs Lee is active in public service and is currently a member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority and a member of the Takeovers and Mergers Panel of the Securities and Futures Commission. She is also a non-executive director of Cheung Kong Infrastructure Holdings Limited and TOM Group Limited as well as an independent non-executive director of Great Eagle Holdings Limited, all of which are listed companies. Mrs Lee was previously a Non-executive Director of the Mandatory Provident Fund Schemes Authority and the Securities and Futures Commission.

**LEE Tat Man**, aged 78, has been a Director of the Company since 1976. He has been engaged in property development in Hong Kong for more than 40 years and is also an executive director of Henderson Investment Limited, a listed company. Mr Lee is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development Limited and Cameron Enterprise Inc. which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the brother of Dr Lee Shau Kee and Madam Fung Lee Woon King and the relative of Dr Lee Ka Kit, Mr Lee Ka Shing, Ms Lee Pui Man, Margaret and Mr Li Ning.

## Independent Non-executive Directors

**KWONG Che Keung, Gordon**, *FCA*, aged 66, has been an Independent Non-executive Director of the Company since 2004. He is also the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company. He graduated from The University of Hong Kong with a bachelor's degree in social sciences in 1972 and qualified as a chartered accountant in England in 1977. He was a partner of Pricewaterhouse from 1984 to 1998 and an independent member of the Council of The Stock Exchange of Hong Kong from 1992 to 1997. He is an independent non-executive director of Henderson Investment Limited, Agile Property Holdings Limited, China COSCO Holdings Company Limited, China Power International Development Limited, Chow Tai Fook Jewellery Group Limited, CITIC Telecom International Holdings Limited, Global Digital Creations Holdings Limited, NWS Holdings Limited, OP Financial Investments Limited and FSE Engineering Holdings Limited, all of which are listed companies. Mr Kwong previously served as an independent non-executive director of China Chengtong Development Group Limited until 1 November 2013.

**Professor KO Ping Keung**, *PhD, FIEEE, JP*, aged 65, has been an Independent Non-executive Director of the Company since 2004. He is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Professor Ko holds a Bachelor of Science (Honours) degree from The University of Hong Kong, a Doctor of Philosophy degree and a Master of Science degree from the University of California at Berkeley. He is an Adjunct Professor of Peking University and Tsinghua University and Emeritus Professor of Electrical & Electronic Engineering and the former Dean of the School of Engineering of The Hong Kong University of Science and Technology. He was the Vice Chairman of Electrical Engineering and Computer Science Department of the University of California at Berkeley in 1991 – 1993 and a member of Technical staff, Bell Labs, Holmdel, in 1982 – 1984. Professor Ko is an independent non-executive director of Henderson Investment Limited, a listed company.

**WU King Cheong**, *BBS, JP*, aged 65, has been an Independent Non-executive Director of the Company since 2005. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. Mr Wu is the Life Honorary Chairman of the Chinese General Chamber of Commerce, the Honorary Permanent President of the Chinese Gold & Silver Exchange Society and the Permanent Honorary President of the Hong Kong Securities Association Limited. He is an executive director of Lee Cheong Gold Dealers Limited. He is also an independent non-executive director of Yau Lee Holdings Limited, Henderson Investment Limited, Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited, all of which are listed companies.

**WOO Ka Biu, Jackson**, *MA (Oxon)*, aged 53, has been an Independent Non-executive Director of the Company since 1 March 2012. He holds an MA degree in Jurisprudence from the Oxford University and is a qualified solicitor in England and Wales, Hong Kong Special Administrative Region and Australia. He is an honorary director of Tsinghua University, a China-Appointed Attesting Officer appointed by the Ministry of Justice, People's Republic of China and a Practising Solicitor Member on the panel of the Solicitors' Disciplinary Tribunal in The Hong Kong Special Administrative Region. Mr Woo was a partner of Ashurst Hong Kong and a director of N M Rothschild & Sons (Hong Kong) Limited ("Rothschild"). Prior to joining Rothschild, Mr Woo was a partner in the corporate finance department of Woo, Kwan, Lee & Lo. Mr Woo was an alternate to Sir Po-shing Woo, in Sir Po-shing Woo's capacity as a non-executive director of the Company. He is a director of Kailey Group of Companies, the Chief Executive Officer of Challenge Capital Management Limited, Chairman (International) of Guantao Law Firm and a consultant of Messrs. Guantao & Chow. He is also an alternate to Sir Po-shing Woo, in Sir Po-shing Woo's capacity as a non-executive director of Sun Hung Kai Properties Limited, as well as an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd., both of which are listed companies. He is the son of Sir Po-shing Woo.

**LEUNG Hay Man**, *FRICS, FCIArb, FHKIS*, aged 81, has been a Director of the Company since 1981 and was re-designated as Non-executive Director in 2004. On 22 August 2012, Mr Leung was re-designated as Independent Non-executive Director of the Company. He is also a member of the Audit Committee and the Corporate Governance Committee of the Company. Mr Leung is a Chartered Surveyor. He is also an independent non-executive director of Henderson Investment Limited, Hong Kong Ferry (Holdings) Company Limited and The Hong Kong and China Gas Company Limited, all of which are listed companies.

**Professor POON Chung Kwong**, *GBS, JP, PhD, DSc*, aged 76, has been an Independent Non-executive Director and a member of the Corporate Governance Committee of the Company since 25 October 2012. Professor Poon obtained a Bachelor of Science (honours) degree from the University of Hong Kong, a Doctor of Philosophy degree and a Higher Doctor of Science degree from the University of London. He was a postdoctoral fellow at the California Institute of Technology and University of Southern California. He also held the Honorary Degree of Doctor of Humanities from The Hong Kong Polytechnic University in 2009. Professor Poon is currently the Chairman of Virya Foundation Limited (a registered non-profit charitable organization) and he is the President Emeritus and Emeritus Professor of The Hong Kong Polytechnic University and had devoted 40 years of his life to advancing university education in Hong Kong before he retired in January 2009 from his 18-year presidency at The Hong Kong Polytechnic University. Professor Poon was appointed a non-official Justice of the Peace (JP) in 1989 and received the OBE award in 1991, the Gold Bauhinia Star (GBS) award in 2002 by the Government of the Hong Kong Special Administrative Region, and the "Leader of the Year Awards 2008 (Education)". In addition, Professor Poon was appointed a member of the Legislative Council (1985 – 1991) and a member of the National Committee of the Chinese People's Political Consultative Conference (1998 – 2013). Professor Poon is the Honorary Professor of a number of top-rated universities in the mainland China. Professor Poon is a non-executive director of Lee & Man Paper Manufacturing Limited and an independent non-executive director of The Hong Kong and China Gas Company Limited, an associated company of the Company, Hopewell Highway Infrastructure Limited and Chevalier International Holdings Limited, all of which are listed companies. He served as an independent non-executive director of K.Wah International Holdings Limited, a listed company, until his resignation on 31 July 2015.

**Dr CHUNG Shui Ming, Timpson**, *GBS, JP, DSSc (Hon)*, aged 64, has been an Independent Non-executive Director of the Company since 8 November 2012 and is the Chairman of the Corporate Governance Committee of the Company. Dr Chung obtained a Bachelor's degree in science from the University of Hong Kong and a Master's degree in business administration from the Chinese University of Hong Kong, and was awarded a Doctor of Social Sciences honoris causa by the City University of Hong Kong. He is a fellow member of Hong Kong Institute of Certified Public Accountants. He is a member of the National Committee of the 10th, 11th and 12th Chinese People's Political Consultative Conference. Formerly, Dr Chung was the Chairman of the Council of the City University of Hong Kong, the Chairman of the Hong Kong Housing Society and the Chief Executive of the Hong Kong Special Administrative Region Government Land Fund Trust. Dr Chung is an independent non-executive director of Miramar Hotel and Investment Company, Limited, an associated company of the Company, China Unicom (Hong Kong) Limited, Glorious Sun Enterprises Limited, China Everbright Limited, China Overseas Grand Oceans Group Limited, China Construction Bank Corporation and Jinmao Investments and Jinmao (China) Investments Holdings Limited, all of which are listed on The Stock Exchange of Hong Kong Limited. Dr Chung is also an independent director of China State Construction Engineering Corporation Limited, listed on the Shanghai Stock Exchange. He was previously an independent director of China Everbright Bank Company Limited (listed on the Shanghai Stock Exchange). He also previously served as an independent non-executive director of Nine Dragons Paper (Holdings) Limited, a listed company, until his retirement on 3 March 2013.

## Senior Management

**YU Wai Wai**, *JP, BA (AS), B Arch, FHKIA, HonFHKIPM, Registered Architect (HK), Authorized Person (Architect)*, aged 55, joined the Company in 2013 and is presently the General Manager of Project Management (1) Department. He is a Fellow member of the Hong Kong Institute of Architects, an Honorary Fellow of the Hong Kong Institute of Project Management and an Authorized Person (Architect). He has over 30 years of experience in property planning and design, project management, quality management, cost management, land acquisition and customer services. He also has experience in art and cultures, green building innovations, heritage and conservation developments. Mr Yu was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region in 2013. Mr Yu was appointed as the Chairman of Professional Development Committee of the Estate Agents Authority in 2014. Prior to joining the company, he was an Executive Director of Sino Land Company Limited, a listed company.

**KWOK Man Cheung, Victor**, *BA (AS), B Arch (Dist), MSc (Con P Mgt), EMBA, FHKIA, MAPM, RIBA, Authorized Person (Architect), Registered Architect (HK), PRC Class 1 Registered Architect Qualification*, aged 62, joined the Company in 2005 and is presently the General Manager of Project Management (2) Department. He possesses professional qualifications of both a project manager and an architect. He holds a Bachelor of Architecture (Distinction) degree and a Master of Science in Construction Project Management degree from The University of Hong Kong, and an Executive Master of Business Administration degree from Tsinghua University. He is a Fellow Member of The Hong Kong Institute of Architects and a Member of Association of Project Management. He has over 37 years of professional experience in the property and construction industry of Hong Kong and mainland China.

**LEUNG Kam Leung**, *MSc, PGDMS, FHKIS, FRICS, RPS (GP)*, aged 62, joined the Company in 1997 and is presently the General Manager of Property Planning Department. He holds a Master of Science degree in International Real Estate and a Postgraduate Diploma in Management Studies. He is a Fellow Member of The Hong Kong Institute of Surveyors and The Royal Institution of Chartered Surveyors and is also a Registered Professional Surveyor. He has over 39 years' experience in land and property development. Prior to joining the Company, Mr Leung held a Chief Estate Surveyor post in the Lands Department of the Hong Kong Government and had over 20 years' experience in government land disposal, land exchange, lease modification and premium assessment. He is currently serving on several government advisory committees.

**WONG Wing Hoo, Billy**, *BBS, JP, BSc, FICE, FHKIE, FIHT, FHKIHT, RPE*, aged 58, joined the Company in 2006 and is presently the General Manager of Construction Department. He is a fellow member of the Institution of Civil Engineers, Hong Kong Institution of Engineers, Institution of Highways and Transportation and Hong Kong Institution of Highways and Transportation. He is also a Registered Professional Engineer under the Engineers Registration Ordinance Chapter 409. Mr Wong was appointed as a Justice of the Peace in 2005 and was awarded Bronze Bauhinia Star (BBS) in 2014 by the Government of the Hong Kong Special Administrative Region respectively. He previously served as President of Hong Kong Construction Association, Chairman of Construction Industry Training Authority and Chairman of Construction Industry Training Board. Mr Wong is currently a Director of Hong Kong Science & Technology Parks Corporation, Director of Hong Kong Airport Authority and Permanent Supervisor of Hong Kong Construction Association.

**CHENG Yuk Lun, Stephen**, *BSc(Eng), C Eng, MICE, MIStructE, MHKIE, RPE, Registered Structural Engineer, Registered Geotechnical Engineer, Authorized Person (List II), PRC Class 1 Registered Structural Engineer Qualification*, aged 67, joined the Company in 1994 and is presently the Senior General Manager of the Engineering Department. He is a member of the Hong Kong Institution of Engineers, the Institution of Civil Engineers, and the Institution of Structural Engineers. He has over 35 years of professional experience in structural, civil, and geotechnical engineering.

**WONG Man Wa, Raymond**, *LLB, PCLL, Solicitor*, aged 50, joined the Company in December 2012 and is presently the Senior General Manager of Sales Department. He possesses professional qualification as a solicitor in Hong Kong and is presently a member of the Property Committee of The Law Society of Hong Kong. He is also an individual member of The Real Estate Developers Association of Hong Kong. He holds a Bachelor of Laws (LL.B) degree and a Postgraduate Certificate in Laws (PCLL) from The University of Hong Kong. Prior to joining the Company, he had over 22 years' practical experience as a lawyer specializing in land and property development related works and was a partner of one of the largest international law firms in Hong Kong.

**LAM Tat Man, Thomas**, *MEM(UTS), DMS, EHKIM, MHIREA, CHINA GBL MANAGER*, aged 56, joined the Company in 1983 and is presently the General Manager of Sales (1) Department. He holds a Master Degree in Engineering Management from the University of Technology, Sydney, Australia and a Diploma in Management Studies from The Hong Kong Polytechnic University. He is an Ordinary Member of Hong Kong Institute of Real Estate Administrators and an Executive Member of Hong Kong Institute of Marketing and a China Green Building Label Manager. He has over 32 years' experience in property sales and marketing.

**HAHN Ka Fai, Mark**, *BSc, MRICS, MHKIS, RPS (GP)*, aged 52, joined the company in 2013 and is presently the General Manager of Sales (2) Department. He is a member of both The Royal Institution of Chartered Surveyors and The Hong Kong Institute of Surveyors. He has over 29 years' experience in property acquisitions, developments, sales and marketing as well as fund raising involving projects in Hong Kong, mainland China, Taiwan and Japan. Prior to joining the Company, he was a founding Director of CY Leung & Co (now DTZ), Associate Director at Sino Land and Executive Director, Asia/Managing Director, Development at Grosvenor.

**CHOI Ngai Min, Michael**, *BBS, JP*, aged 58, joined the Company in 2013 and is presently the Incharge of China Sales and land acquisition. He graduated from the Business Management Department of the Hong Kong Baptist College and holds a Master Degree in Business Administration from the University of East Asia, Macau. He has been in the real estate industry for 35 years and has extensive knowledge and experience in the real estate markets in Hong Kong and mainland China. Mr Choi was appointed as a Justice of the Peace in 2005 and was awarded Bronze Bauhinia Star (BBS) in 2015 by the Government of the Hong Kong Special Administrative Region respectively. Currently, he is a member of Subsidised Housing Committee of the Hong Kong Housing Authority, the Vice President of The Hong Kong Real Property Federation Limited and the Vice President of the Hong Kong Institute of Real Estate Administrators.

**LEE Pui Man, Margaret**, *BHum (Hons)*, aged 55, joined the Company in 1984 and is presently the Senior General Manager of Portfolio Leasing Department. She holds a B Hum (Honours) degree from the University of London and has over 31 years' experience in marketing development. She is the eldest daughter of Dr Lee Shau Kee, the spouse of Mr Li Ning, the sister of Dr Lee Ka Kit and Mr Lee Ka Shing and the relative of Mr Lee Tat Man and Madam Fung Lee Woon King.

**SIT Pak Wing**, *ACIS, FHIREA*, aged 68, joined the Company in 1991 and is presently the General Manager of Portfolio Leasing Department. He is a Member of The Institute of Chartered Secretaries and Administrators, a Fellow Member of the Hong Kong Institute of Real Estate Administrators and an individual Member of The Real Estate Developers Association of Hong Kong. He has over 35 years' experience in marketing development, leasing and property management.

**Dr WONG Kim Wing, Ball**, *BA (AS), B. Arch, PhD (Finance), FHKIA, Registered Architect (HK), Authorized Person (List 1, HK)*, aged 54, joined the Company in 2011 as the group consultant and serves to advise Henderson Land Group in his expert areas of sales and marketing, leasing, and project management. He is also presently acting as the General Manager of Asset Development Department and advises Henderson Land Group on its asset development and asset branding of investment portfolio. Dr Wong is a Registered Architect and Authorized Person in Hong Kong and holds a PhD Degree in Finance from the Shanghai University of Finance and Economics. Prior to joining Henderson Land Group, he was an executive director of CC Land Holdings Ltd., and was the Director (Project and Planning) of The Link Management Limited (as Manager of The Link Real Estate Investment Trust). He had also served Sun Hung Kai Properties Group for over 10 years.

**LIU Cheung Yuen, Timon**, *BEc, FCPA, CA (Aust), FCS, FCIS*, aged 58, joined the Henderson Land Group in 2005 and is presently the Company Secretary of the Group. Mr Liu graduated from Monash University, Australia with a bachelor's degree in Economics. He is a fellow of both the Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Chartered Secretaries, and an associate of The Institute of Chartered Accountants in Australia. He has many years' experience in accounting, auditing, corporate finance, corporate investment and development, and company secretarial practice.

**WONG Wing Kee, Christopher**, *BSc (Econ), FCA*, aged 53, joined the Company in June 2007 and is presently the General Manager of Accounts Department. Mr Wong graduated from The London School of Economics and Political Science, University of London and is a fellow of the Institute of Chartered Accountants in England & Wales. He has over 25 years of experience in accounting, auditing, investment banking and corporate finance in the United Kingdom and in Hong Kong. Prior to joining the Company, Mr Wong was the Chief Financial Officer of Kerry Properties Limited between December 2004 and May 2007.

**NGAN Suet Fong, Bonnie**, *BBA*, aged 58, joined the Company in January 2005 and is presently the General Manager of Corporate Communications Department. Ms Ngan graduated from the University of Wisconsin, USA. She has over 30 years of experience in both banking and real estate industries, and has held senior positions in corporate communications, marketing, retail banking and e-business. Prior to joining the Company, Ms Ngan was the General Manager, Corporate Communications and Public Relations of Hong Kong Tourism Board.

# Financial Statements

# Report of the Independent Auditor

## Independent auditor's report to the members of Henderson Land Development Company Limited

*(Incorporated in Hong Kong with limited liability)*

We have audited the consolidated financial statements of Henderson Land Development Company Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 131 to 229, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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 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. This report is made solely to you, as a body, in accordance with section 405 of 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 compliance with the Hong Kong Companies Ordinance.

**KPMG**
*Certified Public Accountants*

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

21 March 2016

# Consolidated Statement of Profit or Loss

for the year ended 31 December 2015

| | Note | **2015 HK$ million** | 2014 HK$ million |
|---|---|---|---|
| **Revenue** | 5 | **23,641** | 23,371 |
| **Direct costs** | | **(12,669)** | (14,168) |
| | | **10,972** | 9,203 |
| Other revenue | 6 | **450** | 560 |
| Other net income | 7 | **524** | 405 |
| Selling and marketing expenses | | **(1,298)** | (1,192) |
| Administrative expenses | | **(2,078)** | (2,020) |
| **Profit from operations before changes in fair value of investment properties and investment properties under development** | | **8,570** | 6,956 |
| Increase in fair value of investment properties and investment properties under development | 16(a) | **7,310** | 5,538 |
| **Profit from operations after changes in fair value of investment properties and investment properties under development** | | **15,880** | 12,494 |
| Finance costs | 8(a) | **(842)** | (859) |
| Share of profits less losses of associates | | **4,247** | 4,181 |
| Share of profits less losses of joint ventures | | **4,053** | 2,657 |
| **Profit before taxation** | 8 | **23,338** | 18,473 |
| Income tax | 11(a) | **(1,464)** | (1,533) |
| **Profit for the year** | | **21,874** | 16,940 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **21,326** | 16,752 |
| Non-controlling interests | | **548** | 188 |
| **Profit for the year** | | **21,874** | 16,940 |
| ***Earnings per share based on profit attributable to equity shareholders of the Company (reported earnings per share)*** | | | |
| *Basic and diluted* | *14(a)* | ***HK$6.46*** | *HK$5.11** |
| ***Earnings per share excluding the effects of changes in fair value of investment properties and investment properties under development (net of deferred tax) (underlying earnings per share)*** | | | |
| *Basic and diluted* | *14(b)* | ***HK$3.33*** | *HK$2.99** |

* *Adjusted for the bonus issue effected in 2015.*

The notes on pages 139 to 229 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 12.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2015

| | Note | **2015 HK$ million** | 2014 HK$ million |
|---|---|---|---|
| **Profit for the year** | | **21,874** | 16,940 |
| **Other comprehensive income for the year (after tax and reclassification adjustments):** | 13 | | |
| Items that will not be reclassified to profit or loss: | | | |
| – Share of other comprehensive income of associates and joint ventures | | **(11)** | (27) |
| Items that may be reclassified subsequently to profit or loss: | | | |
| – Exchange differences: net movement in the exchange reserve | | **(3,253)** | (248) |
| – Cash flow hedges: net movement in the hedging reserve | | **(243)** | (342) |
| – Available-for-sale securities: net movement in the fair value reserve | | **164** | 133 |
| – Share of other comprehensive income of associates and joint ventures | | **(1,584)** | (302) |
| Other comprehensive income for the year | | **(4,927)** | (786) |
| **Total comprehensive income for the year** | | **16,947** | 16,154 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **16,461** | 15,969 |
| Non-controlling interests | | **486** | 185 |
| **Total comprehensive income for the year** | | **16,947** | 16,154 |

The notes on pages 139 to 229 form part of these financial statements.

# Consolidated Statement of Financial Position

at 31 December 2015

| | Note | At 31 December 2015 HK$ million | At 31 December 2014 HK$ million |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | 16 | **128,597** | 117,836 |
| Other property, plant and equipment | 16 | **1,692** | 1,869 |
| Intangible operating right | 17 | **–** | 361 |
| Interest in associates | 19 | **51,953** | 50,146 |
| Interest in joint ventures | 20 | **35,619** | 32,365 |
| Derivative financial instruments | 21 | **300** | 318 |
| Other financial assets | 22 | **8,322** | 7,423 |
| Deferred tax assets | 11(c) | **527** | 556 |
| | | **227,010** | 210,874 |
| **Current assets** | | | |
| Deposits for acquisition of properties | 23 | **4,820** | 5,463 |
| Inventories | 24 | **81,556** | 80,101 |
| Trade and other receivables | 25 | **8,371** | 8,520 |
| Cash held by stakeholders | | **2,733** | 1,719 |
| Cash and bank balances | 27 | **11,779** | 10,303 |
| | | **109,259** | 106,106 |
| **Current liabilities** | | | |
| Trade and other payables | 28 | **19,098** | 17,304 |
| Bank loans and overdrafts | 29 | **10,216** | 13,590 |
| Guaranteed notes | 30 | **2,192** | – |
| Amount due to a fellow subsidiary | 31 | **8** | 409 |
| Tax payable | | **790** | 937 |
| | | **32,304** | 32,240 |
| **Net current assets** | | **76,955** | 73,866 |
| **Total assets less current liabilities** | | **303,965** | 284,740 |

at 31 December 2015

| | Note | At 31 December 2015 HK$ million | At 31 December 2014 HK$ million |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Bank loans | 29 | **24,798** | 12,968 |
| Guaranteed notes | 30 | **13,705** | 16,144 |
| Amount due to a fellow subsidiary | 31 | **1,177** | 4,612 |
| Derivative financial instruments | 21 | **1,773** | 1,473 |
| Deferred tax liabilities | 11(c) | **6,243** | 6,326 |
| | | **47,696** | 41,523 |
| **NET ASSETS** | | **256,269** | 243,217 |
| **CAPITAL AND RESERVES** | 32 | | |
| Share capital | 39(c) | **52,345** | 52,010 |
| Other reserves | | **198,902** | 186,140 |
| **Total equity attributable to equity shareholders of the Company** | | **251,247** | 238,150 |
| **Non-controlling interests** | | **5,022** | 5,067 |
| **TOTAL EQUITY** | | **256,269** | 243,217 |

Approved and authorised for issue by the Board of Directors on 21 March 2016.

**Lee Shau Kee**
**Lee Tat Man**
*Directors*

The notes on pages 139 to 229 form part of these financial statements.

