

大新金融中心  
Dah Sing Financial Centre

Building 與時創建  
with the times

 爪哇集團  
SEA Group

# Directory

## DIRECTORS

### Executive Directors

Mr. Lu Wing Chi (*Chairman and Managing Director*)  
Mr. Lu Wing Yuk, Andrew  
Mr. Lincoln Lu  
Mr. Lambert Lu

### Non-executive Director

Mr. Lam Sing Tai

### Independent Non-executive Directors

Mr. Walujo Santoso, Wally  
Mr. Leung Hok Lim  
Mr. Chung Pui Lam

## AUDIT COMMITTEE

Mr. Leung Hok Lim (*Chairman*)  
Mr. Walujo Santoso, Wally  
Mr. Chung Pui Lam

## NOMINATION COMMITTEE

Mr. Lu Wing Chi (*Chairman*)  
Mr. Walujo Santoso, Wally  
Mr. Leung Hok Lim

## REMUNERATION COMMITTEE

Mr. Chung Pui Lam (*Chairman*)  
Mr. Lu Wing Chi  
Mr. Lambert Lu  
Mr. Walujo Santoso, Wally  
Mr. Leung Hok Lim

## AUTHORISED REPRESENTATIVES

Mr. Lambert Lu  
Ms. Chow Siu Yin, Dora

## COMPANY SECRETARY

Ms. Chow Siu Yin, Dora

## LEGAL ADVISERS

Stephenson Harwood  
Mayer Brown JSM  
Conyers Dill & Pearman

## INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited  
Bank of China (Hong Kong) Limited  
Standard Chartered Bank (Hong Kong) Limited  
Hang Seng Bank Limited

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

## PRINCIPAL PLACE OF BUSINESS

26/F., Dah Sing Financial Centre  
108 Gloucester Road  
Wanchai, Hong Kong  
Tel: (852) 2828 6363  
Fax: (852) 2598 6861  
E-mail: [info@seagroup.com.hk](mailto:info@seagroup.com.hk)

## BRANCH REGISTRAR IN HONG KONG

Tricor Standard Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong  
Tel: (852) 2980 1333  
Fax: (852) 2528 3158

## LISTING

The shares of the Company are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited.

## STOCK CODE AND BOARD LOT

251/2,000 shares

The shares of Asian Growth Properties Limited, a subsidiary of the Company, are admitted for trading on the AIM Market of The London Stock Exchange plc.

## WEBSITE

[www.seagroup.com.hk](http://www.seagroup.com.hk)

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# Financial Highlights

## Five-Year Financial Summary

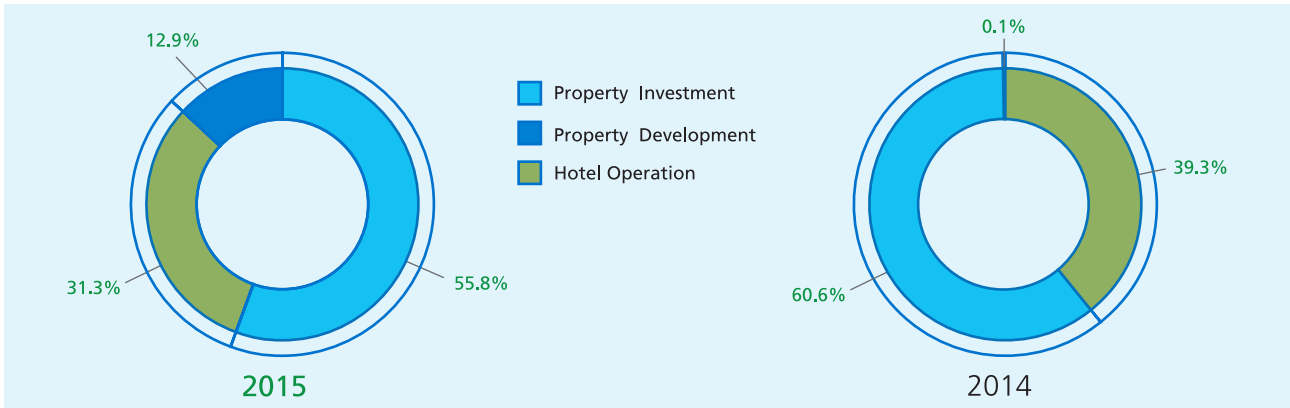
| <b>Results</b>                                                 |                |                |                |                |                |
|----------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| For the year ended 31 December                                 |                |                |                |                |                |
|                                                                | 2015<br>HK\$'m | 2014<br>HK\$'m | 2013<br>HK\$'m | 2012<br>HK\$'m | 2011<br>HK\$'m |
| Revenue                                                        | 732.7          | 668.5          | 884.2          | 607.3          | 701.3          |
| Profit for the year before non-controlling interests           | 1,463.2        | 703.6          | 524.8          | 1,173.1        | 1,086.3        |
| Non-controlling interests                                      | (27.3)         | (19.1)         | (14.7)         | (11.8)         | (25.0)         |
| Profit for the year attributable to the Company's shareholders | 1,435.9        | 684.5          | 510.1          | 1,161.3        | 1,061.3        |