# Consolidated Statement of Changes in Equity

for the year ended 31 December 2015

| | Note | Attributable to equity shareholders of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Share capital HK$ million | Share premium HK$ million | Capital redemption reserve HK$ million | Property revaluation reserve HK$ million | Exchange reserve HK$ million | Fair value reserve HK$ million | Hedging reserve HK$ million | Other reserves HK$ million | Retained profits HK$ million | Total HK$ million | Non-controlling interests HK$ million | Total equity HK$ million |
| **Balance at 1 January 2014** | | 5,398 | 45,127 | 20 | 16 | 8,436 | 346 | 30 | (1) | 164,030 | 223,402 | 4,598 | 228,000 |
| **Changes in equity for 2014:** | | | | | | | | | | | | | |
| Profit for the year | | – | – | – | – | – | – | – | – | 16,752 | 16,752 | 188 | 16,940 |
| Other comprehensive income for the year | 13(c) | – | – | – | – | (552) | 169 | (373) | – | (27) | (783) | (3) | (786) |
| Total comprehensive income for the year | | – | – | – | – | (552) | 169 | (373) | – | 16,725 | 15,969 | 185 | 16,154 |
| Transfer to other reserves | | – | – | – | – | – | – | – | 4 | (4) | – | – | – |
| Shares issued in respect of scrip dividends | 39(c) | 1,465 | – | – | – | – | – | – | – | – | 1,465 | – | 1,465 |
| Bonus shares issued | 39(c) | – | – | – | – | – | – | – | – | – | – | – | – |
| Dividend approved in respect of the previous financial year | 12(b) | – | – | – | – | – | – | – | – | (1,997) | (1,997) | – | (1,997) |
| Dividend declared and paid in respect of the current year | 12(a) | – | – | – | – | – | – | – | – | (1,020) | (1,020) | – | (1,020) |
| Dividends paid to non-controlling interests | | – | – | – | – | – | – | – | – | – | – | (744) | (744) |
| Incorporation of a non-wholly owned subsidiary | | – | – | – | – | – | – | – | – | – | – | 1 | 1 |
| Contribution from non-controlling interests, net | | – | – | – | – | – | – | – | – | – | – | 1,358 | 1,358 |
| Disposal of partial interest in subsidiaries | 18 | – | – | – | – | – | – | – | – | 331 | 331 | (331) | – |
| Transition to the no-par value regime on 3 March 2014 | 39(c) | 45,147 | (45,127) | (20) | – | – | – | – | – | – | – | – | – |
| **Balance at 31 December 2014** | | 52,010 | – | – | 16 | 7,884 | 515 | (343) | 3 | 178,065 | 238,150 | 5,067 | 243,217 |

for the year ended 31 December 2015

| | Note | Share capital HK$ million | Property revaluation reserve HK$ million | Exchange reserve HK$ million | Fair value reserve HK$ million | Hedging reserve HK$ million | Other reserves HK$ million | Retained profits HK$ million | Total HK$ million | Non-controlling interests HK$ million | Total equity HK$ million |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Attributable to equity shareholders of the Company | | | | | | | | | |
| **Balance at 1 January 2015** | | 52,010 | 16 | 7,884 | 515 | (343) | 3 | 178,065 | 238,150 | 5,067 | 243,217 |
| **Changes in equity for 2015:** | | | | | | | | | | | |
| Profit for the year | | – | – | – | – | – | – | 21,326 | 21,326 | 548 | 21,874 |
| Other comprehensive income for the year | 13(c) | – | – | (4,293) | (256) | (305) | – | (11) | (4,865) | (62) | (4,927) |
| Total comprehensive income for the year | | – | – | (4,293) | (256) | (305) | – | 21,315 | 16,461 | 486 | 16,947 |
| Transfer to other reserves | | – | – | – | – | – | 84 | (84) | – | – | – |
| Shares issued in respect of scrip dividends | 39(c) | 335 | – | – | – | – | – | – | 335 | – | 335 |
| Bonus shares issued | 39(c) | – | – | – | – | – | – | – | – | – | – |
| Dividend approved in respect of the previous financial year | 12(b) | – | – | – | – | – | – | (2,280) | (2,280) | – | (2,280) |
| Dividend declared and paid in respect of the current year | 12(a) | – | – | – | – | – | – | (1,256) | (1,256) | – | (1,256) |
| Share of associates' reserves | | – | – | – | – | – | 5 | (168) | (163) | – | (163) |
| Dividends paid to non-controlling interests | | – | – | – | – | – | – | – | – | (190) | (190) |
| Increase of shareholding in a subsidiary | | – | – | – | – | – | – | – | – | (1) | (1) |
| Repayment to non-controlling interests, net | | – | – | – | – | – | – | – | – | (340) | (340) |
| **Balance at 31 December 2015** | | 52,345 | 16 | 3,591 | 259 | (648) | 92 | 195,592 | 251,247 | 5,022 | 256,269 |

The notes on pages 139 to 229 form part of these financial statements.

# Consolidated Cash Flow Statement

for the year ended 31 December 2015

| | Note | 2015<br>HK$ million | 2014<br>HK$ million |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before taxation | | **23,338** | 18,473 |
| Adjustments for: | | | |
| – Interest income | | **(529)** | (534) |
| – Dividend income from investments in available-for-sale securities | 8(d) | **(175)** | (228) |
| – Net gain on disposal of investment properties and other property, plant and equipment | 7 | **(160)** | (598) |
| – Other property, plant and equipment written off | 7 | **21** | 25 |
| – Impairment loss on other property, plant and equipment | 7 | **10** | – |
| – Provision on inventories, net | 7 | **147** | 5 |
| – Bad debts written off | 7 | **2** | 10 |
| – Impairment loss/(reversal of impairment loss) on trade debtors | 7 | **25** | (1) |
| – Net realised loss on derivative financial instruments | 7 | **–** | 26 |
| – Net gain on disposal of subsidiaries | 7 & 34(b) | **(52)** | (140) |
| – Other net gain recognised by HIL arising from the Compensation Payment (net of expenses in relation to the Arbitration) and after deducting the Joint Venture Company Impairment (as defined in note 17) | 7 | **(230)** | – |
| – Impairment loss on available-for-sale securities | 7 | **1** | 362 |
| – Net gain on disposal of available-for-sale securities | 7 | **(164)** | (2) |
| – Net fair value gain on derivative financial instruments | 7 | **(84)** | – |
| – Impairment loss on held-to-maturity debt securities | 7 | **15** | – |
| – Increase in fair value of investment properties and investment properties under development | 16(a) | **(7,310)** | (5,538) |
| – Finance costs | 8(a) | **842** | 859 |
| – Amortisation and depreciation | 8(d) | **139** | 176 |
| – Share of profits less losses of associates | | **(4,247)** | (4,181) |
| – Share of profits less losses of joint ventures | | **(4,053)** | (2,657) |
| – Net foreign exchange gain | | **(246)** | (108) |
| **Operating profit before changes in working capital** | | **7,290** | 5,949 |
| Increase in instalments and loan receivable | | **(1,052)** | (420) |
| Decrease in long term receivable | | **–** | 14 |
| Decrease in deposits for acquisition of properties | | **395** | 126 |
| (Increase)/decrease in inventories (other than those acquired through purchase of subsidiaries and transfers to/from investment properties) | | **(7,030)** | 139 |
| Decrease/(increase) in debtors, prepayments and deposits | | **476** | (1,844) |
| Decrease in gross amount due from customers for contract work | | **13** | 78 |
| (Increase)/decrease in cash held by stakeholders | | **(1,014)** | 224 |
| (Increase)/decrease in cash restricted for use | | **(968)** | 857 |
| (Decrease)/increase in creditors and accrued expenses | | **(8)** | 460 |
| (Decrease)/increase in gross amount due to customers for contract work | | **(38)** | 27 |
| Increase in rental and other deposits | | **124** | 123 |
| Increase/(decrease) in forward sales deposits received | | **2,095** | (3) |
| **Cash generated from operations** | | **283** | 5,730 |
| Interest received | | **207** | 132 |
| Tax paid | | | |
| – Hong Kong | | **(465)** | (936) |
| – Outside Hong Kong | | **(803)** | (517) |
| **Net cash (used in)/generated from operating activities** | | **(778)** | 4,409 |

for the year ended 31 December 2015

| | Note | 2015 HK$ million | 2014 HK$ million |
|---|---|---|---|
| **Investing activities** | | | |
| Payment for purchase of investment properties and other property, plant and equipment | | **(729)** | (5,233) |
| Proceeds from disposal of investment properties and other property, plant and equipment | | **321** | 850 |
| (Advances to)/repayment from associates | | **(800)** | 437 |
| (Advances to)/repayment from joint ventures | | **(683)** | 843 |
| Additional investments in associates | | **(92)** | (1) |
| Additional investments in joint ventures | | **(19)** | – |
| Payment for purchase of available-for-sale securities | | **(266)** | (1,147) |
| Payment for purchase of held-to-maturity debt securities | | **(191)** | (970) |
| Proceeds from sale of available-for-sale securities | | **670** | 7 |
| Net cash outflow in respect of the acquisition of subsidiaries | 34(a) | **(74)** | (77) |
| Proceeds from disposal of a subsidiary in previous year | | **–** | 928 |
| Net cash inflow in respect of the disposal of subsidiaries | 34(b) | **106** | 265 |
| Additional investments in subsidiaries | | **(44)** | (2) |
| Interest received | | **323** | 405 |
| Dividends received from associates | | **1,838** | 1,736 |
| Dividends received from joint ventures | | **1,165** | 1,839 |
| Net cash inflow from Compensation Payment of HIL after deducting cash and cash equivalents of the Joint Venture Company (as defined in note 17) | | **439** | – |
| Contribution from available-for-sale securities | | **35** | – |
| Dividends received from available-for-sale securities | | **167** | 228 |
| Increase in deposits with banks and other financial institutions over three months of maturity at acquisition | | **(680)** | (69) |
| **Net cash generated from investing activities** | | **1,486** | 39 |
| **Financing activities** | | | |
| (Repayment to)/advance from non-controlling interests, net | | **(342)** | 1,338 |
| Proceeds from new bank loans | | **36,766** | 16,237 |
| Repayment of bank loans | | **(28,062)** | (18,046) |
| Repayment of guaranteed notes, net | | **–** | (1,910) |
| Decrease in amount due to a fellow subsidiary | | **(3,820)** | (423) |
| Interest and other borrowing costs paid | | **(1,890)** | (2,107) |
| Dividends paid to equity shareholders of the Company | | **(3,201)** | (1,553) |
| Dividends paid to non-controlling interests | | **(190)** | (744) |
| **Net cash used in financing activities** | | **(739)** | (7,208) |
| **Net decrease in cash and cash equivalents** | | **(31)** | (2,760) |
| **Cash and cash equivalents at 1 January** | | **8,560** | 11,355 |
| **Effect of foreign exchange rate changes** | | **(64)** | (35) |
| **Cash and cash equivalents at 31 December** | 27 | **8,465** | 8,560 |

The notes on pages 139 to 229 form part of these financial statements.

## 1 General information

Henderson Land Development Company Limited ("the Company") is incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the Company's registered office and principal place of business is 72/F-76/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are property development and investment, hotel operation and management, department store operation and management, construction, infrastructure, finance, project management, investment holding and property management.

## 2 Significant accounting policies

### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). A summary of the significant accounting policies adopted by the Company and its subsidiaries (collectively referred to as "the Group") is set out below.

### (b) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company:

- Amendments to HKAS 19, *Defined benefit plans: Employee contributions*

  The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on these financial statements as the defined benefit plans operated by the Company's associates are wholly funded by contributions from the Group to which they belong and do not involve contributions from employees or third parties.

- Annual improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

  These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, *Related party disclosures* has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 2 Significant accounting policies (continued)

### (b) Changes in accounting policies (continued)

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

| | **Effective for accounting periods beginning on or after** |
|---|---|
| Annual improvements to HKFRSs 2012-2014 cycle | 1 January 2016 |
| Amendments to HKFRS 10 and HKAS 28, *Sale or contribution of assets between an investor and its associate and joint venture* | 1 January 2016 |
| Amendments to HKFRS 11, *Accounting for acquisitions of interest in joint operations* | 1 January 2016 |
| Amendments to HKAS 1, *Disclosure initiative* | 1 January 2016 |
| Amendments to HKAS 16, and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation* | 1 January 2016 |
| Amendments to HKAS 27, *Equity method in separate financial statements* | 1 January 2016 |
| HKFRS 9, *Financial instruments* | 1 January 2018 |
| HKFRS 15, *Revenue from contracts with customers* | 1 January 2018 |

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that, except for HKFRS 9, *Financial instruments* and HKFRS 15, *Revenue from contracts with customers* in relation to which it is not practicable to provide a reasonable estimate about the impact on the Group's financial statements until the Group performs a detailed review, the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

In addition, the requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) came into operation during the financial year. The adoption of the requirements has primarily impacted the presentation and disclosure of information in the consolidated financial statements. These changes mainly include the presentation of the Company's statement of financial position as a note disclosure instead of a primary statement, updating any reference to the Hong Kong Companies Ordinance (Cap. 622) and replacing certain terminology no longer used in the Hong Kong Companies Ordinance (Cap. 622) with terminology used in HKFRS.

### (c) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries and the Group's interest in associates and joint ventures.

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

– financial instruments classified as available-for-sale securities (see note 2(g));

– derivative financial instruments (see note 2(h)); and

– investment properties and investment properties under development (see note 2(j)(i)).

## 2 Significant accounting policies (continued)

### (c) Basis of preparation of the financial statements (continued)

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and the key sources of estimation uncertainty are discussed in note 3.

### (d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

## 2 Significant accounting policies (continued)

### (d) Subsidiaries and non-controlling interests (continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)) or, where appropriate, the cost on initial recognition of an investment in an associate or a joint venture (see note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(n)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

### (e) Associates and joint ventures

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(n)). Any excess of acquisition-date fair value over cost, the Group's share of the post-acquisition post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investee's other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

## 2 Significant accounting policies (continued)

### (e) Associates and joint ventures (continued)

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)).

In the Company's statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses (see note 2(n)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

### (f) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(n)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

## 2 Significant accounting policies (continued)

### (g) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Non-derivative financial assets with fixed or determinable payments and maturity date, and for which the Group has the positive ability and intention to hold to maturity, are classified as held-to-maturity securities. Held-to-maturity securities are initially recognised at fair value and at the end of each reporting period, they are measured at amortised cost using the effective interest method less impairment losses (see note 2(n)). Foreign exchange gains and losses resulting from changes in the amortised cost of held-to-maturity debt securities are also recognised in profit or loss.

Investments in securities which do not fall into the above category are classified as available-for-sale securities. At the end of each reporting period the fair value is re-measured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(n)). Dividend income from equity securities is recognised in profit or loss in accordance with the policy set out in note 2(x)(vii).

When the investments are derecognised or impaired (see note 2(n)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

### (h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is re-measured. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 2(i)).

## 2 Significant accounting policies (continued)

### (i) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on re-measurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the financial asset acquired or financial liability assumed affects profit or loss (such as when interest income or expense is recognised).

For cash flow hedges other than those covered by the preceding two policy statements, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

## 2 Significant accounting policies (continued)

### (j) Investment properties and other property, plant and equipment

*(i) Investment properties and investment properties under development*

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(m)(i)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(x)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(m)(i)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(m).

*(ii) Other property, plant and equipment*

The following items of property, plant and equipment are stated at cost less accumulated depreciation (see note 2(k)) and impairment losses (see note 2(n)):

– hotel properties;

– other land and buildings;

– leasehold land classified as being held for own use under finance leases; and

– other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the costs of materials and direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(z)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the property revaluation reserve to retained profits and is not reclassified to profit or loss.

## 2 Significant accounting policies (continued)

### (k) Depreciation

*(i) Investment properties and investment properties under development*

No depreciation is provided on investment properties and investment properties under development.

*(ii) Hotel properties, leasehold land classified as being held for own use under finance leases and other land and buildings*

Depreciation is provided on the cost of the leasehold land of properties over the unexpired terms of the leases. Cost of buildings thereon is depreciated on a straight-line basis over the unexpired terms of the respective leases or 40 years, if shorter.

*(iii) Other items of plant and equipment*

Depreciation is calculated to write off the cost of other items of plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

| | | |
|---|---|---|
| – | Leasehold improvements, furniture and fixtures | 5 years |
| – | Others | 2 to 10 years |

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

### (l) Intangible operating right

Intangible operating right is stated at cost less accumulated amortisation and impairment losses (see note 2(n)).

Amortisation is provided to write off the cost of intangible operating right using the straight-line method over its remaining life.

Intangible operating right is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains or losses arising from derecognition of an intangible operating right are measured as 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.

## 2 Significant accounting policies (continued)

### (m) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

*(i) Classification of assets leased to the Group*

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if it was held under a finance lease (see note 2(j)(i)); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

*(ii) Operating lease charges*

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(j)(i)) or is held for/under development for sale (see note 2(o)(ii)).

## 2 Significant accounting policies (continued)

### (n) Impairment of assets

*(i) Impairment of investments in debt and equity securities and other receivables*

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an available-for-sale security below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements (see note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(n)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(n)(ii).

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

## 2 Significant accounting policies (continued)

### (n) Impairment of assets (continued)

*(i) Impairment of investments in debt and equity securities and other receivables* (continued)

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

## 2 Significant accounting policies (continued)

### (n) Impairment of assets (continued)

*(ii) Impairment of other assets*

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

– Other property, plant and equipment;

– intangible operating right;

– goodwill; and

– investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, the recoverable amount of goodwill is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measureable), or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

## 2 Significant accounting policies (continued)

### (n) Impairment of assets (continued)

*(iii) Interim financial reporting and impairment*

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the aforementioned interim period, the Group applies the same impairment testing, recognition and reversal criteria (see notes 2(n)(i) and (ii)) as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which such interim period relates. Consequently, if the fair value of an available-for-sale security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

### (o) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost and net realisable value are determined as follows:

*(i) Leasehold land held for development for sale*

The cost of leasehold land, which is held for development for sale, represents the cost of acquisition and the premium, if any, payable to the relevant government authorities. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

*(ii) Properties held for/under development for sale*

The cost of properties held for/under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, and an appropriate proportion of overheads and borrowing costs capitalised (see note 2(z)). Net realisable value represents the estimated selling price, based on prevailing market conditions, less estimated costs of completion and costs to be incurred in selling the property.

*(iii) Completed properties for sale*

The cost of completed properties for sale comprises the total land and development costs for that project, being all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition, and is determined by apportionment attributable to the unsold properties. Net realisable value represents the estimated selling price, based on prevailing market conditions, less estimated costs to be incurred in selling the property.

*(iv) Retail, catering stocks and trading goods*

Cost is calculated using the weighted average cost formula and comprises all costs of purchase. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

## 2 Significant accounting policies (continued)

### (p) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 2(x)(iv). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the statement of financial position as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customers are included under "Debtors, prepayments and deposits". Amounts received before the related work is performed are included under "Creditors and accrued expenses".

### (q) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(n)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

### (r) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

### (s) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(w)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

### (t) Cash and cash equivalents

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

## 2 Significant accounting policies (continued)

### (u) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

### (v) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

## 2 Significant accounting policies (continued)

### (v) Income tax (continued)

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

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

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

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

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

  - the same taxable entity; or

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

## 2 Significant accounting policies (continued)

### (w) Financial guarantees issued, provisions and contingent liabilities

*(i) Financial guarantees issued*

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

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(w)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee; and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee, i.e. the amount initially recognised less accumulated amortisation.

*(ii) Other provisions and contingent liabilities*

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

## 2 Significant accounting policies (continued)

### (x) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

*(i) Sale of properties*

Revenue arising from the sale of properties held for sale is recognised upon the later of the signing of the sale and purchase agreement and the issue of an occupation permit/a completion certificate by the relevant government authorities, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under forward sales deposits received.

*(ii) Rental income from operating leases*

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

*(iii) Interest income*

Interest income is recognised as it accrues using the effective interest method.

*(iv) Contract revenue*

When the outcome of a construction contract can be estimated reliably:

– revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract; and

– revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that the costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable for such costs to be recoverable.

*(v) Hotel operation*

Income from hotel operation is recognised when services are provided.

*(vi) Sale of goods*

Revenue arising from the sale of goods from department store operation is recognised when goods are delivered which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue is recognised after deduction of any trade discounts.

## 2 Significant accounting policies (continued)

### (x) Revenue recognition (continued)

*(vii) Dividends*

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

### (y) Translation of foreign currencies

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Items in the statement of financial position, including goodwill arising on consolidation of foreign operations acquired on or after 1 July 2005, are translated into Hong Kong dollars at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 July 2005 is translated into Hong Kong dollars at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

### (z) Borrowing costs

Borrowing costs that are directly attributable to the construction of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

## 2 Significant accounting policies (continued)

### (aa) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or a joint venture of the other entity (or an associate or a joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a) above.

(vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of the Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

### (ab) Segment reporting

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

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

## 3 Accounting estimates and judgements

The key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are described below.

### (a) Valuation of investment properties and investment properties under development

As described in note 16, investment properties and investment properties under development are stated at fair value based on the valuation performed by an independent firm of professional surveyors.

In determining the fair value of investment properties, the valuers have based on a method of valuation which involves, inter alia, certain estimates including current market rents for similar properties in the same location and condition, appropriate discount rates and expected future market rents. In relying on the valuation report, management has exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

Investment properties under development are valued by estimating the fair value of such properties as if they were completed in accordance with the relevant development plan and then deducting from that amount the estimated costs to complete the construction, financing costs and a reasonable profit margin.

### (b) Impairment of non-current assets

If circumstances indicate that the carrying amounts of other property, plant and equipment may not be recoverable, the assets may be considered impaired and are tested for impairment. An impairment loss is recognised when the asset's recoverable amount has declined below its carrying amount. The recoverable amount is the greater of the fair value less costs of disposal and value in use. In determining the recoverable amount which requires significant judgements, the Group estimates the future cash flows to be derived from continuing use and ultimate disposal of the asset and applies an appropriate discount rate to these future cash flows.

### (c) Write-down of inventories for property development

Management performs a regular review on the carrying amounts of inventories for property development. Based on management's review, write-down of inventories for property development will be made when the estimated net realisable value has declined below the carrying amount.

In determining the net realisable value of completed properties for sale, management refers to prevailing market data such as recent sales transactions, market survey reports available from independent property surveyors and internally available information, as bases for evaluation.

In respect of leasehold land held for development for sale and properties held for/under development for sale, the estimate of net realisable value requires the application of a risk-adjusted discount rate to the estimated future cash flows to be derived from these properties. These estimates require judgement as to the anticipated selling prices by reference to recent sales transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the estimated costs to completion of properties, the legal and regulatory framework and general market conditions.

### (d) Recognition of deferred tax assets

At 31 December 2015, the Group has recognised deferred tax assets in relation to the unused tax losses as set out in note 11(c). The realisability of deferred tax assets mainly depends on whether it is probable that future taxable profits will be available against which related tax benefits under the deferred tax assets can be utilised. In cases where the actual future taxable profits generated are less than expected, a reversal of deferred tax assets may arise, which will be recognised in profit or loss for the period in which such a reversal takes place.

## 4 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

### (a) Credit risk

The Group's credit risk is primarily attributable to bank deposits, derivative financial instruments as well as instalments, loan, rental and other trade receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Transactions involving derivative financial instruments are also executed with counterparties of sound credit standing. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

Regular review and follow-up actions are carried out on overdue amounts of instalments receivable from sale of properties and loan receivable which enable management to assess their recoverability and to minimise the exposure to credit risk. In respect of rental income from leasing properties, monthly rents are received in advance and sufficient rental deposits are held to cover potential exposure to credit risk. For other trade receivables, credit terms given to customers are generally based on the financial strength and repayment history of each customer. As such, the Group does not obtain collateral from its customers. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with the receivables. Adequate allowance for impairment losses have been made for estimated irrecoverable amounts.

The Group has no concentrations of credit risk in view of its large number of customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. Except for the financial guarantees given by the Group as disclosed in note 37 to these financial statements, the Group does not provide any other guarantee which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 25 to these financial statements.

# 4 Financial risk management and fair values of financial instruments (continued)

## (b) Liquidity risk

The treasury function of the Group is arranged centrally to cover expected cash demands. The Group's policy is to regularly monitor its current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Given the amount due to a fellow subsidiary classified as non-current liabilities (see note 31), amounts due to associates and amounts due to joint ventures (see note 28) have no fixed terms of repayment, it is not practical to disclose their remaining contractual maturities at the end of the reporting period. Except for these, the following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

| | **2015 Contractual undiscounted cash outflow** | | | | | | 2014 Contractual undiscounted cash outflow | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Within 1 year or on demand HK$ million** | **More than 1 year but less than 2 years HK$ million** | **More than 2 years but less than 5 years HK$ million** | **More than 5 years HK$ million** | **Total HK$ million** | **Carrying amount HK$ million** | Within 1 year or on demand HK$ million | More than 1 year but less than 2 years HK$ million | More than 2 years but less than 5 years HK$ million | More than 5 years HK$ million | Total HK$ million | Carrying amount HK$ million |
| Bank loans and overdrafts | **10,594** | **3,014** | **22,765** | **–** | **36,373** | **35,014** | 13,889 | 4,810 | 8,788 | – | 27,487 | 26,558 |
| Guaranteed notes | **2,925** | **6,215** | **7,066** | **1,902** | **18,108** | **15,897** | 783 | 3,088 | 13,330 | 1,977 | 19,178 | 16,144 |
| Creditors and accrued expenses | **8,461** | **24** | **–** | **–** | **8,485** | **8,484** | 8,480 | 1 | 26 | – | 8,507 | 8,505 |
| Rental and other deposits | **591** | **460** | **308** | **53** | **1,412** | **1,412** | 527 | 545 | 207 | 41 | 1,320 | 1,320 |
| Amount due to a fellow subsidiary (current portion only) | **8** | **–** | **–** | **–** | **8** | **8** | 423 | – | – | – | 423 | 409 |
| | **22,579** | **9,713** | **30,139** | **1,955** | **64,386** | **60,815** | 24,102 | 8,444 | 22,351 | 2,018 | 56,915 | 52,936 |

| | **2015 Contractual undiscounted cash inflow/(outflow)** | | | | | 2014 Contractual undiscounted cash inflow/(outflow) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Within 1 year or on demand HK$ million** | **More than 1 year but less than 2 years HK$ million** | **More than 2 years but less than 5 years HK$ million** | **More than 5 years HK$ million** | **Total HK$ million** | Within 1 year or on demand HK$ million | More than 1 year but less than 2 years HK$ million | More than 2 years but less than 5 years HK$ million | More than 5 years HK$ million | Total HK$ million |
| **Derivative settled net:** | | | | | | | | | | |
| Interest rate swap contracts held as cash flow hedging instruments | **(292)** | **(289)** | **(778)** | **(542)** | **(1,901)** | (295) | (293) | (841) | (773) | (2,202) |
| **Derivative settled gross:** | | | | | | | | | | |
| Cross currency interest rate swap contracts held as cash flow hedging instruments: | | | | | | | | | | |
| – outflow | **(421)** | **(1,689)** | **(8,011)** | **(270)** | **(10,391)** | (419) | (420) | (9,682) | (283) | (10,804) |
| – inflow | **400** | **1,359** | **7,684** | **274** | **9,717** | 403 | 403 | 9,149 | 289 | 10,244 |

## 4 Financial risk management and fair values of financial instruments (continued)

### (c) Interest rate risk

The Group is exposed to interest rate risk through the impact of rates changes on interest-bearing borrowings which predominantly bear floating interest rates. The Group monitors closely its interest rate exposure and the level of fixed rate and floating rate borrowings and considers hedging significant interest rate exposure should the need arise. The Group's interest rate profile as monitored by management is set out in (ii) below.

*(i) Hedging*

Cross currency interest rate swap contracts have been entered into with certain counterparty banks to enable the Group to secure a fixed interest rate level in relation to the Hong Kong dollar funding resulting from the conversion of the principal amounts of the guaranteed notes denominated in United States dollars, Pound Sterling and Singapore dollars (see note 30) and the bank borrowings denominated in Japanese Yen ("¥") into Hong Kong dollars. As a result, the Group hedges against the interest rate risk which may arise during the periods (i) between the issuance date and the maturity date in respect of the entire amount of each tranche of the guaranteed notes due 2017-2022 denominated in United States dollars and Pound Sterling ("£") with aggregate principal amounts of US$162 million (2014: US$162 million) and £50 million (2014: £50 million) (see note 30) at 31 December 2015; (ii) between the issuance date and the maturity date in respect of the entire amount of the guaranteed notes due 2019 denominated in United States dollars with aggregate principal amount of US$500 million (2014: US$500 million) (see note 30) at 31 December 2015; (iii) between the issuance date and the maturity date in respect of the entire amount of the guaranteed notes issued pursuant to the Medium Term Note Programme established by the Group on 30 August 2011 denominated in United States dollars and Singapore dollars ("S$") with aggregate principal amounts of US$10 million and S$200 million (2014: US$10 million and S$200 million) (see note 30) at 31 December 2015; and (iv) between the drawdown dates and the repayment dates in respect of the entire amount of the bank borrowings denominated in Japanese Yen with aggregate principal amount of ¥10,000 million (2014: ¥10,000 million) at 31 December 2015.

Interest rate swap contracts have also been entered into with certain counterparty banks to hedge against the interest rate risk which may arise during the periods between the drawdown dates and the repayment dates in respect of certain bank borrowings which bear floating interest rates denominated in Hong Kong dollars with an aggregate principal amount of HK$11,700 million (2014: HK$12,000 million) at 31 December 2015.

These cross currency interest rate swap contracts and interest rate swap contracts were designated as cash flow hedges of the interest rate risk and foreign currency risk in relation to these guaranteed notes and bank borrowings.

The swap contracts will mature between 13 June 2016 and 20 October 2026 (2014: 13 June 2016 and 20 October 2026) matching the maturity dates of the related guaranteed notes and the repayment dates of the bank borrowings and have fixed swap interest rates ranging from 1.63% to 5.735% (2014: 1.23% to 5.735%) per annum. The fair value of such swap contracts entered into by the Group at 31 December 2015 amounted to HK$216 million (2014: HK$318 million) (derivative financial assets) and HK$1,776 million (2014: HK$1,473 million) (derivative financial liabilities), respectively. These amounts are recognised as derivative financial instruments at 31 December 2015 and 2014 (see note 21).

## 4 Financial risk management and fair values of financial instruments (continued)

### (c) Interest rate risk (continued)

*(ii) Interest rate profile*

The following table details the interest rate profile of the Group's bank loans and overdrafts, guaranteed notes and amount due to a fellow subsidiary at the end of the reporting period, after taking into account the effect of swap contracts designated as cash flow hedging instruments (see (i) above).

| | **2015** | | |
|---|---|---|---|
| | **Fixed/ floating** | **Effective interest rate** | **Amount HK\$ million** |
| Bank loans and overdrafts | **Floating** | **0.66%-6.35%** | **22,839** |
| Bank loans | **Fixed** | **2.38%-4.18%** | **12,175** |
| Guaranteed notes | **Fixed** | **3.65%-5.74%** | **15,897** |
| Amount due to a fellow subsidiary | **Floating** | **1.45%-6.65%** | **1,185** |

| | 2014 | | |
|---|---|---|---|
| | Fixed/ floating | Effective interest rate | Amount HK$ million |
| Bank loans and overdrafts | Floating | 0.65%-6.35% | 13,990 |
| Bank loans | Fixed | 2.23%-4.70% | 12,568 |
| Guaranteed notes | Fixed | 3.65%-5.74% | 16,144 |
| Amount due to a fellow subsidiary | Floating | 1.05%-6.65% | 5,021 |

*(iii) Sensitivity analysis*

Assuming that the interest rates had generally increased/decreased by not more than 100 basis points (2014: 100 basis points) at 31 December 2015 and the changes had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date, with all other variables held constant, the Group's profit after tax and total equity attributable to equity shareholders of the Company would decrease/increase by HK$83 million (2014: HK$59 million).

The sensitivity analysis above assumes the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to interest rate risk at the end of the reporting period. The analysis is performed on the same basis for 2014.

## 4 Financial risk management and fair values of financial instruments (continued)

### (d) Foreign currency risk

The Group owns assets and conducts its businesses primarily in Hong Kong and mainland China with its cash flows substantially denominated in Hong Kong dollars and Renminbi, respectively. The Group reports its results in Hong Kong dollars.

The Group's primary foreign currency exposure arises from its property development and investment activities in mainland China, as the functional currency of these operations is Renminbi. Where appropriate and cost efficient, the Group seeks to finance these investments by Renminbi borrowings with reference to the future Renminbi funding requirements from the investments and the related returns to be generated therefrom.

The Group is also exposed to foreign currency risk in respect of cash deposits denominated in United States dollars, Pound Sterling, Singapore dollars, Euros, Canadian dollars and Japanese Yen, certain available-for-sale securities and held-to-maturity debt securities which are denominated in United States dollars and certain available-for-sale securities which are denominated in Renminbi, and all of which were not hedged at 31 December 2015. At 31 December 2015, cash deposits denominated in United States dollars amounted to US$313 million (2014: US$219 million), and the available-for-sale securities and held-to-maturity debt securities denominated in United States dollars amounted to US$299 million (2014: US$124 million). The Group does not expect that there will be any significant currency risk associated with such cash deposits, available-for-sale securities and held-to-maturity debt securities, given that the Hong Kong dollar is pegged to the United States dollar. For cash deposits denominated in Pound Sterling, Singapore dollars, Euros, Canadian dollars and Japanese Yen as well as the available-for-sale securities denominated in Renminbi, since the balances are insignificant, the Group considers the exposure to foreign currency risk to be low.

*(i) Hedging*

The foreign currency risk attributable to the guaranteed notes denominated in United States dollars, Pound Sterling and Singapore dollars (see note 30) and certain bank borrowings denominated in Japanese Yen are being hedged by way of the cross currency interest rate swap contracts which were entered into between the Group and certain counterparty banks, as a result of which the principal amounts of the guaranteed notes denominated in United States dollars, Pound Sterling and Singapore dollars and certain bank borrowings denominated in Japanese Yen were converted into Hong Kong dollars, details of which are set out in note 4(c)(i).

*(ii) Sensitivity analysis*

Assuming that the relevant foreign currencies had strengthened/weakened by not more than 5% (2014: 5%) at 31 December 2015 and the changes had been applied to each of the Group entities' exposure to foreign currency risk for both derivative and non-derivative financial instruments denominated in a currency other than the functional currency of the entity to which they relate and in existence at that date, with all other variables held constant, the Group's profit after tax and total equity attributable to equity shareholders of the Company would decrease/increase by HK$15 million (2014: HK$28 million).

The sensitivity analysis above assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2014.

# 4 Financial risk management and fair values of financial instruments (continued)

## (e) Equity price risk

The Group is exposed to equity price and fair value changes arising from financial investments classified as available-for-sale securities (see note 22).

Listed investments held in the available-for-sale securities portfolio have been chosen based on their long term growth potential and returns and are monitored regularly for performance against expectations. Assuming that the market value of the Group's listed available-for-sale securities had increased/decreased by not more than 10% (2014: 10%) at 31 December 2015, with all other variables held constant, the total equity attributable to equity shareholders of the Company would increase/decrease by HK$272 million (2014: HK$278 million). Any increase or decrease in the market value of the Group's listed available-for-sale securities would not affect the Group's profit after tax unless they are impaired.

The sensitivity analysis above assumes that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair value of the Group's financial investments would change in accordance with the historical correlation with the relevant stock market index or other relevant risk variables, that none of the Group's available-for-sale securities would be considered impaired as a result of the decrease in the relevant stock market index or other relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2014.

## (f) Fair value measurement

### *(i) Financial assets and liabilities measured at fair value*

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

## 4 Financial risk management and fair values of financial instruments (continued)

### (f) Fair value measurement (continued)

*(i) Financial assets and liabilities measured at fair value (continued)*

Fair value hierarchy (continued)

| | **Fair value at 31 December 2015** | **Fair value measurements at 31 December 2015 categorised into** | |
|---|---|---|---|
| | | **Level 1** | **Level 2** |
| | **HK$ million** | **HK$ million** | **HK$ million** |
| **Recurring fair value measurement** | | | |
| *Financial assets:* | | | |
| Available-for-sale securities: | | | |
| – Listed (note 22) | **2,716** | **2,716** | **–** |
| Derivative financial instruments: | | | |
| – Cross currency interest rate swap contracts (note 21) | **216** | **–** | **216** |
| – Other derivatives (note 21) | **84** | **84** | **–** |
| *Financial liabilities:* | | | |
| Derivative financial instruments: | | | |
| – Cross currency interest rate swap contracts (note 21) | **928** | **–** | **928** |
| – Interest rate swap contracts (note 21) | **848** | **–** | **848** |

| | Fair value at 31 December 2014 | Fair value measurements at 31 December 2014 categorised into | |
|---|---|---|---|
| | | Level 1 | Level 2 |
| | HK$ million | HK$ million | HK$ million |
| **Recurring fair value measurement** | | | |
| *Financial assets:* | | | |
| Available-for-sale securities: | | | |
| – Listed (note 22) | 2,783 | 2,783 | – |
| Derivative financial instruments: | | | |
| – Cross currency interest rate swap contracts (note 21) | 318 | – | 318 |
| *Financial liabilities:* | | | |
| Derivative financial instruments: | | | |
| – Cross currency interest rate swap contracts (note 21) | 812 | – | 812 |
| – Interest rate swap contracts (note 21) | 661 | – | 661 |

During the years ended 31 December 2015 and 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period during which they occur.

## 4 Financial risk management and fair values of financial instruments (continued)

### (f) Fair value measurement (continued)

*(i) Financial assets and liabilities measured at fair value (continued)*

Valuation techniques and inputs used in Level 2 fair value measurements

The fair values of cross currency interest rate swap contracts and interest rate swap contracts are calculated as the present value of the estimated future cash flows based on the terms and maturity of each contract, taking into account the current interest rates and the current creditworthiness of the swap counterparties.

*(ii) Financial assets and liabilities measured at other than fair value*

The carrying amounts of the Group's financial instruments measured at cost or amortised cost are not materially different from their fair values at 31 December 2015 and 2014 except as follows:

– Certain amounts due from associates and joint ventures and all the amounts due to associates and joint ventures

Certain amounts due from associates and joint ventures and all the amounts due to associates and joint ventures are unsecured, interest-free and have no fixed terms of repayment. Given these terms it is not meaningful to quantify their fair values and therefore they are stated at cost.

– Unlisted investments

Unlisted available-for-sale securities of HK$1,123 million (2014: HK$1,083 million) (see note 22) do not have a quoted market price in an active market and their fair values cannot be reliably measured. They are recognised at cost less impairment losses at the end of the reporting period.

– Held-to-maturity debt securities

Held-to-maturity debt securities of HK$1,135 million (2014: HK$958 million) (see note 22) with fair value of HK$1,164 million (2014: HK$912 million) are recognised at amortised cost less impairment losses at the end of the reporting period.

## 5 Revenue

Revenue of the Group represents revenue from the sale of properties, rental income, hotel operation and management, department store operation and management, and others mainly including income from construction, infrastructure, provision of finance, investment holding, project management, property management, agency services, cleaning and security guard services, as well as the trading of building materials and disposal of leasehold land.

The major items are analysed as follows:

| | **2015 HK$ million** | 2014 HK$ million |
|---|---|---|
| Sale of properties | **15,690** | 15,466 |
| Rental income | **5,589** | 5,009 |
| Hotel operation | **99** | 188 |
| Department store operation | **879** | 867 |
| Others | **1,384** | 1,841 |
| Total (note 15(b)) | **23,641** | 23,371 |

## 6 Other revenue

| | 2015 HK$ million | 2014 HK$ million |
|---|---|---|
| Bank interest income | **193** | 364 |
| Other interest income (note) | **124** | 30 |
| Others | **133** | 166 |
| | **450** | 560 |

*Note: Other interest income for the years ended 31 December 2015 and 2014 included overdue interest income (before tax) of HK$114 million and HK$13 million received by the Group during the abovementioned years, respectively, in relation to refund of land deposits to the Group during the respective years.*

## 7 Other net income

| | 2015 HK$ million | 2014 HK$ million |
|---|---|---|
| Other net gain recognised by HIL arising from the Compensation Payment (net of expenses in relation to the Arbitration) and after deducting the Joint Venture Company Impairment (note) | **230** | – |
| Net gain on disposal of subsidiaries (note 34(b)) | **52** | 140 |
| Net gain/(loss) on disposal of: | | |
| – Investment properties | **164** | 602 |
| – Other property, plant and equipment | **(4)** | (4) |
| Other property, plant and equipment written off | **(21)** | (25) |
| Impairment loss on other property, plant and equipment (note 16(a)) | **(10)** | – |
| Net fair value gain on derivative financial instruments | **84** | – |
| Net gain on disposal of available-for-sale securities | **164** | 2 |
| Impairment loss on available-for-sale securities | **(1)** | (362) |
| Impairment loss on held-to-maturity debt securities | **(15)** | – |
| (Impairment loss)/reversal of impairment loss on trade debtors (notes 15(c) and 25(b)) | **(25)** | 1 |
| Bad debts written off | **(2)** | (10) |
| Provision on inventories, net | **(147)** | (5) |
| Net realised loss on derivative financial instruments | **–** | (26) |
| Net foreign exchange gain/(loss) | **93** | (9) |
| Others | **(38)** | 101 |
| | **524** | 405 |

*Note: The capitalised terms of "HIL" (a subsidiary of the Company), "Compensation Payment", "Arbitration" and "Joint Venture Company Impairment" are defined and referred to in note 17 to these financial statements. Other than the Compensation Payment of HK$230 million as referred to above, direct costs and administrative expenses of HIL's infrastructure business of HK$13 million and HK$2 million respectively have been recognised in the Group's consolidated statement of profit or loss for the year ended 31 December 2015, hence resulting in a net aggregate income of HK$215 million which equals the profit from discontinued operation of HK$215 million recognised by HIL for the year ended 31 December 2015.*

## 8 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

| | | 2015 HK$ million | 2014 HK$ million |
|---|---|---|---|
| **(a)** | **Finance costs:** | | |
| | Bank interest | **714** | 748 |
| | Interest on loans wholly repayable within five years | **823** | 1,019 |
| | Interest on loans repayable after five years | **73** | 73 |
| | Other borrowing costs | **185** | 181 |
| | | **1,795** | 2,021 |
| | Less: Amount capitalised (note) | **(953)** | (1,162) |
| | | **842** | 859 |

*Note: The borrowing costs have been capitalised at weighted average interest rates (based on the principal amounts of the Group's bank loans and overdrafts, guaranteed notes and amount due to a fellow subsidiary during the period under which interest capitalisation is applicable) ranging from 3.58% to 6.20% (2014: 3.66% to 6.29%) per annum.*

| | | 2015 HK$ million | 2014 HK$ million |
|---|---|---|---|
| **(b)** | **Directors' emoluments** | **176** | 164 |

Details of the directors' emoluments are set out in note 9.

## 8 Profit before taxation (continued)

Profit before taxation is arrived at after charging/(crediting): (continued)

| | | 2015 HK$ million | 2014 HK$ million |
|---|---|---|---|
| **(c)** | **Staff costs (other than directors' emoluments):** | | |
| | Salaries, allowances, and benefits-in-kind | **1,944** | 1,866 |
| | Contributions to defined contribution retirement plans | **84** | 84 |
| | | **2,028** | 1,950 |
| **(d)** | **Other items:** | | |
| | Depreciation (note 16(a)) | **129** | 151 |
| | Less: Amount capitalised | **–** | (6) |
| | | **129** | 145 |
| | Net foreign exchange gain | **(207)** | (160) |
| | Cash flow hedges: net foreign exchange loss reclassified from equity | **114** | 169 |
| | | **(93)** | 9 |
| | Amortisation of intangible operating right (note 17) | **10** | 31 |
| | Cost of sales | | |
| | – completed properties for sale | **10,025** | 11,217 |
| | – trading stocks | **361** | 339 |
| | Auditors' remuneration | | |
| | – audit services | **20** | 20 |
| | – non-audit services | **8** | 4 |
| | Operating lease charges: minimum lease payments in respect of leasing of building facilities | **244** | 204 |
| | Rentals receivable from investment properties less direct outgoings of HK$1,422 million (2014: HK$1,337 million) (note (i)) | **(3,964)** | (3,533) |
| | Other rental income less direct outgoings (notes (i) and (ii)) | **(396)** | (361) |
| | Dividend income from investments in available-for-sale securities | | |
| | – listed | **(166)** | (88) |
| | – unlisted | **(9)** | (140) |

*Notes:*

*(i) Included contingent rental income of HK$226 million (2014: HK$233 million).*

*(ii) Included an amount of HK$231 million (2014: HK$238 million) which is related to the department store operation segment.*

## 9 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance (Cap. 622) and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) are as follows:

| | 2015 | | | | |
|---|---|---|---|---|---|
| | Directors' fees HK$'000 | Salaries, allowances and benefits-in-kind HK$'000 | Discretionary bonuses HK$'000 | Retirement scheme contributions HK$'000 | Total HK$'000 |
| **Executive Directors** | | | | | |
| Dr Lee Shau Kee | 120 | 21,766 | – | – | 21,886 |
| Dr Lee Ka Kit | 120 | 17,689 | 572 | 18 | 18,399 |
| Dr Lam Ko Yin, Colin | 120 | 9,270 | 20,750 | 555 | 30,695 |
| Lee Ka Shing | 120 | 12,899 | 2,828 | 670 | 16,517 |
| Yip Ying Chee, John | 100 | 8,467 | 14,560 | 507 | 23,634 |
| Suen Kwok Lam | 100 | 6,536 | 6,423 | 390 | 13,449 |
| Lee King Yue | 100 | 3,562 | 293 | 211 | 4,166 |
| Fung Lee Woon King | 100 | 4,673 | 4,386 | 279 | 9,438 |
| Lau Yum Chuen, Eddie | 100 | 16 | – | – | 116 |
| Li Ning | 70 | 3,648 | 581 | 218 | 4,517 |
| Kwok Ping Ho | 200 | 4,526 | 1,273 | 271 | 6,270 |
| Wong Ho Ming, Augustine | 100 | 8,678 | 12,950 | 519 | 22,247 |
| **Non-executive Directors** | | | | | |
| Lee Pui Ling, Angelina | 150 | 150 | – | – | 300 |
| Lee Tat Man | 120 | – | – | – | 120 |
| **Independent non-executive Directors** | | | | | |
| Kwong Che Keung, Gordon | 220 | 530 | – | – | 750 |
| Professor Ko Ping Keung | 220 | 530 | – | – | 750 |
| Wu King Cheong | 220 | 530 | – | – | 750 |
| Leung Hay Man | 270 | 680 | – | – | 950 |
| Woo Ka Biu, Jackson | 200 | – | – | – | 200 |
| Professor Poon Chung Kwong | 200 | 100 | – | – | 300 |
| Dr Chung Shui Ming, Timpson | 200 | 100 | – | – | 300 |
| Au Siu Kee, Alexander | 510 | 190 | – | – | 700 |
| **Total for the year ended 31 December 2015** | 3,660 | 104,540 | 64,616 | 3,638 | 176,454 |

## 9 Directors' emoluments (continued)

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance (Cap. 622) and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) are as follows: (continued)

| | 2014 | | | | |
|---|---|---|---|---|---|
| | Directors' fees HK$'000 | Salaries, allowances and benefits-in-kind HK$'000 | Discretionary bonuses HK$'000 | Retirement scheme contributions HK$'000 | Total HK$'000 |
| **Executive Directors** | | | | | |
| Dr Lee Shau Kee | 120 | 18,763 | – | – | 18,883 |
| Dr Lee Ka Kit | 120 | 16,984 | 540 | 17 | 17,661 |
| Dr Lam Ko Yin, Colin | 120 | 8,892 | 21,110 | 534 | 30,656 |
| Lee Ka Shing | 120 | 12,375 | 1,760 | 644 | 14,899 |
| Yip Ying Chee, John | 100 | 8,124 | 14,880 | 487 | 23,591 |
| Suen Kwok Lam | 100 | 6,240 | 6,060 | 374 | 12,774 |
| Lee King Yue | 100 | 3,372 | 281 | 202 | 3,955 |
| Fung Lee Woon King | 100 | 4,464 | 4,136 | 268 | 8,968 |
| Lau Yum Chuen, Eddie | 100 | – | – | – | 100 |
| Li Ning | 102 | 3,444 | 550 | 207 | 4,303 |
| Kwok Ping Ho | 200 | 4,332 | 1,230 | 260 | 6,022 |
| Wong Ho Ming, Augustine | 100 | 8,316 | 7,680 | 499 | 16,595 |
| **Non-executive Directors** | | | | | |
| Lee Pui Ling, Angelina | 150 | 150 | – | – | 300 |
| Lee Tat Man | 120 | – | – | – | 120 |
| **Independent non-executive Directors** | | | | | |
| Kwong Che Keung, Gordon | 220 | 530 | – | – | 750 |
| Professor Ko Ping Keung | 220 | 530 | – | – | 750 |
| Wu King Cheong | 220 | 530 | – | – | 750 |
| Leung Hay Man | 270 | 680 | – | – | 950 |
| Woo Ka Biu, Jackson | 200 | – | – | – | 200 |
| Professor Poon Chung Kwong | 200 | 100 | – | – | 300 |
| Dr Chung Shui Ming, Timpson | 200 | 100 | – | – | 300 |
| Au Siu Kee, Alexander | 600 | 100 | – | – | 700 |
| **Total for the year ended 31 December 2014** | 3,782 | 98,026 | 58,227 | 3,492 | 163,527 |

During the years ended 31 December 2015 and 2014:

(i) all the directors' fees payable to the executive directors of the Company were in respect of their services as directors of the Company and/or its subsidiary undertakings, and all the salaries, allowances, benefits-in-kind, discretionary bonuses and retirement scheme contributions payable to the executive directors of the Company were in respect of their services in connection with the management of the affairs of the Company and/or its subsidiary undertakings; and

## 9 Directors' emoluments (continued)

During the years ended 31 December 2015 and 2014: (continued)

(ii) all the emoluments payable to the non-executive directors and the independent non-executive directors of the Company were in respect of their services as directors of the Company and/or its subsidiary undertakings.