| <b>Assets and Liabilities</b>                     |                |                |                |                |                |
|---------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| As at 31 December                                 |                |                |                |                |                |
|                                                   | 2015<br>HK\$'m | 2014<br>HK\$'m | 2013<br>HK\$'m | 2012<br>HK\$'m | 2011<br>HK\$'m |
| Total assets                                      | 19,079.7       | 17,947.5       | 16,249.9       | 15,317.7       | 14,808.9       |
| Total liabilities                                 | (5,561.3)      | (5,322.9)      | (4,288.5)      | (4,045.7)      | (4,617.2)      |
| Non-controlling interests                         | (444.0)        | (427.6)        | (410.3)        | (302.2)        | (302.0)        |
| Equity attributable to the Company's shareholders | 13,074.4       | 12,197.0       | 11,551.1       | 10,969.8       | 9,889.7        |

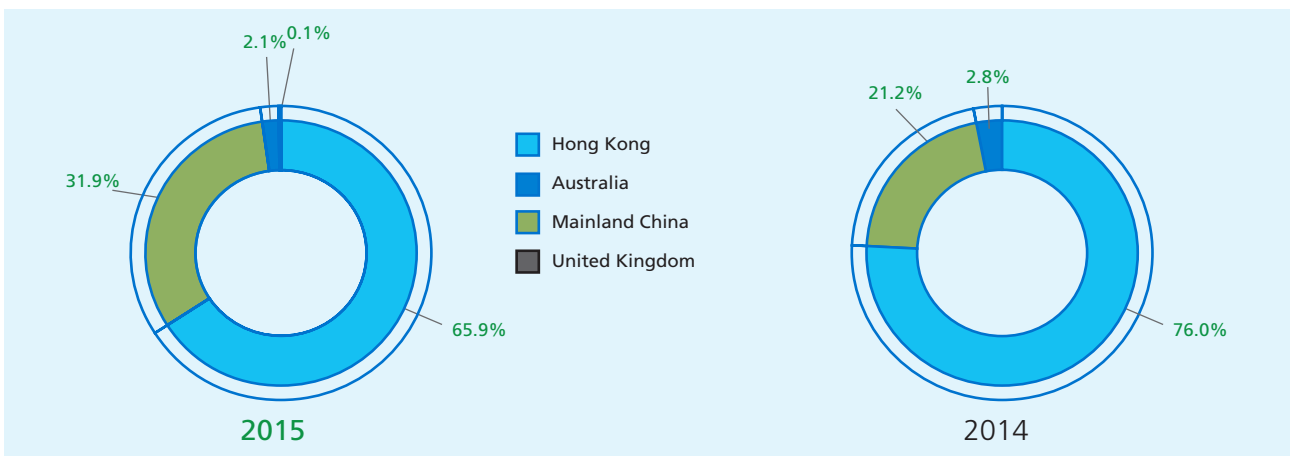
| <b>Performance Data</b>                                                                                   |              |              |              |              |              |
|-----------------------------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|
|                                                                                                           | 2015<br>HK\$ | 2014<br>HK\$ | 2013<br>HK\$ | 2012<br>HK\$ | 2011<br>HK\$ |
| Basic earnings per share for profit attributable to the Company's shareholders                            | 2.09         | 1.00         | 0.76         | 1.74         | 1.58         |
| Basic earnings/(loss) per share excluding fair value changes on investment properties net of deferred tax | 0.70         | 0.15         | 0.39         | (0.06)       | 0.08         |
| Dividends declared (per share)                                                                            | 2.11         | 0.11         | 0.11         | 0.11         | 0.11         |
| Net asset value per share attributable to the Company's shareholders                                      | 19.29        | 17.69        | 17.18        | 16.34        | 14.78        |