There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities for disclosure pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance (Cap. 622) and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) (2014: None).

During the year ended 31 December 2015 and at 31 December 2015, there were no transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company and his/her connected entities had a material interest, subsisted at the end of the reporting period or at any time during the year for disclosure pursuant to section 383 (1)(e) of the Hong Kong Companies Ordinance (Cap. 622) and Part 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) (2014: None).

There was no arrangement under which a director had waived or agreed to waive any remuneration during the current and prior years.

## 10 Emoluments of five highest paid individuals and senior management

### (a) Emoluments of five highest paid individuals

Of the five individuals with the highest emoluments, all (2014: all) of them are directors whose emoluments are disclosed in note 9.

### (b) Emoluments of senior management

Other than the emoluments of directors and five highest paid individuals disclosed in notes 9 and 10(a) respectively, the emoluments of the senior management whose profiles are set out in the section "Biographical Details of Directors and Senior Management" of the annual report (of which these financial statements form a part) fell within the following bands:

| | **2015 Number of individuals** | 2014 Number of individuals |
|---|---|---|
| **Emolument band (HK$) (note)** | | |
| $3,000,001 to $4,000,000 | **1** | 3 |
| $4,000,001 to $5,000,000 | **2** | 3 |
| $5,000,001 to $6,000,000 | **3** | 1 |
| $6,000,001 to $7,000,000 | **1** | 1 |
| $7,000,001 to $8,000,000 | **1** | – |
| $8,000,001 to $9,000,000 | **–** | 2 |
| $9,000,001 to $10,000,000 | **3** | 2 |
| $10,000,001 to $11,000,000 | **1** | – |
| $11,000,001 to $12,000,000 | **–** | 2 |
| $12,000,001 to $13,000,000 | **2** | – |
| $13,000,001 to $14,000,000 | **1** | 1 |
| | **15** | 15 |

*Note: Including salaries, allowances and benefits-in-kind, discretionary bonuses and retirement scheme contributions.*

## 11 Income tax

### (a) Income tax in the consolidated statement of profit or loss represents:

| | **2015 HK$ million** | 2014 HK$ million |
|---|---|---|
| **Current tax – Provision for Hong Kong Profits Tax** | | |
| Provision for the year | **843** | 683 |
| Under/(over)-provision in respect of prior years | **19** | (8) |
| | **862** | 675 |
| **Current tax – Provision for taxation outside Hong Kong** | | |
| Provision for the year | **408** | 484 |
| (Over)/under-provision in respect of prior years | **(41)** | 3 |
| | **367** | 487 |
| **Current tax – Provision for Land Appreciation Tax** | | |
| Provision for the year | **100** | 156 |
| Over-provision in respect of prior years | **(93)** | (2) |
| | **7** | 154 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **228** | 217 |
| | **228** | 217 |
| | **1,464** | 1,533 |

Provision for Hong Kong Profits Tax has been made at 16.5% (2014: 16.5%) on the estimated assessable profits for the year, taking into account a one-off reduction of 75% of the tax payable for the year of assessment 2014/15 subject to a ceiling of HK$20,000 allowed by the Hong Kong SAR Government for each business (2014: taking into account a one-off reduction of 75% of the tax payable for the year of assessment 2013/14 subject to a ceiling of HK$10,000 allowed by the Hong Kong SAR Government for each business).

Provision for taxation outside Hong Kong is provided for at the applicable rates of taxation for the year on the estimated assessable profits arising in the relevant foreign tax jurisdictions during the year.

Land Appreciation Tax is levied on properties in mainland China developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the revenue from sale of properties less deductible expenditure including lease charges of land use rights, borrowing costs and all property development expenditure.

## 11 Income tax (continued)

### (b) Reconciliation between tax expense and accounting profit at applicable tax rates:

| | 2015 HK$ million | 2014 HK$ million |
|---|---|---|
| Profit before taxation | **23,338** | 18,473 |
| Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned | **3,983** | 3,240 |
| Tax effect of share of profits less losses of associates and joint ventures | **(1,392)** | (1,142) |
| Tax effect of non-deductible expenses | **120** | 240 |
| Tax effect of non-taxable revenue | **(1,459)** | (1,214) |
| Tax effect of temporary differences not recognised in prior years now recognised | **9** | – |
| Tax effect of current year's tax losses not recognised | **312** | 370 |
| Tax effect of prior years' tax losses utilised | **(71)** | (41) |
| Tax effect of unused tax losses not recognised in prior years now recognised | **(23)** | (37) |
| Tax indemnity received | **(5)** | (2) |
| One-off rebate of Hong Kong Profits Tax | **(2)** | (1) |
| Land Appreciation Tax | **5** | 116 |
| Withholding tax | **9** | 9 |
| Over-provision in respect of prior years, net | **(22)** | (5) |
| Actual tax expense | **1,464** | 1,533 |

## 11 Income tax (continued)

### (c) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

| Deferred tax arising from: | Depreciation allowances in excess of related depreciation HK$ million | Revaluation of properties HK$ million | Elimination and capitalisation of expenses HK$ million | Fair value adjustment on business combination HK$ million | Consideration receivable on disposal of toll fee collection right of toll bridges HK$ million | Tax losses HK$ million | Others HK$ million | Total HK$ million |
|---|---|---|---|---|---|---|---|---|
| At 1 January 2014 | 1,224 | 3,333 | 529 | 1,127 | 11 | (569) | (22) | 5,633 |
| Exchange adjustments | (1) | (9) | – | – | – | – | – | (10) |
| Charged/(credited) to profit or loss | 131 | 42 | 43 | (66) | (5) | 72 | – | 217 |
| Credited to reserves (note 13(a)) | – | – | – | – | – | – | (68) | (68) |
| Disposal of subsidiaries (note 34(b)) | (2) | – | – | – | – | – | – | (2) |
| At 31 December 2014 | 1,352 | 3,366 | 572 | 1,061 | 6 | (497) | (90) | 5,770 |
| At 1 January 2015 | **1,352** | **3,366** | **572** | **1,061** | **6** | **(497)** | **(90)** | **5,770** |
| Exchange adjustments | **(31)** | **(200)** | **(3)** | **–** | **–** | **–** | **–** | **(234)** |
| Charged/(credited) to profit or loss | **164** | **11** | **(64)** | **(26)** | **–** | **144** | **(1)** | **228** |
| Credited to reserves (note 13(a)) | **–** | **–** | **–** | **–** | **–** | **–** | **(48)** | **(48)** |
| **At 31 December 2015** | **1,485** | **3,177** | **505** | **1,035** | **6** | **(353)** | **(139)** | **5,716** |

| | 2015 HK$ million | 2014 HK$ million |
|---|---|---|
| Net deferred tax assets recognised in the consolidated statement of financial position | **(527)** | (556) |
| Net deferred tax liabilities recognised in the consolidated statement of financial position | **6,243** | 6,326 |
| | **5,716** | 5,770 |

## 11 Income tax (continued)

### (d) Deferred tax assets not recognised:

Deferred tax assets have not been recognised in respect of the following items:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | **Deductible temporary differences/ unused tax losses HK$ million** | **Deferred tax assets not recognised HK$ million** | Deductible temporary differences/ unused tax losses HK$ million | Deferred tax assets not recognised HK$ million |
| Deductible temporary differences | **14** | **2** | 30 | 5 |
| Future benefits of tax losses | | | | |
| Hong Kong (note (i)) | | | | |
| – Assessed by the Inland Revenue Department | **2,430** | **401** | 2,041 | 337 |
| – Not yet assessed by the Inland Revenue Department | **6,481** | **1,069** | 5,529 | 912 |
| Outside Hong Kong (note (ii)) | **899** | **225** | 1,050 | 263 |
| | **9,810** | **1,695** | 8,620 | 1,512 |
| | **9,824** | **1,697** | 8,650 | 1,517 |

*Notes:*

*(i) These tax losses do not expire under current tax legislation.*

*(ii) These tax losses can be carried forward to offset against taxable profits of subsequent years for up to five years from the year in which they arose.*

The Group has not recognised deferred tax assets in respect of deductible temporary differences and unused tax losses of certain subsidiaries as it is not probable that sufficient future taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.

## 12 Dividends

### (a) Dividends payable to equity shareholders of the Company attributable to profit for the year

| | 2015<br>HK$ million | 2014<br>HK$ million |
|---|---|---|
| Interim dividend declared and paid of HK$0.38 (2014: HK$0.34) per share | **1,256** | 1,020 |
| Final dividend proposed after the end of the reporting period of HK$1.07 (2014: HK$0.76) per share | **3,538** | 2,280 |
| | **4,794** | 3,300 |

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

### (b) Dividends payable to equity shareholders of the Company attributable to profit for the previous financial year, approved and paid during the year

| | 2015<br>HK$ million | 2014<br>HK$ million |
|---|---|---|
| Final dividend in respect of the previous financial year, approved and paid during the year of HK$0.76 (2014: HK$0.74) per share | **2,280** | 1,997 |

## 13 Other comprehensive income

### (a) Tax effects relating to each component of other comprehensive income

| | **2015** | | | 2014 | | |
|---|---|---|---|---|---|---|
| | **Pre-tax amount HK$ million** | **Tax credit HK$ million** | **Net-of-tax amount HK$ million** | Pre-tax amount HK$ million | Tax credit HK$ million | Net-of-tax amount HK$ million |
| Exchange differences: net movement in the exchange reserve | **(3,253)** | **–** | **(3,253)** | (248) | – | (248) |
| Cash flow hedges: net movement in the hedging reserve | **(291)** | **48** | **(243)** | (410) | 68 | (342) |
| Available-for-sale securities: net movement in the fair value reserve | **164** | **–** | **164** | 133 | – | 133 |
| Share of other comprehensive income of associates and joint ventures | **(1,595)** | **–** | **(1,595)** | (329) | – | (329) |
| Other comprehensive income for the year | **(4,975)** | **48** | **(4,927)** | (854) | 68 | (786) |
| | | **(note 11(c))** | | | (note 11(c)) | |

## 13 Other comprehensive income (continued)

### (b) Components of other comprehensive income, including reclassification adjustments

| | **2015 HK$ million** | 2014 HK$ million |
|---|---|---|
| Exchange differences: | | |
| – translation of financial statements of foreign entities | **(3,115)** | (198) |
| – reclassification adjustments for amounts transferred to profit or loss on reversal of the exchange reserve attributable to the Joint Venture Company (see note 17) | **(138)** | – |
| – reclassification adjustments for amounts transferred to profit or loss on disposal of a subsidiary | **–** | (50) |
| Net movement in the exchange reserve during the year recognised in other comprehensive income | **(3,253)** | (248) |
| Cash flow hedges: | | |
| – effective portion of changes in fair value of hedging instruments recognised during the year | **(405)** | (579) |
| – reclassification adjustments for amounts transferred to profit or loss | **114** | 169 |
| – net deferred tax credited to other comprehensive income | **48** | 68 |
| Net movement in the hedging reserve during the year recognised in other comprehensive income | **(243)** | (342) |
| Available-for-sale securities: | | |
| – changes in fair value recognised during the year | **327** | (227) |
| – reclassification adjustments for amounts transferred to profit or loss on disposal | **(164)** | (2) |
| – reclassification adjustments for amounts transferred to profit or loss on impairment | **1** | 362 |
| Net movement in the fair value reserve during the year recognised in other comprehensive income | **164** | 133 |

## 13 Other comprehensive income (continued)

### (c) For each component of equity

| | Attributable to equity shareholders of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Property revaluation reserve HK$ million | Exchange reserve HK$ million | Fair value reserve HK$ million | Hedging reserve HK$ million | Other reserves HK$ million | Retained profits HK$ million | Total HK$ million | Non-controlling interests HK$ million | Total other comprehensive income HK$ million |
| 2014 | | | | | | | | | |
| Exchange differences: | | | | | | | | | |
| – translation of financial statements of foreign entities | – | (195) | – | – | – | – | (195) | (3) | (198) |
| – reclassification from equity to profit or loss on disposal of a subsidiary | – | (50) | – | – | – | – | (50) | – | (50) |
| Cash flow hedges: | | | | | | | | | |
| – effective portion of changes in fair value, net of deferred tax | – | – | – | (483) | – | – | (483) | – | (483) |
| – reclassification from equity to profit or loss, net of deferred tax | – | – | – | 141 | – | – | 141 | – | 141 |
| Available-for-sale securities: | | | | | | | | | |
| – changes in fair value | – | – | (227) | – | – | – | (227) | – | (227) |
| – reclassification adjustments for amounts transferred to profit or loss on disposal | – | – | (2) | – | – | – | (2) | – | (2) |
| – reclassification adjustments for amounts transferred to profit or loss on impairment | – | – | 362 | – | – | – | 362 | – | 362 |
| Share of other comprehensive income of associates and joint ventures | – | (307) | 36 | (31) | – | (27) | (329) | – | (329) |
| Other comprehensive income for the year | – | (552) | 169 | (373) | – | (27) | (783) | (3) | (786) |
| **2015** | | | | | | | | | |
| Exchange differences: | | | | | | | | | |
| – translation of financial statements of foreign entities | **–** | **(3,095)** | **–** | **–** | **–** | **–** | **(3,095)** | **(20)** | **(3,115)** |
| – reclassification adjustments for amounts transferred to profit or loss on reversal of the exchange reserve attributable to the Joint Venture Company (see note 17) | **–** | **(96)** | **–** | **–** | **–** | **–** | **(96)** | **(42)** | **(138)** |
| Cash flow hedges: | | | | | | | | | |
| – effective portion of changes in fair value, net of deferred tax | **–** | **–** | **–** | **(338)** | **–** | **–** | **(338)** | **–** | **(338)** |
| – reclassification from equity to profit or loss, net of deferred tax | **–** | **–** | **–** | **95** | **–** | **–** | **95** | **–** | **95** |
| Available-for-sale securities: | | | | | | | | | |
| – changes in fair value | **–** | **–** | **327** | **–** | **–** | **–** | **327** | **–** | **327** |
| – reclassification adjustments for amounts transferred to profit or loss on disposal | **–** | **–** | **(164)** | **–** | **–** | **–** | **(164)** | **–** | **(164)** |
| – reclassification adjustments for amounts transferred to profit or loss on impairment | **–** | **–** | **1** | **–** | **–** | **–** | **1** | **–** | **1** |
| Share of other comprehensive income of associates and joint ventures | **–** | **(1,102)** | **(420)** | **(62)** | **–** | **(11)** | **(1,595)** | **–** | **(1,595)** |
| Other comprehensive income for the year | **–** | **(4,293)** | **(256)** | **(305)** | **–** | **(11)** | **(4,865)** | **(62)** | **(4,927)** |

# 14 Earnings per share

## (a) Reported earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of HK$21,326 million (2014: HK$16,752 million) and the weighted average number of 3,303 million ordinary shares in issue during the year (2014: 3,281 million ordinary shares*), calculated as follows:

| | **2015 million** | 2014 million |
|---|---|---|
| Number of issued ordinary shares at 1 January | **3,000** | 2,699 |
| Weighted average number of ordinary shares issued in respect of scrip dividends | **3** | 14 |
| Weighted average number of ordinary shares issued in respect of the bonus issue in 2014 | **–** | 270 |
| Weighted average number of ordinary shares issued in respect of the bonus issue in 2015 | **300** | 298 |
| Weighted average number of ordinary shares for the year (2014: as adjusted) | **3,303** | 3,281 |

Diluted earnings per share were the same as the basic earnings per share for the year and the corresponding year ended 31 December 2014 as there were no dilutive potential ordinary shares in existence during both years.

* *Adjusted for the bonus issue effected in 2015.*

## (b) Underlying earnings per share

For the purpose of assessing the underlying performance of the Group, basic and diluted earnings per share are additionally calculated based on the underlying profit attributable to equity shareholders of the Company ("Underlying Profit") of HK$11,009 million (2014: HK$9,818 million), which excludes the effects of changes in fair value of investment properties and investment properties under development. A reconciliation of profit is as follows:

| | **2015 HK$ million** | 2014 HK$ million |
|---|---|---|
| Profit attributable to equity shareholders of the Company | **21,326** | 16,752 |
| Changes in fair value of investment properties and investment properties under development during the year (note 16(a)) | **(7,310)** | (5,538) |
| Effect of deferred tax on changes in fair value of investment properties and investment properties under development during the year (note 11(c)) | **11** | 42 |
| Share of changes in fair value of investment properties (net of deferred tax) during the year: | | |
| – associates | **(864)** | (796) |
| – joint ventures | **(2,814)** | (1,188) |
| Cumulative fair value change of investment properties disposed of during the year, net of tax (note): | | |
| – subsidiaries | **774** | 773 |
| – associates and joint ventures | **76** | – |
| Effect of share of non-controlling interests | **(190)** | (227) |
| Underlying Profit | **11,009** | 9,818 |
| Underlying earnings per share | **HK$3.33** | HK$2.99* |

* *Adjusted for the bonus issue effected in 2015.*

Note: *In order to fully exclude the aforesaid effects of changes in fair value from the Underlying Profit, the Group's attributable share of the cumulative fair value change of investment properties disposed of during the year (which has been included in calculating the net gain on disposal of investment properties and hence the profit attributable to equity shareholders of the Company during the year) of HK$616 million (2014: HK$526 million) was added back in arriving at the Underlying Profit. The comparative Underlying Profit and Underlying earnings per share have been restated to conform to the current year's presentation basis.*

## 15 Segment reporting

The Group manages its businesses by a mixture of business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

| | | |
|---|---|---|
| Property development | : | Development and sale of properties |
| Property leasing | : | Leasing of properties |
| Hotel operation | : | Hotel operation and management |
| Department store operation | : | Department store operation and management |
| Others | : | Construction, infrastructure, provision of finance, investment holding, project management, property management, agency services, cleaning and security guard services, as well as the trading of building materials and disposal of leasehold land |
| Utility and energy | : | Production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses |

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases.

Revenue and expenses are allocated to the reportable segments with reference to revenues generated by those segments and the expenses incurred by those segments. Segment results form the basis of measurement used for assessing segment performance and represent profit or loss before bank interest income, (provision)/reversal of provision on inventories, fair value adjustment of investment properties and investment properties under development, finance costs, income tax and items not specifically attributed to individual reportable segments, such as unallocated head office and corporate expenses, net.

## 15 Segment reporting (continued)

### (a) Results of reportable segments

Information regarding the Group's and its share of associates and joint ventures on reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2015 and 2014 is set out below:

| | Company and its subsidiaries (before deducting non-controlling interests) | | Associates and joint ventures | | | | Attributable to non-controlling interests | | Attributable to equity shareholders of the Company | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Revenue HK$ million (note (i)) | Segment results HK$ million | Share of revenue HK$ million | Share of segment results HK$ million | Combined revenue HK$ million | Consolidated segment results HK$ million | Revenue HK$ million | Segment results HK$ million | Combined revenue HK$ million | Consolidated segment results HK$ million |
| **For the year ended 31 December 2015** | | | | | | | | | | |
| Property development | | | | | | | | | | |
| Hong Kong | 12,091 | 3,805 | 334 | 95 | 12,425 | 3,900 | (1,254) | (551) | 11,171 | 3,349 |
| Mainland China | 3,599 | 287 | 2,040 | 355 | 5,639 | 642 | (3) | (11) | 5,636 | 631 |
| | 15,690 | 4,092 | 2,374 | 450 | 18,064 | 4,542 | (1,257) | (562) | 16,807 | 3,980 |
| Property leasing | | | | | | | | | | |
| Hong Kong | 3,852 | 2,786 | 2,574 | 2,179 | 6,426 | 4,965 | (22) | (15) | 6,404 | 4,950 |
| Mainland China | 1,737 | 1,343 | 11 | 10 | 1,748 | 1,353 | – | – | 1,748 | 1,353 |
| | (note (ii)) 5,589 | 4,129 | 2,585 | 2,189 | 8,174 | 6,318 | (22) | (15) | 8,152 | 6,303 |
| Hotel operation | 99 | (31) | | 282 | | 251 | | – | | 251 |
| Department store operation | 879 | 301 | | – | | 301 | | (38) | | 263 |
| Others | 1,384 | 1,045 | | (105) | | 940 | | 30 | | 970 |
| | 23,641 | 9,536 | | 2,816 | | 12,352 | | (585) | | 11,767 |
| Utility and energy | – | – | | 3,633 | | 3,633 | | – | | 3,633 |
| | 23,641 | 9,536 | | 6,449 | | 15,985 | | (585) | | 15,400 |
| Bank interest income | | 193 | | 147 | | 340 | | (5) | | 335 |
| Provision on inventories, net | | (147) | | (5) | | (152) | | – | | (152) |
| Unallocated head office and corporate expenses, net | | (note (iii)) (1,012) | | (257) | | (1,269) | | (32) | | (1,301) |
| Profit from operations | | 8,570 | | 6,334 | | 14,904 | | (622) | | 14,282 |
| Increase in fair value of investment properties and investment properties under development | | 7,310 | | 3,684 | | 10,994 | | (44) | | 10,950 |
| Finance costs | | (842) | | (600) | | (1,442) | | 8 | | (1,434) |
| Profit before taxation | | 15,038 | | 9,418 | | 24,456 | | (658) | | 23,798 |
| Income tax | | (1,464) | | (1,118) | | (2,582) | | 110 | | (2,472) |
| Profit for the year | | 13,574 | | 8,300 | | 21,874 | | (548) | | 21,326 |

## 15 Segment reporting (continued)

### (a) Results of reportable segments (continued)

In relation to the share of profits less losses of associates and joint ventures:

| | Property development HK$ million | Property leasing HK$ million | Hotel operation HK$ million | Department store operation HK$ million | Others HK$ million | Subtotal HK$ million | Utility and energy HK$ million | Total HK$ million |
|---|---|---|---|---|---|---|---|---|
| **For the year ended 31 December 2015** | | | | | | | | |
| Share of profits less losses of associates (note (iv)) | | | | | | | | |
| – Listed associates | | | | | | | | |
| The Hong Kong and China Gas Company Limited | – | 704 | 23 | – | (408) | 319 | 2,712 | 3,031 |
| Miramar Hotel and Investment Company, Limited | – | 557 | 59 | – | 83 | 699 | – | 699 |
| Hong Kong Ferry (Holdings) Company Limited | 42 | 17 | – | – | 6 | 65 | – | 65 |
| – Unlisted associates | 291 | 153 | – | – | 8 | 452 | – | 452 |
| | 333 | 1,431 | 82 | – | (311) | 1,535 | 2,712 | 4,247 |
| Share of profits less losses of joint ventures (note (v)) | (1) | 3,924 | 134 | – | (4) | 4,053 | – | 4,053 |
| | 332 | 5,355 | 216 | – | (315) | 5,588 | 2,712 | 8,300 |

## 15 Segment reporting (continued)

### (a) Results of reportable segments (continued)

| | Company and its subsidiaries (before deducting non-controlling interests) | | Associates and joint ventures | | | | Attributable to non-controlling interests | | Attributable to equity shareholders of the Company | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Revenue HK$ million (note (i)) | Segment results HK$ million | Share of revenue HK$ million | Share of segment results HK$ million | Combined revenue HK$ million | Consolidated segment results HK$ million | Revenue HK$ million | Segment results HK$ million | Combined revenue HK$ million | Consolidated segment results HK$ million |
| For the year ended 31 December 2014 | | | | | | | | | | |
| Property development | | | | | | | | | | |
| Hong Kong | 10,122 | 2,443 | 1,355 | 451 | 11,477 | 2,894 | (1,211) | (178) | 10,266 | 2,716 |
| Mainland China | 5,344 | 418 | 1,221 | 245 | 6,565 | 663 | (29) | (3) | 6,536 | 660 |
| | 15,466 | 2,861 | 2,576 | 696 | 18,042 | 3,557 | (1,240) | (181) | 16,802 | 3,376 |
| Property leasing | | | | | | | | | | |
| Hong Kong | 3,540 | 2,570 | 2,482 | 2,100 | 6,022 | 4,670 | (20) | (12) | 6,002 | 4,658 |
| Mainland China | 1,469 | 1,086 | 11 | 10 | 1,480 | 1,096 | – | – | 1,480 | 1,096 |
| | (note (ii)) 5,009 | 3,656 | 2,493 | 2,110 | 7,502 | 5,766 | (20) | (12) | 7,482 | 5,754 |
| Hotel operation | 188 | 47 | | 279 | | 326 | | – | | 326 |
| Department store operation | 867 | 323 | | – | | 323 | | (7) | | 316 |
| Others | 1,841 | 238 | | (31) | | 207 | | 5 | | 212 |
| | 23,371 | 7,125 | | 3,054 | | 10,179 | | (195) | | 9,984 |
| Utility and energy | – | – | | 3,669 | | 3,669 | | – | | 3,669 |
| | 23,371 | 7,125 | | 6,723 | | 13,848 | | (195) | | 13,653 |
| Bank interest income | | 364 | | 158 | | 522 | | (20) | | 502 |
| Provision on inventories, net | | (5) | | (15) | | (20) | | – | | (20) |
| Unallocated head office and corporate expenses, net | | (note (iii)) (528) | | (272) | | (800) | | 2 | | (798) |
| Profit from operations | | 6,956 | | 6,594 | | 13,550 | | (213) | | 13,337 |
| Increase in fair value of investment properties and investment properties under development | | 5,538 | | 1,988 | | 7,526 | | (20) | | 7,506 |
| Finance costs | | (859) | | (570) | | (1,429) | | 7 | | (1,422) |
| Profit before taxation | | 11,635 | | 8,012 | | 19,647 | | (226) | | 19,421 |
| Income tax | | (1,533) | | (1,174) | | (2,707) | | 38 | | (2,669) |
| Profit for the year | | 10,102 | | 6,838 | | 16,940 | | (188) | | 16,752 |

## 15 Segment reporting (continued)

### (a) Results of reportable segments (continued)

In relation to the share of profits less losses of associates and joint ventures:

| | Property development HK$ million | Property leasing HK$ million | Hotel operation HK$ million | Department store operation HK$ million | Others HK$ million | Subtotal HK$ million | Utility and energy HK$ million | Total HK$ million |
|---|---|---|---|---|---|---|---|---|
| For the year ended 31 December 2014 | | | | | | | | |
| Share of profits less losses of associates (note (iv)) | | | | | | | | |
| – Listed associates | | | | | | | | |
| The Hong Kong and China Gas Company Limited | – | 370 | 22 | – | (194) | 198 | 2,752 | 2,950 |
| Miramar Hotel and Investment Company, Limited | – | 583 | 60 | – | (58) | 585 | – | 585 |
| Hong Kong Ferry (Holdings) Company Limited | 271 | 57 | – | – | 4 | 332 | – | 332 |
| – Unlisted associates | – | 309 | – | – | 5 | 314 | – | 314 |
| | 271 | 1,319 | 82 | – | (243) | 1,429 | 2,752 | 4,181 |
| Share of profits less losses of joint ventures (note (v)) | 257 | 2,268 | 128 | – | 4 | 2,657 | – | 2,657 |
| | 528 | 3,587 | 210 | – | (239) | 4,086 | 2,752 | 6,838 |

*Notes:*

*(i) The revenue figures above are arrived at after the elimination of inter-segment revenues, in the amounts of HK$327 million (2014: HK$273 million) and HK$1,670 million (2014: HK$2,180 million) in relation to the reportable segments under property leasing and others, respectively.*

*(ii) Revenue for the property leasing segment comprises rental income of HK$4,947 million (2014: HK$4,425 million) and rental-related income of HK$642 million (2014: HK$584 million), which in aggregate amounted to HK$5,589 million for the year (2014: HK$5,009 million).*

*(iii) Unallocated head office and corporate expenses, net for the year is stated after netting off the net gain on disposal of subsidiaries of HK$52 million (2014: HK$140 million) (see note 7) and the net gain on disposal of investment properties of HK$164 million (2014: HK$602 million) (see note 7). Excluding the aforementioned gains, the Group's unallocated head office and corporate expenses for the year amounted to HK$1,228 million (2014: HK$1,270 million).*

*(iv) The Group's share of profits less losses of associates contributed from the property leasing segment during the year of HK$1,431 million (2014: HK$1,319 million) includes the increase in fair value of investment properties (net of deferred tax) during the year of HK$864 million (2014: HK$796 million).*

*(v) The Group's share of profits less losses of joint ventures contributed from the property leasing segment during the year of HK$3,924 million (2014: HK$2,268 million) includes the increase in fair value of investment properties (net of deferred tax) during the year of HK$2,814 million (2014: HK$1,188 million).*

## 15 Segment reporting (continued)

### (b) Geographical information

The following table sets out information about the geographical segment location of (i) the Group's revenue from external customers; and (ii) the Group's investment properties, other property, plant and equipment, intangible operating right, interests in associates and joint ventures (together, the "Specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the Specified non-current assets is based on the physical location of the asset in the case of investment properties and other property, plant and equipment, the location of the operation to which they are allocated in the case of the intangible operating right, and the location of operations in the case of interests in associates and joint ventures.

| | Revenue from external customers | | Specified non-current assets | |
|---|---|---|---|---|
| | For the year ended 31 December | | At 31 December | |
| | **2015 HK$ million** | 2014 HK$ million | **2015 HK$ million** | 2014 HK$ million |
| Hong Kong | **18,279** | 16,531 | **176,287** | 164,148 |
| Mainland China | **5,362** | 6,840 | **41,574** | 38,429 |
| | **23,641** | 23,371 | **217,861** | 202,577 |
| | **(note 5)** | (note 5) | | |

### (c) Other segment information

| | Amortisation and depreciation | | Impairment loss/(reversal of impairment loss) on trade debtors | |
|---|---|---|---|---|
| | For the year ended 31 December | | For the year ended 31 December | |
| | **2015 HK$ million** | 2014 HK$ million | **2015 HK$ million** | 2014 HK$ million |
| Property development | **20** | 15 | **–** | – |
| Property leasing | **10** | 9 | **2** | (1) |
| Hotel operation | **41** | 41 | **–** | – |
| Department store operation | **27** | 23 | **–** | – |
| Others | **41** | 88 | **23** | – |
| | **139** | 176 | **25** | (1) |

## 16 Investment properties and other property, plant and equipment

### (a) Reconciliation of carrying amount

| | Investment properties HK$ million | Investment properties under development HK$ million | Subtotal HK$ million | Hotel properties HK$ million | Other land and buildings HK$ million | Interests in leasehold land held for own use under finance leases HK$ million | Others HK$ million | Subtotal HK$ million | Total HK$ million |
|---|---|---|---|---|---|---|---|---|---|
| **Cost or valuation:** | | | | | | | | | |
| At 1 January 2014 | 103,035 | 3,896 | 106,931 | 836 | 239 | 984 | 1,379 | 3,438 | 110,369 |
| Exchange adjustments | (68) | (36) | (104) | – | – | – | (1) | (1) | (105) |
| Additions | 416 | 5,149 | 5,565 | – | – | – | 54 | 54 | 5,619 |
| Disposals | | | | | | | | | |
| – through disposal of subsidiaries (note 34(b)) | (52) | – | (52) | – | – | – | (1) | (1) | (53) |
| – others | (235) | – | (235) | – | – | – | (66) | (66) | (301) |
| Written off | – | – | – | – | – | – | (43) | (43) | (43) |
| Surplus on revaluation | 5,510 | 28 | 5,538 | – | – | – | – | – | 5,538 |
| Transfer to investment properties and other land and buildings | 4,051 | (4,057) | (6) | – | 6 | – | – | 6 | – |
| Transfer from inventories | 199 | – | 199 | – | 53 | – | – | 53 | 252 |
| At 31 December 2014 | 112,856 | 4,980 | 117,836 | 836 | 298 | 984 | 1,322 | 3,440 | 121,276 |
| **Representing:** | | | | | | | | | |
| Cost | – | – | – | 836 | 298 | 984 | 1,322 | 3,440 | 3,440 |
| Valuation | 112,856 | 4,980 | 117,836 | – | – | – | – | – | 117,836 |
| | 112,856 | 4,980 | 117,836 | 836 | 298 | 984 | 1,322 | 3,440 | 121,276 |
| **Accumulated depreciation and impairment losses:** | | | | | | | | | |
| At 1 January 2014 | – | – | – | 264 | 34 | 161 | 1,038 | 1,497 | 1,497 |
| Exchange adjustments | – | – | – | – | – | – | (1) | (1) | (1) |
| Charge for the year (note 8(d)) | – | – | – | 21 | 7 | 20 | 103 | 151 | 151 |
| Written back on disposals | – | – | – | – | – | – | (58) | (58) | (58) |
| Written off | – | – | – | – | – | – | (18) | (18) | (18) |
| At 31 December 2014 | – | – | – | 285 | 41 | 181 | 1,064 | 1,571 | 1,571 |
| **Net book value:** | | | | | | | | | |
| At 31 December 2014 | 112,856 | 4,980 | 117,836 | 551 | 257 | 803 | 258 | 1,869 | 119,705 |

# 16 Investment properties and other property, plant and equipment (continued)

## (a) Reconciliation of carrying amount (continued)

| | Investment properties HK$ million | Investment properties under development HK$ million | Subtotal HK$ million | Hotel properties HK$ million | Other land and buildings HK$ million | Interests in leasehold land held for own use under finance leases HK$ million | Others HK$ million | Subtotal HK$ million | Total HK$ million |
|---|---|---|---|---|---|---|---|---|---|
| **Cost or valuation:** | | | | | | | | | |
| At 1 January 2015 | 112,856 | 4,980 | 117,836 | 836 | 298 | 984 | 1,322 | 3,440 | 121,276 |
| Exchange adjustments | (1,926) | – | (1,926) | – | (5) | – | (16) | (21) | (1,947) |
| Additions | | | | | | | | | |
| – through acquisition of a subsidiary (note 34(a)) | 2 | – | 2 | – | – | – | – | – | 2 |
| – others | 381 | 352 | 733 | 2 | – | – | 77 | 79 | 812 |
| Disposals | (797) | – | (797) | – | – | – | (69) | (69) | (866) |
| Written off | | | | | | | | | |
| – in relation to the Joint Venture Company (as defined in note 17) | – | – | – | – | – | – | (8) | (8) | (8) |
| – others | – | – | – | – | – | – | (28) | (28) | (28) |
| Surplus on revaluation | 6,847 | 463 | 7,310 | – | – | – | – | – | 7,310 |
| Transfer to investment properties | 54 | – | 54 | – | (67) | – | – | (67) | (13) |
| Transfer from/(to) inventories, net | 387 | 4,998 | 5,385 | – | (26) | – | – | (26) | 5,359 |
| At 31 December 2015 | 117,804 | 10,793 | 128,597 | 838 | 200 | 984 | 1,278 | 3,300 | 131,897 |
| **Representing:** | | | | | | | | | |
| Cost | – | – | – | 838 | 200 | 984 | 1,278 | 3,300 | 3,300 |
| Valuation | 117,804 | 10,793 | 128,597 | – | – | – | – | – | 128,597 |
| | 117,804 | 10,793 | 128,597 | 838 | 200 | 984 | 1,278 | 3,300 | 131,897 |
| **Accumulated depreciation and impairment losses:** | | | | | | | | | |
| At 1 January 2015 | – | – | – | 285 | 41 | 181 | 1,064 | 1,571 | 1,571 |
| Exchange adjustments | – | – | – | – | – | – | (13) | (13) | (13) |
| Charge for the year (note 8(d)) | – | – | – | 21 | 4 | 20 | 84 | 129 | 129 |
| Written back on disposals | – | – | – | – | – | – | (62) | (62) | (62) |
| Impairment loss for the year (note 7) | – | – | – | – | 10 | – | – | 10 | 10 |
| Transfer to investment properties | – | – | – | – | (13) | – | – | (13) | (13) |
| Written off | | | | | | | | | |
| – in relation to the Joint Venture Company (as defined in note 17) | – | – | – | – | – | – | (7) | (7) | (7) |
| – others | – | – | – | – | – | – | (7) | (7) | (7) |
| At 31 December 2015 | – | – | – | 306 | 42 | 201 | 1,059 | 1,608 | 1,608 |
| **Net book value:** | | | | | | | | | |
| **At 31 December 2015** | 117,804 | 10,793 | 128,597 | 532 | 158 | 783 | 219 | 1,692 | 130,289 |

## 16 Investment properties and other property, plant and equipment (continued)

### (b) The analysis of net book value of properties is as follows:

| | 2015 HK$ million | 2014 HK$ million |
|---|---|---|
| In Hong Kong | | |
| – under long leases | **9,777** | 8,526 |
| – under medium-term leases | **84,439** | 77,872 |
| | **94,216** | 86,398 |
| Outside Hong Kong | | |
| – under long leases | **31** | 77 |
| – under medium-term leases | **33,395** | 32,972 |
| – under short-term leases | **2,428** | – |
| | **35,854** | 33,049 |
| | **130,070** | 119,447 |

### (c) Fair value measurement of investment properties and investment properties under development

*Fair value hierarchy*

The fair value of the Group's investment properties and investment properties under development is measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

## 16 Investment properties and other property, plant and equipment (continued)

### (c) Fair value measurement of investment properties and investment properties under development (continued)

*Fair value hierarchy (continued)*

| | Fair value at 31 December 2015 HK$ million | Fair value measurements at 31 December 2015 categorised into Level 2 HK$ million | Level 3 HK$ million |
|---|---|---|---|
| **Recurring fair value measurement** | | | |
| *Investment properties:* | | | |
| – In Hong Kong | **86,773** | **–** | **86,773** |
| – In mainland China | **31,031** | **–** | **31,031** |
| *Investment properties under development:* | | | |
| – In Hong Kong | **6,033** | **–** | **6,033** |
| – In mainland China | **4,760** | **4,760** | **–** |

At 31 December 2014, none of the Group's investment properties measured at fair value are categorised as Level 1 and Level 2 valuations.

During the years ended 31 December 2015 and 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period during which they occur.

*Valuation process*

The Group's investment properties and investment properties under development were revalued at 31 December 2015 by DTZ Debenham Tie Leung Limited, an independent firm of professional surveyors who have among their staff Members of The Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on a market value basis.

The Group's management has reviewed the valuation results performed by the independent surveyors for financial reporting purposes by verifying all major inputs and assumptions, and assessing the reasonableness of property valuation. Such valuation is performed at each interim and annual reporting date and is reviewed and approved by senior management.

*Valuation methodologies*

The valuations of completed investment properties in Hong Kong and mainland China were based on income capitalisation approach which capitalised the net income of the properties and taking into account the reversionary potential of the properties after expiry of the current lease.

For certain investment properties in Hong Kong and mainland China which are still under development, the valuations were determined on redevelopment basis and by taking into account the fair value of the completed investment property and then deducting from that amount the estimated costs to complete the construction, financing costs and a reasonable profit margin.

## 16 Investment properties and other property, plant and equipment (continued)

**(c) Fair value measurement of investment properties and investment properties under development (continued)**

*Inputs used in Level 2 fair value measurement*

The valuations of investment properties under development in mainland China were determined using direct market comparison approach by reference to recent sales prices of comparable properties on a price per square foot basis based on market data which is publicly available.

*Inputs used in Level 3 fair value measurement*

Below is a table which presents the significant unobservable inputs:

**Completed investment properties**

| | Range of capitalisation rates | | Range of occupancy rates | |
|---|---|---|---|---|
| | **2015 %** | 2014 % | **2015 %** | 2014 % |
| In Hong Kong | | | | |
| – Retail | **2.75%-5.5%** | 2.75%-5.5% | **22%-100%** | 61%-100% |
| – Office/industrial | **3.5%-4.0%** | 3.5%-4.5% | **82%-97%** | 91%-100% |
| – Residential | **2.25%-2.75%** | 2.25%-2.75% | **71%-92%** | 70%-96% |
| In mainland China | | | | |
| – Retail | **5.5%-8.0%** | 5.5%-8.0% | **18%-100%** | 46%-100% |
| – Office | **6.5%-7.5%** | 6.5%-7.5% | **96%-100%** | 38%-100% |

The fair value measurement of completed investment properties is positively correlated to the occupancy rate and negatively correlated to the capitalisation rate.

**Investment properties under development**

| | Estimated project development cost | |
|---|---|---|
| | **2015 HK$ million** | 2014 HK$ million |
| In Hong Kong | **58 – 1,178** | 1,072 – 1,223 |

The fair value measurement of investment properties under development is negatively correlated to the estimated cost to completion, being determined as the estimated project development cost less the actual amount of project development cost incurred up to the end of the reporting period.

**(d)** All properties held under operating leases that would otherwise meet the definition of investment properties are classified as investment properties.

## 17 Intangible operating right

| | Toll bridge operating right | |
|---|---|---|
| | **2015** **HK$ million** | 2014 HK$ million |
| **Cost:** | | |
| At 1 January | **954** | 957 |
| Exchange adjustments | **–** | (3) |
| Impairment | **(954)** | – |
| At 31 December | **–** | 954 |
| **Accumulated amortisation:** | | |
| At 1 January | **593** | 563 |
| Exchange adjustments | **–** | (1) |
| Charge for the year (note 8(d)) | **10** | 31 |
| Written back on impairment | **(603)** | – |
| At 31 December | **–** | 593 |
| **Carrying amount:** | | |
| **At 31 December** | **–** | 361 |

The amortisation charge for the year is included in "Direct costs" in the consolidated statement of profit or loss.

The toll bridge represents Hangzhou Qianjiang Third Bridge (the "Bridge") located in Hangzhou, Zhejiang Province, mainland China.

In relation to the provisional suspension in the payment of toll fee by 杭州市市區公共停車場（庫）建設發展中心 (Hangzhou City Urban Public Carpark Construction & Development Centre, formerly known as 杭州市城市"四自"工程道路綜合收費管理處 or Hangzhou City "Sizi" Engineering & Highway General Toll Fee Administration Office) (the "Hangzhou Toll Office") to the Group in respect of the Bridge commencing from 20 March 2012, on 17 September 2012, an arbitration application ("Arbitration") was filed by Hangzhou Henderson Qianjiang Third Bridge Company, Limited (the "Joint Venture Company"), a subsidiary of Henderson Investment Limited ("HIL") (being a subsidiary of the Company) with China International Economic and Trade Arbitration Commission ("CIETAC", 中國國際經濟貿易仲裁委員會) against the Hangzhou Toll Office as the first respondent and Hangzhou Municipal People's Government (杭州市人民政府) as the second respondent for an arbitration award that, inter alia, the first respondent and the second respondent should continue to perform their obligations under an agreement dated 5 February 2004 entered into between the Group and Hangzhou Toll Office (the "Collection Agreement") by paying toll fees of the Bridge to the Joint Venture Company and be liable for the relevant outstanding toll fees together with the legal and arbitration costs incurred.

## 17 Intangible operating right (continued)

On 30 April 2015, the arbitral tribunal of CIETAC made, inter alia, the following final arbitral award which have legal binding effect on all parties to the Arbitration:

(i) Hangzhou Municipal People's Government shall pay to HIL an amount of RMB376 million (equivalent to HK$477 million) (the "Compensation Payment") within 90 days following the issue of the arbitral award. The entire Compensation Payment was settled by Hangzhou Municipal People's Government on 29 July 2015;

(ii) upon the receipt by HIL of the Compensation Payment, the Collection Agreement and the 中外合資經營杭州恒基錢江三橋有限公司合同 dated 8 January 1997 made between, amongst others, HIL (which, through its wholly-owned subsidiary, holds a 60% interest in the Joint Venture Company) and 杭州錢江三橋綜合經營公司 (which holds the remaining 40% interest in the Joint Venture Company) (the "Joint Venture Contract") shall be discharged;

(iii) upon the discharge of the Joint Venture Contract, HIL shall have no obligations, responsibilities and payment obligations for expenses whether as a shareholder of the Joint Venture Company or in relation to the Joint Venture Company or the Bridge, and HIL shall not be entitled to any income sharing and distribution rights as a shareholder of the Joint Venture Company; and

(iv) HIL shall be responsible for 50% of the Arbitration fees and certain other mediation expenses of the arbitral tribunal, the fees and expenses of the relevant arbitrator as well as the legal expenses incurred by the Joint Venture Company (subject to adjustment as to the final sum incurred by the Joint Venture Company) in relation to the Arbitration.

Based on the Compensation Payment (net of expenses incurred in relation to the Arbitration) of HK$471 million and after (i) deducting HIL's impairment loss on toll bridge operating right and related net assets of the Joint Venture Company of HK$379 million (the "Joint Venture Company Impairment"); (ii) recognising the reversal of the exchange reserve attributable to the Joint Venture Company of HK$138 million to other comprehensive income for the year ended 31 December 2015; and (iii) deducting the operating loss of the infrastructure business in the aggregate amount of HK$15 million during the period from 1 January 2015 to 30 April 2015, a profit of HK$215 million was recognised by the infrastructure business during the year ended 31 December 2015. Adding back HIL's non-controlling interests' attributable share of the Joint Venture Company Impairment and the Joint Venture Company's operating loss in the aggregate amount of HK$140 million, a one-off gain of HK$355 million was generated to HIL and in relation to which the Group's 69.27% attributable share amounted to HK$246 million.

As a result, the intangible operating right in relation to the Bridge was fully impaired and the assets and liabilities of the Joint Venture Company were derecognised on 30 April 2015.

## 18 Interest in subsidiaries

Details of the principal subsidiaries at 31 December 2015 which materially affected the results, assets or liabilities of the Group are set out on pages 221 to 227.

**Transaction with a subsidiary – HIL**

On 1 December 2014, the Company completed its disposal of the entire share capital of Camay Investment Limited and its subsidiaries, namely Citistore (Hong Kong) Limited and Puretech Investment Limited (collectively, the "Target Group"), to HIL for a cash consideration of HK$935 million. As a result, the Company disposed of its partial interest in the Target Group to the non-controlling interests in the amount of HK$262 million which is included in the "disposal of partial interest in subsidiaries" of HK$331 million as referred to in the Group's consolidated statement of changes in equity for the year ended 31 December 2014.

## 19 Interest in associates

| | 2015<br>HK$ million | 2014<br>HK$ million |
|---|---|---|
| **Unlisted** | | |
| Share of net assets | **2,090** | 1,799 |
| Amounts due from associates | **1,228** | 402 |
| | **3,318** | 2,201 |
| Less: Impairment loss | **–** | – |
| | **3,318** | 2,201 |
| **Listed in Hong Kong** | | |
| Share of net assets, including goodwill on acquisition | **48,635** | 47,945 |
| | **51,953** | 50,146 |
| **Market value of listed shares** | **77,730** | 81,005 |

Except for an amount due from an associate of HK$1 million which is interest-bearing at Hong Kong dollar prime rate less 3% per annum (2014: an amount due from an associate of HK$3 million which was interest-bearing at Hong Kong dollar prime rate less 3% per annum), all of the amounts due from associates are unsecured, interest-free and have no fixed terms of repayment. The balances are not expected to be recovered within one year and are neither past due nor impaired.

## 19 Interest in associates (continued)

All of the associates are accounted for using the equity method in the consolidated financial statements. Details of the principal associates at 31 December 2015 are set out on page 228.

Summarised financial information of the material associate, adjusted for any differences in accounting policies and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

| | The Hong Kong and China Gas Company Limited (note) | |
|---|---|---|
| | **2015 HK$ million** | 2014 HK$ million |
| Gross amounts of the associate's: | | |
| Current assets | **23,633** | 24,641 |
| Non-current assets | **92,038** | 89,877 |
| Current liabilities | **(23,181)** | (20,690) |
| Non-current liabilities | **(30,288)** | (31,515) |
| Equity | **62,202** | 62,313 |
| Revenue | **29,591** | 31,615 |
| Profit from continuing operations | **8,179** | 8,103 |
| Other comprehensive income | **(3,180)** | (973) |
| Total comprehensive income | **4,999** | 7,130 |
| Dividend received from the associate | **1,580** | 1,436 |
| Reconciled to the Group's interest in the associate: | | |
| Gross amounts of net assets of the associate | **62,202** | 62,313 |
| Carrying amount of perpetual capital securities | **(2,354)** | (2,354) |
| Non-controlling interests | **(6,918)** | (7,242) |
| Equity attributable to equity shareholders | **52,930** | 52,717 |
| Group's interest | **41.52%** | 41.51% |
| Group's share of the associate's equity attributable to equity shareholders | **21,977** | 21,883 |
| Goodwill | **17,517** | 17,508 |
| Carrying amount in the consolidated financial statements | **39,494** | 39,391 |
| Market value of the listed shares | **72,966** | 77,505 |

*Note: The principal activities of The Hong Kong and China Gas Company Limited are the production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses. Its distinctive business nature forms a supplement to the Group's core business of property development and property investment to smooth out the cyclicality of the Group's property development business.*

## 19 Interest in associates (continued)

Aggregate information of associates that are not individually material:

| | 2015 HK$ million | 2014 HK$ million |
|---|---|---|
| Aggregate carrying amount of individually immaterial associates in the consolidated financial statements | **12,459** | 10,755 |
| Aggregate amounts of the Group's share of those associates: | | |
| Profit from continuing operations | **1,216** | 1,231 |
| Other comprehensive income | **(75)** | 3 |
| Total comprehensive income | **1,141** | 1,234 |

## 20 Interest in joint ventures

| | 2015 HK$ million | 2014 HK$ million |
|---|---|---|
| Share of net assets | **27,748** | 25,051 |
| Amounts due from joint ventures | **7,871** | 7,314 |
| | **35,619** | 32,365 |

The amounts due from joint ventures are unsecured, interest-free and have no fixed terms of repayment except for the amounts of HK$2 million and HK$204 million which are interest-bearing at Hong Kong dollar prime rate per annum and Hong Kong Interbank Offered Rate plus 0.5% per annum, respectively (2014: amounts of HK$3 million and HK$195 million which are interest-bearing at Hong Kong dollar prime rate per annum and Hong Kong Interbank Offered Rate plus 0.5% per annum, respectively). The balances are not expected to be recovered within one year and are neither past due nor impaired.

All of the joint ventures are accounted for using the equity method in the consolidated financial statements. Details of the principal joint ventures at 31 December 2015 are set out on page 229.

## 20 Interest in joint ventures (continued)

Summarised financial information of the material joint venture, adjusted for any differences in accounting policies and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

| | Central Waterfront Property Investment Holdings Limited (note) | |
|---|---|---|
| | **2015 HK$ million** | 2014 HK$ million |
| Gross amounts of the joint venture's: | | |
| Current assets | **877** | 866 |
| Non-current assets | **88,201** | 80,832 |
| Current liabilities | **(2,005)** | (1,960) |
| Non-current liabilities | **(18,280)** | (18,199) |
| Equity | **68,793** | 61,539 |
| Included in the above assets and liabilities: | | |
| Cash and cash equivalents | **361** | 306 |
| Non-current financial liabilities (excluding trade and other payables and provisions) | **(17,409)** | (17,375) |
| Revenue | **5,863** | 5,732 |
| Increase in fair value of investment properties | **7,394** | 2,438 |
| Profit from continuing operations | **10,667** | 5,583 |
| Other comprehensive income | **(34)** | 17 |
| Total comprehensive income | **10,633** | 5,600 |
| Dividend received from the joint venture | **1,156** | 1,197 |
| Included in the above profit: | | |
| Depreciation and amortisation | **(91)** | (109) |
| Interest income | **–** | 1 |
| Interest expense | **(391)** | (413) |
| Income tax expense | **(656)** | (621) |
| Reconciled to the Group's interest in the joint venture: | | |
| Gross amounts of net assets of the joint venture | **68,793** | 61,539 |
| Group's interest | **34.21%** | 34.21% |
| Group's share of net assets of the joint venture and its carrying amount in the consolidated financial statements | **23,534** | 21,052 |

*Note: Central Waterfront Property Investment Holdings Limited was incorporated in the British Virgin Islands by the Group and its joint venture partners and operates in Hong Kong. Its subsidiaries are mainly engaged in property investment and hotel operation in the International Finance Centre complex in Hong Kong.*

## 20 Interest in joint ventures (continued)

Aggregate information of joint ventures that are not individually material:

| | 2015 HK$ million | 2014 HK$ million |
|---|---|---|
| Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements | **12,085** | 11,313 |
| Aggregate amounts of the Group's share of those joint ventures: | | |
| Profit from continuing operations | **403** | 747 |
| Other comprehensive income | **(323)** | 7 |
| Total comprehensive income | **80** | 754 |

## 21 Derivative financial instruments

| | 2015 Assets HK$ million | 2015 Liabilities HK$ million | 2014 Assets HK$ million | 2014 Liabilities HK$ million |
|---|---|---|---|---|
| **Cash flow hedges:** | | | | |
| Cross currency interest rate swap contracts (note 4(f)(i)) | **216** | **928** | 318 | 812 |
| Interest rate swap contracts (note 4(f)(i)) | **–** | **848** | – | 661 |
| Total cash flow hedges (note 4(c)(i)) | **216** | **1,776** | 318 | 1,473 |
| **Other than cash flow hedges:** | | | | |
| Other derivatives (note 4(f)(i)) | **84** | **–** | – | – |
| | **300** | **1,776** | 318 | 1,473 |
| **Representing:** | | | | |
| Non-current portion | **300** | **1,773** | 318 | 1,473 |
| Current portion (note 28) | **–** | **3** | – | – |
| | **300** | **1,776** | 318 | 1,473 |

**(a)** Swap contracts which have been entered into with certain counterparty banks comprise:

– cross currency interest rate swap contracts to hedge against the interest rate risk and foreign currency risk in respect of guaranteed notes (see note 30) denominated in United States dollars, Pound Sterling and Singapore dollars with aggregate principal amounts of US$672 million, £50 million and S$200 million at 31 December 2015 (2014: US$672 million, £50 million and S$200 million) and bank loans denominated in Japanese Yen with an aggregate principal amount of ¥10,000 million at 31 December 2015 (2014: ¥10,000 million); and

– interest rate swap contracts to hedge against the interest rate risk in respect of certain bank loans denominated in Hong Kong dollars with an aggregate principal amount of HK$11,700 million at 31 December 2015 (2014: HK$12,000 million).

These cross currency interest rate swap contracts and interest rate swap contracts were designated as cash flow hedges of the interest rate risk and foreign currency risk in relation to the guaranteed notes and bank loans. They will mature between 13 June 2016 and 20 October 2026 (2014: 13 June 2016 and 20 October 2026).

## 21 Derivative financial instruments (continued)

**(b)** The carrying value of other derivatives at 31 December 2015 represents the fair value of the bonus warrants of Miramar Hotel and Investment Company, Limited (a listed associate of the Group) which remained unexercised at 31 December 2015.

## 22 Other financial assets

| | 2015 HK$ million | 2014 HK$ million |
|---|---|---|
| **Available-for-sale securities** | | |
| Unlisted (note 4(f)(ii)) | **1,123** | 1,083 |
| Listed (note 4(f)(i)): | | |
| – in Hong Kong | **2,637** | 2,783 |
| – outside Hong Kong | **79** | – |
| | **3,839** | 3,866 |
| **Held-to-maturity debt securities (note 4(f)(ii))** | | |
| Listed: | | |
| – in Hong Kong | **522** | 367 |
| – outside Hong Kong | **613** | 591 |
| | **1,135** | 958 |
| **Instalments receivable** | **2,306** | 1,679 |
| **Loan receivable** | **1,042** | 920 |
| | **8,322** | 7,423 |
| **Market value of listed available-for-sale securities (note 4(f)(i))** | **2,716** | 2,783 |
| **Market value of listed held-to-maturity debt securities (note 4(f)(ii))** | **1,164** | 912 |
| **Fair value of individually impaired available-for-sale securities** | **480** | 885 |

**(a) Available-for-sale securities**

At 31 December 2015, certain of the Group's listed available-for-sale securities were individually determined to be impaired on the basis of significant or prolonged decline in their fair value below cost. Impairment loss on available-for-sale securities is recognised in profit or loss in accordance with the accounting policy set out in note 2(n)(i).

Included in the carrying amount of available-for-sale securities at 31 December 2015 was an aggregate amount of HK$91 million (2014: HK$83 million) being pledged in favour of certain financial institutions for credit facilities granted to a wholly-owned subsidiary of the Group. Such credit facilities were not utilised by the Group at 31 December 2015.

## 22 Other financial assets (continued)

### (b) Held-to-maturity debt securities

Held-to-maturity debt securities are listed, issued by corporate entities with sound credit standing and are neither past due nor impaired, except for an aggregate carrying amount of HK$20 million at 31 December 2015 (2014: Nil) which was impaired due to the principal's default in interest payment during the year ended 31 December 2015.

Included in the carrying amount of held-to-maturity debt securities at 31 December 2015 was an aggregate amount of HK$598 million (2014: HK$563 million) being pledged in favour of certain financial institutions for credit facilities granted to a wholly-owned subsidiary of the Group. Such credit facilities were not utilised by the Group at 31 December 2015.

### (c) Instalments receivable

Instalments receivable represents the proceeds receivable from the sale of properties due after one year from the end of the reporting period. The balance included in "Other financial assets" is neither past due nor impaired. Instalments receivable due within one year from the end of the reporting period is included in "Trade and other receivables" under current assets (see note 25).

### (d) Loan receivable

At 31 December 2015, loan receivable included amounts of HK$684 million and HK$358 million which are secured, interest-bearing at Hong Kong Interbank Offered Rate plus 4% and 12% per annum, respectively (2014: loan receivable included amounts of HK$200 million and HK$720 million which are secured, interest-bearing at Hong Kong Interbank Offered Rate plus 5.65% and Hong Kong Interbank Offered Rate plus 4% per annum, respectively). The balance is due after one year from the end of the reporting period and is neither past due nor impaired.

The current portion of HK$236 million (2014: HK$50 million) which is expected to be recovered within one year is included in "Trade and other receivables" under current assets (see note 25).

## 23 Deposits for acquisition of properties

The Group's deposits for acquisition of properties mainly include HK$3,834 million (2014: HK$4,250 million) and HK$561 million (2014: HK$561 million) paid for the acquisition of certain pieces of land/properties located in mainland China and Macau, respectively.

## 24 Inventories

| | **2015 HK$ million** | 2014 HK$ million |
|---|---|---|
| **Property development** | | |
| Leasehold land held for development for sale | **10,130** | 9,888 |
| Properties held for/under development for sale | **61,884** | 60,615 |
| Completed properties for sale | **9,460** | 9,518 |
| | **81,474** | 80,021 |
| **Other operations** | | |
| Trading stocks | **82** | 80 |
| | **81,556** | 80,101 |

## 24 Inventories (continued)

The analysis of carrying value of inventories for property development is as follows:

| | 2015 HK$ million | 2014 HK$ million |
|---|---|---|
| In Hong Kong | | |
| – under long leases | **24,357** | 21,888 |
| – under medium-term leases | **37,713** | 37,545 |
| | **62,070** | 59,433 |
| In mainland China | | |
| – under long leases | **10,766** | 11,934 |
| – under medium-term leases | **8,638** | 8,654 |
| | **19,404** | 20,588 |
| | **81,474** | 80,021 |
| Including: | | |
| − Properties expected to be completed after more than one year | **51,525** | 54,364 |

## 25 Trade and other receivables

| | 2015 HK$ million | 2014 HK$ million |
|---|---|---|
| Instalments receivable (note 22) | **2,146** | 1,281 |
| Loan receivable (note 22) | **236** | 50 |
| Debtors, prepayments and deposits | **5,781** | 6,968 |
| Gross amount due from customers for contract work (note 26) | **18** | 31 |
| Amounts due from associates | **144** | 138 |
| Amounts due from joint ventures | **46** | 52 |
| | **8,371** | 8,520 |

All of the trade and other receivables are expected to be recovered or recognised as expense within one year except for various deposits, prepayments and other receivables of HK$2,059 million (2014: HK$1,762 million) which are expected to be recovered after more than one year.

Loan receivable included amounts of HK$200 million (2014: HK$50 million) and HK$36 million (2014: Nil) which are secured, interest-bearing at Hong Kong Interbank Offered Rate plus 5.65% (2014: Hong Kong Interbank Offered Rate plus 5.65%) per annum and Hong Kong Interbank Offered Rate plus 4% (2014: Nil) per annum, respectively. The balance is expected to be recovered within one year from the end of the reporting period and is neither past due nor impaired.

The amounts due from associates and joint ventures are unsecured and interest-free, have no fixed terms of repayment and are neither past due nor impaired.

## 25 Trade and other receivables (continued)

### (a) Ageing analysis

At the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables) net of allowance for doubtful debts is as follows:

| | **2015 HK$ million** | 2014 HK$ million |
|---|---|---|
| Current or under 1 month overdue | **2,888** | 1,885 |
| More than 1 month overdue and up to 3 months overdue | **73** | 31 |
| More than 3 months overdue and up to 6 months overdue | **24** | 78 |
| More than 6 months overdue | **63** | 66 |
| | **3,048** | 2,060 |

Details of the Group’s credit policy are set out in note 4(a).

### (b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 2(n)(i)).

The movement in the allowance for doubtful debts during the year is as follows:

| | **2015 HK$ million** | 2014 HK$ million |
|---|---|---|
| At 1 January | **60** | 61 |
| Exchange differences | **(2)** | – |
| Impairment loss recognised/(reversed) (notes 7 and 15(c)) | **25** | (1) |
| At 31 December | **83** | 60 |

At 31 December 2015, the Group’s trade debtors of HK$83 million (2014: HK$60 million) were individually determined to be impaired. The individually impaired receivables relate to customers who were in financial difficulties and management assessed that only a portion of these receivables are expected to be recovered. Accordingly, the Group has recognised impairment losses during the year in relation to the amounts which were considered to be irrecoverable.

## 25 Trade and other receivables (continued)

### (c) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired is as follows:

| | **2015 HK$ million** | 2014 HK$ million |
|---|---|---|
| Neither past due nor impaired | **2,279** | 911 |
| Less than 1 month past due | **609** | 974 |
| Over 1 month but less than 3 months past due | **73** | 31 |
| | **682** | 1,005 |
| | **2,961** | 1,916 |

Receivables which were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables which were past due but not impaired relate to customers who have a good track record of trading with the Group. Based on past experience, management considers that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

## 26 Gross amount due from/(to) customers for contract work

| | **2015 HK$ million** | 2014 HK$ million |
|---|---|---|
| **Contracts in progress at the end of the reporting period:** | | |
| Contract costs incurred plus profits less losses | **325** | 550 |
| Progress billings | **(323)** | (573) |
| Net contract work | **2** | (23) |
| **Represented by:** | | |
| Gross amount due from customers for contract work (note 25) | **18** | 31 |
| Gross amount due to customers for contract work (note 28) | **(16)** | (54) |
| | **2** | (23) |

## 27 Cash and bank balances

| | 2015 HK$ million | 2014 HK$ million |
|---|---|---|
| Deposits with banks and other financial institutions | **6,771** | 6,930 |
| Cash at bank and in hand | **5,008** | 3,373 |
| Cash and bank balances in the consolidated statement of financial position | **11,779** | 10,303 |
| Less: | | |
| Deposits with banks and other financial institutions over three months of maturity at acquisition | **(928)** | (247) |
| Cash restricted for use | **(2,380)** | (1,408) |
| Cash and cash equivalents | **8,471** | 8,648 |
| Bank overdrafts (note 29) | **(6)** | (88) |
| Cash and cash equivalents in the consolidated cash flow statement | **8,465** | 8,560 |

At 31 December 2015, cash and bank balances in the consolidated statement of financial position included balances of bank deposits in mainland China which were subject to exchange controls, and of which an amount of HK$2,380 million (2014: HK$1,408 million) was restricted for use and primarily comprised the guarantee deposits for the construction of certain property development projects under pre-sales in mainland China.

## 28 Trade and other payables

| | 2015 HK$ million | 2014 HK$ million |
|---|---|---|
| Creditors and accrued expenses | **8,484** | 8,505 |
| Gross amount due to customers for contract work (note 26) | **16** | 54 |
| Rental and other deposits | **1,412** | 1,320 |
| Forward sales deposits received | **8,235** | 6,404 |
| Derivative financial instruments (note 21) | **3** | – |
| Amounts due to associates | **143** | 140 |
| Amounts due to joint ventures | **805** | 881 |
| | **19,098** | 17,304 |

**(a)** All of the Group’s trade and other payables are expected to be settled within one year or are repayable on demand except for an amount of HK$845 million (2014: HK$818 million) which is expected to be settled after more than one year. Included in the abovementioned balance was an amount of HK$24 million (2014: HK$25 million) which is unsecured and interest-bearing at 3.50% (2014: 3.50%) per annum.

## 28 Trade and other payables (continued)

**(b)** At the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables) is as follows:

| | **2015 HK$ million** | 2014 HK$ million |
|---|---|---|
| Due within 1 month or on demand | **1,686** | 1,298 |
| Due after 1 month but within 3 months | **1,120** | 1,635 |
| Due after 3 months but within 6 months | **1,183** | 1,273 |
| Due after 6 months | **2,599** | 2,486 |
| | **6,588** | 6,692 |

**(c)** The amounts due to associates and joint ventures are unsecured, interest-free and have no fixed terms of repayment.

## 29 Bank loans and overdrafts

At 31 December 2015, bank loans and overdrafts were repayable as follows:

| | **2015 HK$ million** | 2014 HK$ million |
|---|---|---|
| Within 1 year and included in current liabilities | **10,216** | 13,590 |
| After 1 year and included in non-current liabilities | | |
| – After 1 year but within 2 years | **2,711** | 4,595 |
| – After 2 years but within 5 years | **22,087** | 8,373 |
| | **24,798** | 12,968 |
| | **35,014** | 26,558 |

At 31 December 2015, the bank loans and overdrafts were unsecured and analysed as follows:

| | **2015 HK$ million** | 2014 HK$ million |
|---|---|---|
| Unsecured bank loans | **35,008** | 26,470 |
| Bank overdrafts (note 27) | **6** | 88 |
| | **35,014** | 26,558 |

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain ratios in the Group's statement of financial position and minimum net assets requirement, as are commonly found in lending arrangements with financial institutions. Any breach of the covenants by the Group would result in the drawdown facilities to become repayable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 4(b). At 31 December 2015 and 2014, none of the covenants relating to the drawdown facilities had been breached.

## 30 Guaranteed notes

| | **2015 HK$ million** | 2014 HK$ million |
|---|---|---|
| Guaranteed notes due 2017 – 2022 | **1,830** | 1,860 |
| Guaranteed notes due 2019 | **3,865** | 3,864 |
| Guaranteed notes issued pursuant to the Medium Term Note Programme | **10,202** | 10,420 |
| | **15,897** | 16,144 |

At 31 December 2015, the guaranteed notes were repayable as follows:

| | **2015 HK$ million** | 2014 HK$ million |
|---|---|---|
| Within 1 year and included in current liabilities | **2,192** | – |
| After 1 year and included in non-current liabilities | | |
| – After 1 year but within 2 years | **5,743** | 2,345 |
| – After 2 years but within 5 years | **6,302** | 12,139 |
| – After 5 years | **1,660** | 1,660 |
| | **13,705** | 16,144 |
| | **15,897** | 16,144 |

**(a) Guaranteed notes due 2017 – 2022**

On 25 July 2007, the Company through a wholly-owned subsidiary issued guaranteed loan notes (the "2007 Notes") with aggregate principal amounts of US$325 million and £50 million under private placements in the United States of America and in Europe. An aggregate principal amount of US$163 million of the 2007 Notes was repaid during the year ended 31 December 2014. As a result, at 31 December 2015, the 2007 Notes with principal amounts of US$152 million and £50 million bear fixed interest rates ranging from 6.18% to 6.38% per annum payable semi-annually in arrears and the remaining 2007 Notes with principal amount of US$10 million bears floating rate by reference to 3-month London Interbank Offered Rate payable quarterly in arrears. The 2007 Notes are guaranteed by the Company and will mature between 25 July 2017 and 25 July 2022.

**(b) Guaranteed notes due 2019**

On 17 September 2009, the Company through a wholly-owned subsidiary issued guaranteed notes (the "2009 Notes") with an aggregate principal amount of US$500 million at an issue price equal to 99.795% of the principal amount of the 2009 Notes. The 2009 Notes bear fixed interest rate at 5.50% per annum payable semi-annually in arrears. The 2009 Notes are guaranteed by the Company and will mature on 17 September 2019.

## 30 Guaranteed notes (continued)

**(c) Guaranteed notes issued pursuant to the Medium Term Note Programme (the "Programme")**

The carrying amounts of the guaranteed notes issued under the Programme and which remained outstanding at 31 December 2015 were as follows:

(i) On 19 September 2011, the Company through a wholly-owned subsidiary issued guaranteed notes with an aggregate principal amount of S$200 million. These notes bear fixed coupon rate of 4.00% per annum payable semi-annually in arrears, are guaranteed by the Company and will mature on 19 September 2018.

(ii) On 23 September 2011, the Company through a wholly-owned subsidiary issued guaranteed notes with an aggregate principal amount of HK$220 million. These notes bear a fixed coupon rate of 4.03% per annum payable quarterly in arrears, are guaranteed by the Company and will mature on 23 September 2021.

(iii) On 26 September 2011, the Company through a wholly-owned subsidiary issued guaranteed notes with an aggregate principal amount of HK$656 million. These notes bear a fixed coupon rate of 4.03% per annum payable quarterly in arrears, are guaranteed by the Company and will mature on 27 September 2021.

(iv) On 20 October 2011, the Company through a wholly-owned subsidiary issued guaranteed notes with an aggregate principal amount of US$10 million. These notes bear a fixed coupon rate of 5.20% per annum payable annually in arrears, are guaranteed by the Company and will mature on 20 October 2026.

(v) On 28 October 2011, the Company through a wholly-owned subsidiary issued guaranteed notes with an aggregate principal amount of HK$250 million. These notes bear a fixed coupon rate of 4.03% per annum payable annually in arrears, are guaranteed by the Company and will mature on 28 October 2021.

(vi) On 10 November 2011, the Company through a wholly-owned subsidiary issued guaranteed notes with an aggregate principal amount of HK$309 million. These notes bear a fixed coupon rate of 4.80% per annum payable quarterly in arrears, are guaranteed by the Company and will mature on 10 November 2031.

(vii) On 11 November 2011, the Company through a wholly-owned subsidiary issued guaranteed notes with an aggregate principal amount of S$200 million. These notes bear a fixed coupon rate of 3.865% per annum payable semi-annually in arrears, are guaranteed by the Company and will mature on 11 November 2016.

(viii) On 14 February 2012, the Company through a wholly-owned subsidiary issued guaranteed notes with an aggregate principal amount of US$400 million. These notes bear a fixed coupon rate of 4.75% per annum payable semi-annually in arrears, are guaranteed by the Company and will mature on 14 February 2017.

(ix) On 15 February 2012, the Company through a wholly-owned subsidiary issued guaranteed notes with an aggregate principal amount of S$200 million. These notes bear a fixed coupon rate of 3.65% per annum payable semi-annually in arrears, are guaranteed by the Company and will mature on 15 February 2016.

(x) On 22 February 2012, the Company through a wholly-owned subsidiary issued guaranteed notes with an aggregate principal amount of US$300 million. These notes bear a fixed coupon rate of 4.75% per annum payable semi-annually in arrears, are guaranteed by the Company and will mature on 14 February 2017.

## 31 Amount due to a fellow subsidiary

Except for the amount of HK$8 million (2014: HK$409 million) which is expected to be settled within one year, the remaining amount due to a fellow subsidiary is unsecured, interest-bearing and is not expected to be settled within one year with no fixed terms of repayment.

## 32 Capital and reserves

### (a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of changes in the Company's individual components of equity between the beginning and the end of the year are set out in note 39.

### (b) Nature and purpose of reserves

*(i) Property revaluation reserve*

The property revaluation reserve relates to other land and buildings. Where other land and buildings is reclassified to investment properties, the cumulative increase in fair value at the date of reclassification is included in the property revaluation reserve, and will be transferred to retained profits upon the retirement or disposal of the relevant property.

*(ii) Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(y).

*(iii) Fair value reserve*

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the end of the reporting period and is dealt with in accordance with the accounting policies set out in notes 2(g) and 2(n)(i).

*(iv) Hedging reserve*

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of a derivative financial instrument which is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, in accordance with the accounting policy adopted for cash flow hedges in note 2(i).

*(v) Other reserves*

Other reserves comprise the statutory reserve set up for enterprises established in mainland China. According to the relevant rules and regulations in The People's Republic of China ("PRC") applicable to wholly foreign-owned enterprises, a wholly foreign-owned enterprise is required to transfer at least 10% of its profit after taxation, as determined under the PRC Accounting Regulations, to a reserve fund until the reserve fund balance reaches 50% of the relevant enterprise's registered capital.

## 33 Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that the Group can continue to provide financial returns to shareholders, and by securing access to financing sources at reasonable costs.

The Group regularly reviews and manages its capital structure under the policy of financial management. The Group maintains a financially sound capital position and, where appropriate, makes adjustments to its capital structure in light of remarkable changes in the financial and capital markets and in economic conditions.

The Group monitors its capital structure on the basis of gearing ratio, which is one of the most commonly adopted measurement standards for capital management by companies engaged in the businesses of property development and property investment. Gearing ratio is calculated based on the net debt (being the aggregate of the Group's bank and other borrowings and the amount due to a fellow subsidiary ("Total debt") less cash and bank balances) and shareholders' funds of the Group at the end of the reporting period.

During the year ended 31 December 2015, the Group's strategy, which was unchanged from that for the year ended 31 December 2014, was to secure long-term funding sources at attractive borrowing costs so as to finance the development of the Group's land bank in Hong Kong and mainland China in the coming years. The Group continued to maintain a low gearing ratio during the year, which has the effect of minimising any unfavourable impact on the Group arising from any unforeseeable adverse changes in the local and/or international financial markets, capital markets and economic conditions.

The Group's gearing ratios at 31 December 2015 and 2014 were as follows:

| | **2015 HK$ million** | 2014 HK$ million |
|---|---|---|
| Bank and other borrowings (including guaranteed notes) repayable: | | |
| – Within 1 year | **12,408** | 13,590 |
| – After 1 year but within 2 years | **8,454** | 6,940 |
| – After 2 years but within 5 years | **28,389** | 20,512 |
| – After 5 years | **1,660** | 1,660 |
| Amount due to a fellow subsidiary | **1,185** | 5,021 |
| Total debt | **52,096** | 47,723 |
| Less: Cash and bank balances | **(11,779)** | (10,303) |
| Net debt | **40,317** | 37,420 |
| Shareholders' funds | **251,247** | 238,150 |
| Gearing ratio (%) | **16.0%** | 15.7% |

Except for a wholly-owned subsidiary of the Company which is engaged in the provision of finance and is governed by the requirements of the Banking Ordinance, neither the Company nor any of its other subsidiaries was subject to externally imposed capital requirements during the year and at 31 December 2015.

## 34 Acquisition and disposal of subsidiaries

### (a) Acquisition of subsidiaries

The Group acquired certain subsidiaries during the year ended 31 December 2015. The fair value of the assets acquired and the liabilities assumed for the Group's acquisition of subsidiaries were as follows:

| | 2015<br>HK$ million | 2014<br>HK$ million |
|---|---|---|
| Investment properties (note 16(a)) | **2** | – |
| Inventories | **72** | 77 |
| Net assets and total consideration | **74** | 77 |
| **Representing:** | | |
| Cash consideration paid | **74** | 77 |
| **Net cash outflow in respect of the acquisition:** | | |
| Cash consideration paid | **(74)** | (77) |

### (b) Disposal of subsidiaries

The Group disposed of a subsidiary during the year ended 31 December 2015. The disposals had the following effect on the Group's assets and liabilities:

| | 2015<br>HK$ million | 2014<br>HK$ million |
|---|---|---|
| Investment properties and other property, plant and equipment (note 16(a)) | **–** | 53 |
| Inventories | **54** | 940 |
| Trade and other receivables | **–** | 4 |
| Cash and cash equivalents | **–** | 17 |
| Amount due to shareholder | **–** | (3) |
| Amount due to a fellow subsidiary | **–** | (2) |
| Creditors and accrued expenses | **–** | (79) |
| Deferred tax liabilities (note 11(c)) | **–** | (2) |
| Current tax liabilities | **–** | (2) |
| Net assets | **54** | 926 |
| Interest in joint ventures | **–** | (737) |
| Release of exchange reserves | **–** | (50) |
| Professional charges | **–** | 3 |
| Net gain on disposal (note 7) | **52** | 140 |
| Total consideration | **106** | 282 |
| **Representing:** | | |
| Cash consideration received | **106** | 282 |
| **Net cash inflow in respect of the disposal:** | | |
| Cash consideration received | **106** | 282 |
| Cash and cash equivalents disposed of | **–** | (17) |
| | **106** | 265 |

## 35 Capital commitments

At 31 December 2015, the Group had capital commitments not provided for in these financial statements as follows:

| | | 2015<br>HK$ million | 2014<br>HK$ million |
|---|---|---|---|
| (a) | Contracted for acquisition of property and future development expenditure and the related costs of internal fixtures and fittings | **6,060** | 9,458 |
| | Future development expenditure and the related costs of internal fixtures and fittings approved by the directors but not contracted for | **21,113** | 16,845 |
| | | **27,173** | 26,303 |
| (b) | **In relation to the capital commitments undertaken by associates and joint ventures attributable to the Group:** | | |
| | Contracted for acquisition of property and future development expenditure and the related costs of internal fixtures and fittings | **1,178** | 1,879 |
| | Future development expenditure and the related costs of internal fixtures and fittings approved by the directors but not contracted for | **1,043** | 1,225 |
| | | **2,221** | 3,104 |

## 36 Significant leasing arrangements

At 31 December 2015, the Group was both a lessor and a lessee under operating leases. Details of the Group's commitments under non-cancellable operating leases are set out as follows:

### (a) Lessor

The Group leases out a number of land/building facilities under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease after that date at which time all terms are re-negotiated. Further details of the carrying value of the properties are contained in note 16.

The total future minimum lease payments under non-cancellable operating leases are receivable as follows:

| | 2015<br>HK$ million | 2014<br>HK$ million |
|---|---|---|
| Within 1 year | **4,619** | 4,454 |
| After 1 year but within 5 years | **5,084** | 4,777 |
| After 5 years | **444** | 493 |
| | **10,147** | 9,724 |

## 36 Significant leasing arrangements (continued)

### (b) Lessee

The Group leases a number of building facilities under operating leases. The leases typically run for an initial period of one to five years, with an option to renew the lease after that date at which time all terms are re-negotiated.

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

| | **2015 HK$ million** | 2014 HK$ million |
|---|---|---|
| Within 1 year | **240** | 217 |
| After 1 year but within 5 years | **160** | 274 |
| | **400** | 491 |

## 37 Contingent liabilities

At 31 December 2015, contingent liabilities of the Group were as follows:

**(a)** In connection with the sale of certain subsidiaries and shareholders' loans to Sunlight Real Estate Investment Trust ("Sunlight REIT") (the "Sale") in December 2006, the Group entered into Deeds of Tax Covenant with Sunlight REIT. Under the Deeds of Tax Covenant, the Group has undertaken to indemnify Sunlight REIT for any tax liabilities relating to events occurred on or before the completion of the Sale (the "Completion"), clawback of commercial building allowances and capital allowances granted up to the Completion and re-classification of the properties before or upon the Completion. At 31 December 2015, the Group had contingent liabilities in this connection of HK$13 million (2014: HK$17 million).

**(b)** At 31 December 2015, the Company had contingent liabilities in respect of performance bonds to guarantee for the due and proper performance of the obligations undertaken by the Group's subsidiaries and projects amounting to HK$38 million (2014: HK$536 million).

**(c)** At 31 December 2015, the Company had given guarantees in the aggregate amount of HK$Nil (2014: HK$232 million) in respect of certain bank loans and borrowings entered into by an entity whose shares were held by the Company as available-for-sale securities at 31 December 2015.

**(d)** At 31 December 2015, the Group had given guarantees to financial institutions in the aggregate amount of HK$1,324 million (2014: HK$1,234 million) on behalf of purchasers of property units in mainland China in relation to which the related Building Ownership Certificate (房產證) had not yet been issued at 31 December 2015. Such guarantees will be released upon the issuance of the Building Ownership Certificate.

## 38 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions during the year:

### (a) Transactions with fellow subsidiaries

Details of material related party transactions during the year between the Group and its fellow subsidiaries are as follows:

| | **2015 HK$ million** | 2014 HK$ million |
|---|---|---|
| Other interest expense (note (i)) | **77#** | 218# |
| Sales of construction materials (note (iii)) | **–** | 23 |
| Sales commission income (note (iii)) | **11** | 19 |
| Administration fee income (note (ii)) | **9** | 8 |

### (b) Transactions with associates and joint ventures

Details of material related party transactions during the year between the Group and its associates and joint ventures are as follows:

| | **2015 HK$ million** | 2014 HK$ million |
|---|---|---|
| Construction/repair and maintenance income (note (ii)) | **–** | 580 |
| Rental expenses (note (iii)) | **133** | 134 |
| Venue-related expenses (note (iii)) | **55** | 60 |
| Management fee income (note (iii)) | **11** | 31 |
| Loan arrangement fee income (note (iii)) | **–** | 26 |
| Security guard service fee income (note (iii)) | **25** | 23 |
| Other interest income (note (i)) | **6** | 19 |
| Sales commission income (note (iii)) | **–** | 13 |

### (c) Transactions with related companies

Details of material related party transactions during the year between the Group and its related companies which are controlled by private family trusts of a director of the Company are as follows:

| | **2015 HK$ million** | 2014 HK$ million |
|---|---|---|
| Sale of construction materials (note (iii)) | **8** | – |
| Rental income (note (iii)) | **19** | 15 |
| Tax indemnity receipt | **5** | – |

## 38 Material related party transactions (continued)

### (c) Transactions with related companies (continued)

*Notes:*

(i) *Interest income and expense are calculated on the balance of loans outstanding from time to time by reference to Hong Kong Interbank Offered Rate, Hong Kong dollar prime rate or Renminbi benchmark loan rates announced by the People's Bank of China.*

(ii) *These transactions represent cost reimbursements or cost reimbursements plus certain percentage thereon as service fees.*

(iii) *In the opinion of the directors, these transactions were carried out on normal commercial terms and in the ordinary course of business.*

(iv) *The amount due to a fellow subsidiary at 31 December 2015 and 2014 is referred to in the Group's consolidated statement of financial position at 31 December 2015 and 2014, and the terms of which are set out in note 31. The amounts due from/to associates and joint ventures at 31 December 2015 and 2014 are set out in notes 19, 20, 25 and 28.*

### (d) Transactions with Sunlight REIT

Details of the material related party transactions during the year between the Group and Sunlight REIT (which is deemed as a connected person of the Company under the Listing Rules as from 30 April 2009) are as follows:

| | **2015 HK$ million** | 2014 HK$ million |
|---|---|---|
| Property and leasing management service fee income and other ancillary property service fee income | **49#** | 48# |
| Asset management service fee income | **88#** | 81# |
| Rental expenses | **10** | 9 |
| Security service fee income | **2#** | 2# |

The above transactions were conducted in accordance with the terms of the respective agreements/deeds entered into between the Group and Sunlight REIT. At 31 December 2015, the amount due from Sunlight REIT amounted to HK$26 million (2014: HK$29 million) and is unsecured, interest-free and has no fixed terms of repayment. The amount is included in "Trade and other receivables" under current assets (note 25).

### (e) Transactions with a company owned by a director of the Company

Dr Lee Ka Kit, a director of the Company, through a company owned by him (the "entity") has separate interest in an associate of the Group and through which the Group holds its interest in a development project in mainland China. The entity agreed to provide and had provided finance in the form of non interest-bearing advances to such associate in accordance with the percentage of its equity interest in such associate.

At 31 December 2015, the advance by the entity to the abovementioned associate amounted to HK$80 million# (2014: HK$80 million#). Such amount is unsecured and has no fixed terms of repayment.

### (f) Key management personnel

Remuneration for key management personnel are disclosed in note 9.

# *These related party transactions also constitute connected transactions and/or continuing connected transactions under the Listing Rules, details of which are set out in the paragraph headed "Interests in transactions, arrangements or contracts and continuing connected transactions" in the Report of the directors set out in the Company's annual reports for the years ended 31 December 2015 and 2014.*

## 39 Statement of financial position and changes in reserves of the Company

### (a) Statement of financial position

| | At 31 December 2015 HK$ million | At 31 December 2014 HK$ million |
|---|---|---|
| **Non-current assets** | | |
| Interest in subsidiaries | **152,763** | 148,734 |
| Interest in associates | **94** | 93 |
| Interest in joint ventures | **71** | 123 |
| | **152,928** | 148,950 |
| **Current assets** | | |
| Trade and other receivables | **67** | 67 |
| Cash and bank balances | **1** | 1 |
| | **68** | 68 |
| **Current liability** | | |
| Trade and other payables | **20** | 21 |
| | **20** | 21 |
| **Net current assets** | **48** | 47 |
| **Total assets less current liability** | **152,976** | 148,997 |
| **Non-current liabilities** | | |
| Amount due to subsidiaries | **27,459** | 25,655 |
| Amount due to associates | **9** | 7 |
| Amount due to joint ventures | **138** | 248 |
| | **27,606** | 25,910 |
| **NET ASSETS** | **125,370** | 123,087 |
| **CAPITAL AND RESERVES** | | |
| Share capital | **52,345** | 52,010 |
| Reserves | **73,025** | 71,077 |
| **TOTAL EQUITY** | **125,370** | 123,087 |

Approved and authorised for issue by the Board of Directors on 21 March 2016.

**Lee Shau Kee**
**Lee Tat Man**
*Directors*

## 39 Statement of financial position and changes in reserves of the Company (continued)

### (b) Movement in reserves

| | Note | Share premium HK$ million | Capital redemption reserve HK$ million | Retained profits HK$ million | Total HK$ million |
|---|---|---|---|---|---|
| **Balance at 1 January 2014** | | 45,127 | 20 | 68,560 | 113,707 |
| **Movement in reserves for 2014:** | | | | | |
| Profit and total comprehensive income for the year | | – | – | 5,534 | 5,534 |
| Dividend approved in respect of the previous financial year | 12(b) | – | – | (1,997) | (1,997) |
| Dividend declared and paid in respect of the current year | 12(a) | – | – | (1,020) | (1,020) |
| Transition to the no-par value regime on 3 March 2014 | 39(c) | (45,127) | (20) | – | (45,147) |
| **Balance at 31 December 2014 and 1 January 2015** | | **–** | **–** | **71,077** | **71,077** |
| **Movement in reserves for 2015:** | | | | | |
| Profit and total comprehensive income for the year | | **–** | **–** | **5,484** | **5,484** |
| Dividend approved in respect of the previous financial year | 12(b) | **–** | **–** | **(2,280)** | **(2,280)** |
| Dividend declared and paid in respect of the current year | 12(a) | **–** | **–** | **(1,256)** | **(1,256)** |
| **Balance at 31 December 2015** | | **–** | **–** | **73,025** | **73,025** |

## 39 Statement of financial position and changes in reserves of the Company (continued)

### (c) Share capital

| | The Group and the Company | | | |
|---|---|---|---|---|
| | Number of shares | | Amount | |
| | **2015 million** | 2014 million | **2015 HK$ million** | 2014 HK$ million |
| **Ordinary shares, issued and fully paid:** | | | | |
| At 1 January | **3,000** | 2,699 | **52,010** | 5,398 |
| Transition to the no-par value regime on 3 March 2014 (note (i)) | **–** | – | **–** | 45,147 |
| Shares issued in respect of scrip dividends (note (ii)) | **6** | 31 | **335** | 1,465 |
| Issue of bonus shares (note (iii)) | **300** | 270 | **–** | – |
| At 31 December | **3,306** | 3,000 | **52,345** | 52,010 |

*(i)* The transition to the no-par value regime under the Hong Kong Companies Ordinance occurred automatically on 3 March 2014. On that day, any amount standing to the credit of the share premium account and the capital redemption reserve were subsumed into share capital in accordance with section 37 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622). These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the members. Since that date, all changes in share capital have been made in accordance with the requirements of Parts 4 and 5 of the Hong Kong Companies Ordinance (Cap. 622).

*(ii)* *Shares issued in respect of scrip dividends*

On 9 July 2015, the Company issued and allotted 4,801,477 shares at an issue price of HK$54.41 per share in respect of the final dividend for the year ended 31 December 2014 under the scrip dividend scheme. Except for the entitlement to the said final dividend, the 4,801,477 shares issued rank pari passu in all respects with the then existing Shares.

On 8 October 2015, the Company issued and allotted 1,557,870 shares at an issue price of HK$47.58 per share in respect of the interim dividend for the six months ended 30 June 2015 under the scrip dividend scheme. Except for the entitlement to the said interim dividend, the 1,557,870 Shares issued rank pari passu in all respects with the then existing Shares.

On 18 July 2014, the Company issued and allotted 31,037,724 shares at an issue price of HK$46.46 per share in respect of the final dividend for the year ended 31 December 2013 under the scrip dividend scheme. Except for the entitlement to the said final dividend, the 31,037,724 Shares issued rank pari passu in all respects with the then existing Shares.

On 21 October 2014, the Company issued and allotted 405,722 shares at an issue price of HK$55.79 per share in respect of the interim dividend for the six months ended 30 June 2014 under the scrip dividend scheme. Except for the entitlement to the said interim dividend, the 405,722 Shares issued rank pari passu in all respects with the then existing Shares.

As a result and in accordance with section 37 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), during the year ended 31 December 2015, the Company's share capital was increased by approximately HK$335 million (2014: HK$1,465 million).

## 39 Statement of financial position and changes in reserves of the Company (continued)

### (c) Share capital (continued)

*(iii) Issue of bonus shares*

On 9 July 2015, an aggregate of 300,033,920 shares were issued on the basis of one new share credited as fully paid for every ten shares held to shareholders whose names appeared on the Company's register of members on 10 June 2015.

On 18 July 2014, an aggregate of 269,899,614 shares were issued on the basis of one new share credited as fully paid for every ten shares held to shareholders whose names appeared on the Company's register of members on 17 June 2014.

There is no change to the Company's share capital as the Company's shares no longer have a par or nominal value with effect from 3 March 2014 in accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622).

### (d) Distributability of reserves

At 31 December 2015, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance (Cap. 622), was HK$73,025 million (2014: HK$71,077 million). As stated in note 12(a), after the end of the reporting period, the directors proposed a final dividend of HK$1.07 (2014: HK$0.76) per ordinary share, amounting to HK$3,538 million (2014: HK$2,280 million). This dividend has not been recognised as a liability at the end of the reporting period.

## 40 Non-adjusting events after the reporting period

After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 12.

## 41 Comparative figures

Certain comparative figures have been reclassified to conform to current year's presentation.

## 42 Immediate parent and ultimate controlling party

At 31 December 2015, the directors consider that the immediate parent and ultimate controlling party of the Group to be Henderson Development Limited, which is incorporated in Hong Kong. Henderson Development Limited does not produce financial statements available for public use.

# Principal Subsidiaries

at 31 December 2015

Details of the principal subsidiaries are as follows:

| | Note | Particulars of issued shares HK$ (unless otherwise stated) | % of shares held by The Company | Subsidiaries |
|---|---|---|---|---|
| **(a) Property development** | | | | |
| **(i) Incorporated and operates in Hong Kong** | | | | |
| Asia Cheer International Limited | | 1 | – | 100 |
| Borten Limited | (i) | 1 | – | 100 |
| Capital Matrix Limited | | 1 | – | 100 |
| Carley Limited | | 2 | – | 100 |
| City Castle Limited | | 1 | – | 100 |
| Dynamic Hero Limited | (i) | 1 | – | 100 |
| Dynamic Talent Limited | | 1 | – | 100 |
| Fairtex Development Limited | | 1 | – | 100 |
| Gainbo Limited | (i) | 2 | – | 100 |
| Gentway Limited | (i) | 1 | – | 100 |
| Global Crystal Limited | (i) | 1 | – | 100 |
| Golden Sharp Limited | | 1 | – | 100 |
| Harven Limited | | 10,000 | – | 100 |
| Harvest Development Limited | | 840 | – | 82.86 |
| Hung Shun Investment Company Limited | (i) | | | |
| − Ordinary shares | | 3,940,200 | – | 100 |
| − Non-voting deferred shares | | 2,000,000 | – | 100 |
| Joinbo Enterprises Limited | (i) | 1 | – | 100 |
| Landrich Development Limited | (i) | 1,000 | – | 100 |
| Nation Sheen Limited | (i) | 2 | – | 100 |
| Onfine Development Limited | (i) | 2 | – | 100 |
| Perfect Success Development Limited | | 2 | – | 100 |
| Rich Silver Development Limited | | 2 | – | 100 |
| Rise Cheer Investment Limited | (i) | 1 | – | 100 |
| Sky Rainbow Development Limited | | 10,000 | – | 100 |
| Sunny Perfect Limited | | 1,000 | – | 100 |
| Super Fortune Investment Limited | (i) | 1 | – | 100 |
| Supreme Hero Limited | (i) | 1 | – | 100 |
| Sure Partner Limited | | 1 | – | 100 |
| Treasure Palace Limited | | 1 | – | 100 |
| Triple Glory Limited | (i) | 1 | – | 100 |
| Union Citizen Limited | (i) | 1 | – | 100 |
| Victory Well Development Limited | | 2 | – | 100 |
| Winjoy Development Limited | (i) | 2 | 100 | – |

at 31 December 2015

| | Issued/ contributed registered capital | % of equity interest held by The Company | Subsidiaries | % of profit sharing by subsidiaries |
|---|---|---|---|---|
| **(a) Property development** (continued) | | | | |
| **(ii) Established and operates in mainland China** | | | | |
| *Sino-Foreign Co-operative Joint Venture Enterprises* | | | | |
| Beijing Gaoyi Property Development Co., Ltd. | US$81,000,000 | – | 100 | 100 |
| Beijing Henderson Properties Co., Ltd. | RMB655,000,000 | – | 100 | 100 |

| | Note | Particulars of issued shares HK$ (unless otherwise stated) | % of shares held by The Company | Subsidiaries |
|---|---|---|---|---|
| **(b) Property investment** | | | | |
| **Incorporated and operates in Hong Kong** | | | | |
| Bloomark Investment Limited | (i) | 2 | – | 100 |
| Carry Express Investment Limited | (i) | 100,000 | – | 100 |
| Deland Investment Limited | (i) | 200 | – | 100 |
| Easewin Development Limited | (i) | 2 | – | 100 |
| Evercot Enterprise Company Limited | (i) | | | |
| – A Shares | | 14,990,000 | 100 | – |
| – B Shares | | 200 | – | – |
| Intelligent House Limited | (i) | 2 | – | 100 |
| Join Fortune Development Limited | (i) | | | |
| – A Shares | | 100 | 100 | – |
| – B Shares | | 2 | – | – |
| Millap Limited | (i) | 2 | 100 | – |
| Shung King Development Company Limited | (i) | | | |
| – Ordinary A Shares | | 2 | 100 | – |
| – Non-voting deferred A shares | | 2,000,000 | 100 | – |
| – B Shares | | 2 | – | – |
| Union Fortune Development Limited | (i) | 10,000 | – | 100 |

at 31 December 2015

| | Note | Particulars of issued shares HK$ (unless otherwise stated) | % of shares held by The Company | % of shares held by Subsidiaries |
|---|---|---|---|---|
| **(c) Finance** | | | | |
| **(i) Incorporated and operates in Hong Kong** | | | | |
| Ever Supreme Development Limited | | 1 | – | 100 |
| Henderson (China) Finance Limited | (i) | 10,000 | – | 100 |
| Henderson International Finance Limited | | 25,000,000 | 100 | – |
| Henderson Land Credit (2010) Limited | (i) | 1 | – | 100 |
| Henderson Land Credit (2014) Limited | (i) | 1 | – | 100 |
| Henderson Land Credit (2015) Limited | (i) | 1 | – | 100 |
| Henderson Land Finance (2011) Limited | (i) | 1 | – | 100 |
| Henland Finance Limited | (i) | 1,000,000 | – | 100 |
| Post East Finance Company Limited | | 2 | – | 100 |
| Rich Chase Development Limited | (i) | 2 | – | 100 |
| Success Crown Development Limited | | 2 | – | 100 |
| **(ii) Incorporated and operates in the British Virgin Islands** | | | | |
| Hansom Technology Limited | (i) | US$1 | – | 100 |
| Henderson Land Finance Limited | | US$1 | 100 | – |
| Henderson Land MTN Limited | (i) | US$1 | – | 100 |
| Henland Finance (2012) Limited | | US$1 | – | 100 |
| Henson Finance Limited | (i) | US$1 | – | 100 |
| Midlink Limited | (i) | US$1 | – | 100 |
| St. Helena Holdings Co. Limited | | US$3 | – | 100 |
| **(iii) Incorporated in Singapore and operates in Hong Kong** | | | | |
| Henderson Land MTN (S) Pte. Limited | (i) | US$1 | – | 100 |

at 31 December 2015

| | Note | Particulars of issued shares HK$ (unless otherwise stated) | % of shares held by The Company | Subsidiaries |
|---|---|---|---|---|
| **(d) Construction** | | | | |
| **Incorporated and operates in Hong Kong** | | | | |
| E Man Construction Company Limited | | 35,000,000 | 100 | – |
| Ginca Construction Machinery Limited | | 1 | – | 100 |
| Granbo Construction Company Limited | | 1 | – | 100 |
| Heng Lai Construction Company Limited | | 2 | – | 100 |
| Heng Shung Construction Company Limited | | 2 | – | 100 |
| Heng Tat Construction Company Limited | | 200 | – | 100 |
| Hong Kong Concrete Precasting Product Company Limited | | 2 | – | 100 |

| | Note | Particulars of issued shares HK$ (unless otherwise stated) | % of shares held by The Company | Subsidiaries |
|---|---|---|---|---|
| **(e) Property management** | | | | |
| **Incorporated and operates in Hong Kong** | | | | |
| Beverly Hill (Estate Management) Limited | | 2 | – | 100 |
| Flora Plaza Management Limited | | 10 | – | 60 |
| Goodwill Management Limited | | 2 | – | 100 |
| Hang On Estate Management Limited | | 2 | – | 100 |
| Hang Yick Properties Management Limited | | 10,000,000 | 100 | – |
| Henderson Sunlight Asset Management Limited | (i) | 38,800,000 | – | 100 |
| Henderson Sunlight Property Management Limited | (i) | 1 | – | 100 |
| Metro City Management Limited | | 2 | – | 100 |
| Metro Harbourview Management Limited | | 2 | – | 100 |
| Star Management Limited | | 2 | – | 100 |
| Sunshine City Property Management Limited | | 2 | – | 100 |
| Well Born Real Estate Management Limited | | 2 | 100 | – |

| | Note | Particulars of issued shares HK$ (unless otherwise stated) | % of shares held by The Company | % of shares held by Subsidiaries |
|---|---|---|---|---|
| **(f) Investment holding** | | | | |
| **(i) Incorporated and operates in Hong Kong** | | | | |
| Banshing Investment Limited | | 2 | – | 100 |
| Channel Best Limited | (i) | 1 | – | 100 |
| China Investment Group Limited | | 300,000,000 | – | 100 |
| Citiright Development Limited | | 2 | 100 | – |
| Covite Investment Limited | | 2 | – | 100 |
| Darnman Investment Limited | | 2 | – | 100 |
| Disralei Investment Limited | | | | |
| – Ordinary shares | | 2 | – | 100 |
| – Non-voting deferred shares | | 1,000 | – | 100 |
| Fondoll Investment Limited | | 200 | 100 | – |
| Gainwise Investment Limited | | 2 | – | 100 |
| Graf Investment Limited | (i) | | | |
| – Ordinary shares | | 2 | – | 100 |
| – Non-voting deferred shares | | 200 | – | 100 |
| Henderson China Properties Limited | (i) | 3,000,000,000 | – | 100 |
| Henderson Investment Limited | | 612,926,901 | – | 69.27 |
| Macrostar Investment Limited | | | | |
| – Ordinary shares | | 2 | – | 100 |
| – Non-voting deferred shares | | 2 | – | 100 |
| Main Champion Development Limited | (i) | 2 | 100 | – |
| Markshing Investment Limited | | 2 | – | 100 |
| Medley Investment Limited | | | | |
| – Ordinary shares | | 2 | – | 100 |
| – Non-voting deferred shares | | 200 | – | 100 |
| Mightymark Investment Limited | | 2 | 100 | – |
| Mount Sherpa Limited | (i) | | | |
| – Ordinary shares | | 2 | – | 100 |
| – Non-voting deferred shares | | 20 | – | 100 |
| Paillard Investment Limited | (i) | | | |
| – Ordinary shares | | 2 | – | 100 |
| – Non-voting deferred shares | | 200 | – | 100 |
| Tactwin Development Limited | (i) | 1,000 | 100 | – |
| Wellfine Development Limited | | 55 | 100 | – |
| Wiselin Investment Limited | (i) | 2 | – | 100 |

at 31 December 2015

| | Note | Particulars of issued shares HK$ (unless otherwise stated) | % of shares held by The Company | % of shares held by Subsidiaries |
|---|---|---|---|---|
| **(f) Investment holding** (continued) | | | | |
| **(ii) Incorporated in Hong Kong and operates in mainland China** | | | | |
| Hang Seng Quarry Company Limited | (i) | 10,000 | 64 | – |
| **(iii) Incorporated and operates in the British Virgin Islands** | | | | |
| Cobase Limited | (i) | US$1 | – | 100 |
| Comax Investment Limited | | US$1 | – | 100 |
| Higgins Holdings Limited | (i) | US$1 | – | 100 |
| Multiglade Holdings Limited | (i) | US$1 | – | 100 |
| Richful Resources Limited | (i) | US$1 | – | 100 |
| Starland International Limited | (i) | US$1 | 100 | – |
| Sunnice Investment Limited | | US$1 | – | 100 |
| Threadwell Limited | (i) | US$1 | – | 100 |

| | Note | Particulars of issued shares HK$ (unless otherwise stated) | % of shares held by The Company | % of shares held by Subsidiaries |
|---|---|---|---|---|
| **(g) Department store operation and management** | | | | |
| **Incorporated and operates in Hong Kong** | | | | |
| Citistore (Hong Kong) Limited | | 1 | – | 100 |

| | Note | Particulars of issued shares HK$ (unless otherwise stated) | % of shares held by The Company | % of shares held by Subsidiaries |
|---|---|---|---|---|
| **(h) Hotel operation and management** | | | | |
| **Incorporated and operates in Hong Kong** | | | | |
| Henderson Hotel Management Limited | (i) | | | |
| – Ordinary shares | | 2 | – | 100 |
| – Non-voting deferred shares | | 2 | – | 100 |
| Newton Inn (North Point) Limited | (i) | 2 | 100 | – |
| Newton Place Hotel Limited | (i) | 1 | – | 100 |

at 31 December 2015

| | Note | Particulars of issued shares HK$ (unless otherwise stated) | % of shares held by The Company | Subsidiaries |
|---|---|---|---|---|
| **(i) Management and agency services** | | | | |
| **Incorporated and operates in Hong Kong** | | | | |
| Henderson Leasing Agency Limited | (i) | 1 | – | 100 |
| Henderson Property Agency Limited | | 200,000 | – | 100 |
| Henderson Real Estate Agency Limited | (i) | 200 | 100 | – |

| | Note | Particulars of issued shares HK$ (unless otherwise stated) | % of shares held by The Company | Subsidiaries |
|---|---|---|---|---|
| **(j) Professional services and others** | | | | |
| **Incorporated and operates in Hong Kong** | | | | |
| Hang Oi Charitable Foundation Limited | | – | – | 100 |
| Henderson Warmth Foundation Limited | | – | 100 | – |
| Megastrength Security Services Company Limited | (i) | | | |
| – Ordinary shares | | 10,000 | – | 100 |
| – Non-cumulative preference shares | | 400 | – | 100 |
| Standard Win Limited | (i) | 1 | – | 100 |

| | Issued/ contributed registered capital RMB | % of equity interest held by The Company | Subsidiaries | % of profit sharing by subsidiaries |
|---|---|---|---|---|
| **(k) Infrastructure** | | | | |
| **Established and operates in mainland China** | | | | |
| *Sino-Foreign Co-operative Joint Venture Enterprise* | | | | |
| Tianjin Jinning Roads Bridges Construction Development Company Limited | 23,680,000 | – | 70 | 70 |

*Note:*

*(i) Companies audited by KPMG.*

The above list gives the principal subsidiaries of the Group which, in the opinion of the directors, materially affected the results, assets or liabilities of the Group.

# Principal Associates

at 31 December 2015

Details of the principal associates, which are incorporated and operate in Hong Kong unless otherwise stated, are as follows:

| | % of equity interest held by | | |
|---|---|---|---|
| | **The Company** | **Subsidiaries** | **Principal activities** |
| **Listed** | | | |
| Hong Kong Ferry (Holdings) Company Limited | – | 33.41 | Property development, property investment, ferry, shipyard and related businesses, travel operation and securities investment |
| Miramar Hotel and Investment Company, Limited | – | 46.33 | Property rental, hotel and service apartments, food and beverage operation and travel operation |
| The Hong Kong and China Gas Company Limited | – | 41.52 | Production, distribution and marketing of gas, water supply and emerging environmentally – friendly energy businesses |
| **Unlisted** | | | |
| Star Play Development Limited | – | 33.33 | Property investment |
| 上海旭弘置業有限公司 (established and operates in mainland China) | – | 50 | Property development and investment |

The above list gives the principal associates of the Group which, in the opinion of the directors, materially affected the results, assets or liabilities of the Group.

# Principal Joint Ventures

at 31 December 2015

Details of the principal joint ventures, which are incorporated and operate in Hong Kong unless otherwise stated, are as follows:

| | % of equity interest held by | | |
|---|---|---|---|
| | The Company | Subsidiaries | Principal activities |
| Best Value International Limited | – | 50 | Acquisition and development of properties and investment holding |
| Billion Ventures Limited (incorporated in the British Virgin Islands and operates in Hong Kong) | – | 50 | Investment holding |
| Central Waterfront Property Investment Holdings Limited (incorporated in the British Virgin Islands and operates in Hong Kong) | – | 34.21 | Investment holding |
| Double Cove Management Limited | – | 50 | Provision of property management services |
| Long Global Investment (Chengdu) Limited (established and operates in mainland China) | – | 30 | Property development |
| Newfoundworld Holdings Limited | – | 20 | Property investment and hotel operation |
| Special Concept Development Limited | – | 25 | Property development |
| Surbana-Henderson (Xian) Property Development Co., Ltd. (established and operates in mainland China) | – | 50 | Property development |
| Surbana-Henderson II (Xian) Property Development Co., Ltd. (established and operates in mainland China) | – | 50 | Property development |
| Teamfield Property Limited | – | 49.18 | Property development |
| The Reach Management Limited | – | 50 | Provision of property management services |

The above list gives the principal joint ventures of the Group which, in the opinion of the directors, materially affected the results, assets or liabilities of the Group.

# Corporate Information

## Board of Directors

### Executive Directors

Dr Lee Shau Kee
*(Chairman and Managing Director)*
Dr Lee Ka Kit *(Vice Chairman)*
Dr Lam Ko Yin, Colin *(Vice Chairman)*
Lee Ka Shing *(Vice Chairman)*
Yip Ying Chee, John
Suen Kwok Lam
Lee King Yue
Fung Lee Woon King
Lau Yum Chuen, Eddie
Kwok Ping Ho
Wong Ho Ming, Augustine

### Non-executive Directors

Lee Pui Ling, Angelina
Lee Tat Man

### Independent Non-executive Directors

Kwong Che Keung, Gordon
Professor Ko Ping Keung
Wu King Cheong
Woo Ka Biu, Jackson
Leung Hay Man
Professor Poon Chung Kwong
Dr Chung Shui Ming, Timpson

## Audit Committee

Kwong Che Keung, Gordon*
Professor Ko Ping Keung
Wu King Cheong
Leung Hay Man

## Remuneration Committee

Wu King Cheong*
Dr Lee Shau Kee
Dr Lam Ko Yin, Colin
Kwong Che Keung, Gordon
Professor Ko Ping Keung

## Nomination Committee

Dr Lee Shau Kee*
Dr Lam Ko Yin, Colin
Kwong Che Keung, Gordon
Professor Ko Ping Keung
Wu King Cheong

* *Committee Chairman*

## Corporate Governance Committee

Dr Chung Shui Ming, Timpson*
Leung Hay Man
Professor Poon Chung Kwong

## Company Secretary

Liu Cheung Yuen, Timon

## Registered Office

72-76/F., Two International Finance Centre
8 Finance Street, Central
Hong Kong

| | | |
|---|---|---|
| Telephone | : | (852) 2908 8888 |
| Facsimile | : | (852) 2908 8838 |
| Internet | : | http://www.hld.com |
| E-Mail | : | henderson@hld.com |

## Registrar

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

## Share Listing

The Stock Exchange of Hong Kong Limited (Stock Code: 12)

Shares are also traded in the United States through an American Depositary Receipt Level 1 Programme
(Ticker Symbol: HLDCY
CUSIP Reference Number: 425166303)

## Authorised Representatives

Dr Lam Ko Yin, Colin
Liu Cheung Yuen, Timon

## Auditor

KPMG

## Solicitors

Woo, Kwan, Lee & Lo
Lo & Lo

## Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited
The Bank of East Asia, Limited
Standard Chartered Bank

## Group Executives

Dr Lee Shau Kee
*GBM, DBA (Hon), DSSc (Hon), LLD (Hon)*
*General Manager*

Dr Lee Ka Kit
*GBS, JP, DBA (Hon)*
*Deputy General Manager*

Dr Lam Ko Yin, Colin
*FCILT, FHKIoD, DB (Hon)*
*Deputy General Manager*

Lee Ka Shing
*Deputy General Manager*

Yip Ying Chee, John
*LLB, FCIS*
*Assistant General Manager*

## Departmental Executives

### Group Business Development Department

Yip Ying Chee, John
*LLB, FCIS*
*Executive Director*

### Project Management (1) Department

Yu Wai Wai
*JP, BA (AS), B Arch, FHKIA, HonFHKIPM,*
*Authorized Person (Architect), Registered Architect (HK)*
*General Manager*

### Project Management (2) Department

Kwok Man Cheung, Victor
*BA (AS), B Arch (Dist), MSc (Con P Mgt),*
*EMBA, FHKIA, MAPM, RIBA,*
*Authorized Person (Architect), Registered Architect (HK),*
*PRC Class 1 Registered Architect Qualification*
*General Manager*

Siu Sing Yeung, Tony
*B. Arch (Hons), HKIA,*
*Authorized Person (Architect), Registered Architect (HK),*
*PRC Class 1 Registered Architect Qualification*
*Senior Deputy General Manager*

### Property Development Department

Wong Ho Ming, Augustine
*JP, MSc, MEcon, FHKIS, MRICS, MCIArb, RPS (GP)*
*Executive Director*

Yu Hon Kwan, Randy
*MH, JP*
*General Manager*

Leung Shu Ki, Shuki
*BA (Hons), MHKIP, MRTPI,*
*MCIP, RPP (HK), MCILT, MCIArb, AHKIArb*
*Deputy General Manager*

### Property Planning Department

Leung Kam Leung
*MSc, PGDMS, FHKIS, FRICS, RPS (GP)*
*General Manager*

### Construction Department

Wong Wing Hoo, Billy
*BBS, JP, BSc, FICE, FHKIE, FIHT, FHKIHT, RPE*
*General Manager*

Chan Wai Yin, Desmond
*APHK*
*Deputy General Manager*

### Engineering Department

Cheng Yuk Lun, Stephen
*BSc(Eng), C Eng, MICE, MIStructE, MHKIE, RPE,*
*Registered Structural Engineer, Registered Geotechnical*
*Engineer, Authorized Person (List II), PRC Class 1*
*Registered Structural Engineer Qualification*
*Senior General Manager*

### Building Quality Planning Department

Lam Sik Kong, Eddy
*General Manager*

**Sales Department**
Wong Man Wa, Raymond
*LLB, PCLL, Solicitor*
*Senior General Manager*

**Sales (1) Department**
Lam Tat Man, Thomas
*MEM(UTS), DMS, EHKIM, MHIREA,*
*CHINA GBL MANAGER*
*General Manager*

**Sales (2) Department**
Hahn Ka Fai, Mark
*BSc, MRICS, MHKIS, RPS (GP)*
*General Manager*

**China Sales Centre**
Choi Ngai Min, Michael
*BBS, JP*
*In Charge*

**Portfolio Leasing Department**
Lee Pui Man, Margaret
*BHum (Hons)*
*Senior General Manager*

Sit Pak Wing, Patrick
*ACIS, FHIREA*
*General Manager*

**Property Management Department**
Suen Kwok Lam
*BBS, JP, MH, FHIREA*
*General Manager*

**Retail and Hotel Management Department**
Li Ning
*BSc, MBA*
*General Manager*

**Comm. & Ind. Properties Department**
Ng Ngok Kwan
*General Manager*

**General Manager Department**
Ngai Tung Hai, Karsky
*FRICS, MHKIS, AACI*
*Manager*

Dr Wong Kim Wing, Ball
*BA(AS), B. Arch, PhD (Finance), FHKIA,*
*Registered Architect (HK), Authorized Person (List 1, HK)*
*Group Consultant*

**Finance Department**
Lau Yum Chuen, Eddie
*Executive Director*

Lee King Yue
*Executive Director*

Kwok Ping Ho
*BSc, MSc, Post-Graduate Diploma in Surveying, ACIB*
*Executive Director*

**Cashier Department**
Fung Lee Woon King
*Treasurer*

**Human Resources Department**
Dr Lam Ko Yin, Colin
*FCILT, FHKIoD, DB (Hon)*
*Executive Director*

Wong Ying Kin, Frankie
*MSc, MBA, BBA, DMS, MIHRM*
*General Manager*

**Company Secretarial Department**
Liu Cheung Yuen, Timon
*BEc, FCPA, CA (Aust), FCS, FCIS*
*General Manager*

**Accounts Department**
Wong Wing Kee, Christopher
*BSc (Econ), FCA*
*General Manager*

**Audit Department**
Choi Kam Fai, Thomas
*B Comm, CPA(Canada), CMA*
*General Manager*

**Information Technology Department**
Kum Tak Cheung, Bassanio
*General Manager*

**Corporate Communications Department**
Ngan Suet Fong, Bonnie
*BBA*
*General Manager*

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Annual General Meeting of the Company will be held at the Four Seasons Grand Ballroom, Four Seasons Hotel, 8 Finance Street, Central, Hong Kong on Thursday, 2 June 2016 at 11:30 a.m. to transact the following business:

1. To receive and consider the Audited Financial Statements and the Reports of the Directors and Auditor for the year ended 31 December 2015.

2. To declare a Final Dividend (with no scrip option).

3. To re-elect retiring Directors.

4. To re-appoint Auditor and authorise the Directors to fix Auditor's remuneration.

5. To consider as special business and, if thought fit, pass the following resolutions as Ordinary Resolutions:

(A) "**THAT** conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting listing of and permission to deal in the new shares of the Company to be issued pursuant to this Resolution, and upon the recommendation of the Directors, such number of new shares of the Company (the "Bonus Share(s)") which is equal to one-tenth of the total number of the issued shares in the Company on 13 June 2016 be allotted and issued without consideration to and among the Shareholders of the Company whose names are on the Register of Members on 13 June 2016 on the basis of one Bonus Share for every ten shares in the Company held by such Shareholders of the Company on such date, and that the Bonus Shares to be allotted and issued pursuant to this Resolution shall rank pari passu in all respects with the existing issued shares in the Company except that they will not be entitled to participate in any dividend declared or recommended by the Company in respect of the financial year ended 31 December 2015 and that the Directors be and are hereby authorised to deal with any fractions arising from the distribution by the sale of the Bonus Shares representing such fractions and to retain the net proceeds for the benefit of the Company and further that the Directors be and are hereby authorised to do all acts and things as may be necessary and expedient in connection with the issue of the Bonus Shares."

(B) "**THAT**:

(a) subject to paragraph (b) of this Resolution, the exercise by the Directors during the Relevant Period (as defined in paragraph (c) of this Resolution) of all the powers of the Company to buy back shares of the Company on the Stock Exchange or on any other stock exchange on which the shares of the Company may be listed and recognised by the Stock Exchange and the Securities and Futures Commission for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time be and is hereby generally and unconditionally approved;

(b) the aggregate number of shares of the Company to be bought back pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the total number of the issued shares of the Company as at the date of this Resolution (subject to adjustment in the case of any conversion of all or any of the shares in the Company into a larger or smaller number of shares during the Relevant Period) and the said approval shall be limited accordingly; and

(c) for the purposes of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Articles of Association of the Company or the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) to be held; and

(iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the Shareholders in general meeting."

(C) "**THAT**:

(a) a general mandate be and is hereby generally and unconditionally given to the Directors to exercise during the Relevant Period all the powers of the Company to allot, issue and deal with additional shares of the Company, and to make or grant offers, agreements or options (including, without limitation, Rights Issue, warrants, bonus warrants, bonds, debentures, notes and other securities convertible into shares in the Company), which would or might require the exercise of such powers either during or after the Relevant Period, provided that the aggregate number of the shares of the Company to be allotted, issued and dealt with pursuant to the general mandate herein, otherwise than pursuant to (i) a Rights Issue, or (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to the employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, or (iii) an issue of shares in the Company upon the exercise of the subscription rights or conversion rights attaching to any warrants or convertible notes which may be issued by the Company or any of its subsidiaries, or (iv) any scrip dividend pursuant to the Articles of Association of the Company from time to time, shall not exceed 20 per cent. of the total number of issued shares of the Company as at the date of this Resolution (subject to adjustment in the case of any conversion of all or any of the shares in the Company into a larger or smaller number of shares during the Relevant Period) and the said approval shall be limited accordingly; and

(b) for the purposes of this Resolution:

"Relevant Period" shall have the same meaning as assigned to it under Ordinary Resolution (B) of item no. 5 as set out in the notice convening this Meeting; and

"Rights Issue" means an offer of shares in the Company or issue of option, warrants or other securities giving the right to subscribe for shares of the Company, open for a period fixed by the Directors of the Company to holders of shares of the Company whose names appear on the Register of Members of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their then holdings of such shares (or, where appropriate, such other securities) as at that date (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong)."

(D) "**THAT**:

the general mandate granted to the Directors and for the time being in force to exercise the powers of the Company to allot, issue and deal with additional shares of the Company pursuant to Ordinary Resolution (C) of item no. 5 as set out in the notice convening this Meeting be and is hereby extended by the addition to the aggregate number of the shares which may be allotted, issued and dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with by the Directors pursuant to such general mandate the aggregate number of shares in the Company bought back by the Company since the granting of the said general mandate pursuant to the exercise by the Directors of the powers of the Company to buy back such shares under the authority granted pursuant to Ordinary Resolution (B) of item no. 5 as set out in the notice convening this Meeting provided that such number of shares shall not exceed 10 per cent. of the total number of issued shares of the Company as at the date of this Resolution (subject to adjustment in the case of any conversion of all or any of the shares in the Company into a larger or smaller number of shares during the Relevant Period)."

By Order of the Board
**Timon LIU Cheung Yuen**
*Company Secretary*

Hong Kong, 25 April 2016

Registered Office:
72-76/F., Two International Finance Centre
8 Finance Street, Central
Hong Kong

*Notes:*

*(1) At the above Meeting, the Chairman will exercise his power under Article 80 of the Articles of Association to put each of the resolutions to be voted by way of a poll.*

*(2) A Member of the Company entitled to attend and vote at the above Meeting is entitled to appoint one proxy or more proxies to attend and speak and on a poll, to vote instead of him at the Meeting, and separate proxies may be appointed by a Member to represent the respective number of shares held by the Member as specified in the relevant proxy form. A proxy need not be a Member. Form of proxy and the power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of that power of authority) must be lodged at the registered office of the Company at 72-76/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof or, in the case of poll taken more than 48 hours after it was demanded, not less than 24 hours before the time appointed for the taking of the poll.*

*(3) For the purpose of determining Shareholders who are entitled to attend and vote at the above Meeting, the Register of Members of the Company will be closed from Tuesday, 31 May 2016 to Thursday, 2 June 2016, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending the above Meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Registrar, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 30 May 2016.*

*(4) For the purpose of determining Shareholders who qualify for the proposed issue of final dividend and Bonus Shares, the Register of Members of the Company will be closed from Wednesday, 8 June 2016 to Monday, 13 June 2016, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed issue of final dividend and Bonus Shares, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Registrar, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 7 June 2016. The proposed issue of final dividend and Bonus Shares will be distributed to Shareholders whose names appear on the Register of Members of the Company on Monday, 13 June 2016.*

*(5) A circular containing details of the Ordinary Resolutions (A) and (B) (including the relevant explanatory statement) of item no. 5 above will be sent to Members for perusal.*

*(6) Concerning Ordinary Resolutions (C) and (D) of item no. 5 above, approval is being sought from Members, as a general mandate in compliance with Sections 140 and 141 of the Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, that in the event it becomes desirable for the Company to issue any new shares of the Company, the Directors are given flexibility and discretion to allot and issue new shares up to 20 per cent. of the total number of the issued shares plus the aggregate number of shares bought back by the Company pursuant to the general mandate approved in Ordinary Resolution (B) of item no. 5 above. Save as disclosed (if any), the Directors, however, have no immediate plans to issue any new shares of the Company under the said mandate being sought.*

*(7) If item no. 2 and Ordinary Resolution (A) of item no. 5 above are approved, the final dividend will be paid on Thursday, 23 June 2016 and share certificates for the Bonus Shares will be dispatched to the Shareholders of the Company on the same day.*

# Financial Calendar

| | |
|---|---|
| Interim Results | Announced on Thursday, 20 August 2015 |
| Final Results | Announced on Monday, 21 March 2016 |
| Annual Report | Posted to Shareholders on Monday, 25 April 2016 |
| Closure of Register of Members | (1) To be closed from Tuesday, 31 May 2016 to Thursday, 2 June 2016 for the purpose of determining Shareholders who are entitled to attend and vote at the Annual General Meeting<br>(2) To be closed from Wednesday, 8 June 2016 to Monday, 13 June 2016 for the purpose of determining Shareholders who qualify for the proposed final dividend and Bonus Shares |
| Annual General Meeting | To be held on Thursday, 2 June 2016 |
| Dividends – Interim | HK$0.38 per share (with an option for scrip dividend)<br>– paid on Thursday, 8 October 2015 |
| – Final (Proposed) | HK$1.07 per share (with no scrip option) – payable on Thursday, 23 June 2016 |
| – Bonus Shares (Proposed) | one bonus share for every ten shares held |
| Issue of Bonus Shares (Proposed) | Share Certificates to be posted to Shareholders on Thursday, 23 June 2016 |

Concept, design and production: Toppan Vite Limited

Environmentally friendly paper has been used in the production of this annual report.

恒基兆業地產有限公司
HENDERSON LAND DEVELOPMENT COMPANY LIMITED