# Financial Highlights

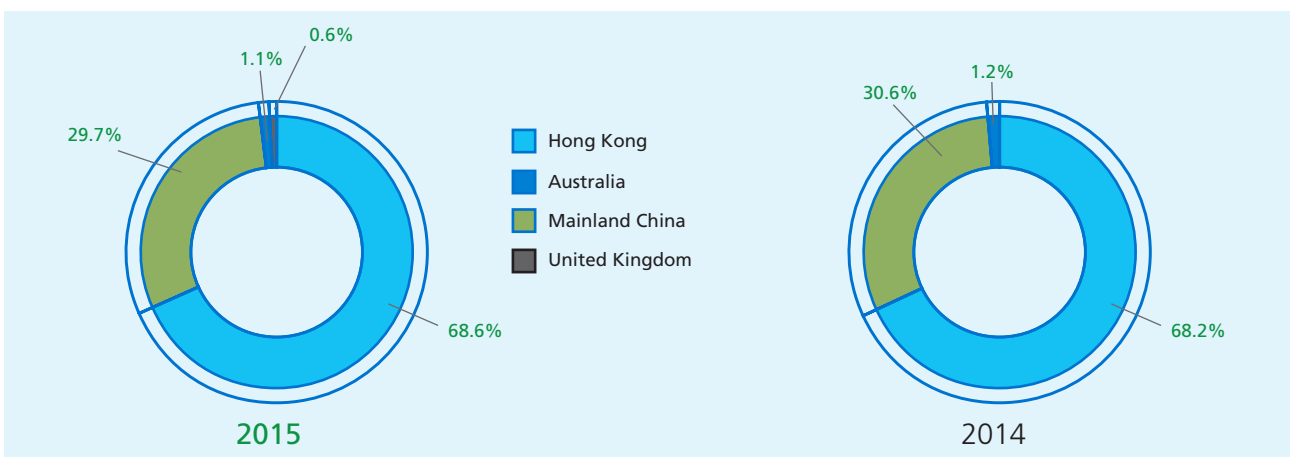
## Segment Revenue for External Sales



## Revenue from External Customers by Geographical Location of Properties



## Property Assets by Geographical Segment



# Property Portfolio

At 31 December 2015

| Particulars of Investment Properties                                                              |                                                                               |                   |                   |                                              |                      |
|---------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|-------------------|-------------------|----------------------------------------------|----------------------|
| Name                                                                                              | Location                                                                      | Lease Expiry      | Usage             | Approximate Gross Floor Area (square metres) | Group's Interest (%) |
| <b>HONG KONG</b>                                                                                  |                                                                               |                   |                   |                                              |                      |
| <b>Dah Sing Financial Centre</b>                                                                  | 108 Gloucester Road, Wanchai                                                  | 30 June 2047      | Commercial/Office | 37,214 and 156 car parking spaces            | 97.2                 |
| <b>MAINLAND CHINA</b>                                                                             |                                                                               |                   |                   |                                              |                      |
| <b>Plaza Central</b>                                                                              | 8 Shunchengda Street, Yanshikou, Jinjiang District, Chengdu, Sichuan Province | 6 October 2063    | Commercial/Office | 91,455 (including car parking floors)        | 97.2                 |
| <b>Commercial podium in Zone B and car parking spaces on Basements 2 and 3, New Century Plaza</b> | No. 6 Xi Yu Long Street, Qingyang District, Chengdu, Sichuan Province         | 18 May 2063       | Commercial        | 19,261 (including car parking spaces)        | 97.2                 |
| <b>Office Tower, Westmin Plaza Phase II</b>                                                       | 50 Zhong Shan 7th Road, Li Wan District, Guangzhou, Guangdong Province        | 23 May 2050       | Office            | 16,112                                       | 97.2                 |
| <b>AUSTRALIA</b>                                                                                  |                                                                               |                   |                   |                                              |                      |
| <b>Lizard Island Resort</b>                                                                       | Lizard Island Tropical North Queensland                                       | 30 September 2050 | Resort Hotel      | 10,500                                       | 100                  |
| <b>UNITED KINGDOM</b>                                                                             |                                                                               |                   |                   |                                              |                      |
| <b>John Sinclair House</b>                                                                        | 16 Bernard Terrace, Edinburgh, Scotland                                       | Freehold          | Office            | 2,991 and 53 car parking spaces              | 100                  |

| Particulars of Hotel Building              |                               |                 |       |                                              |                      |
|--------------------------------------------|-------------------------------|-----------------|-------|----------------------------------------------|----------------------|
| Name                                       | Location                      | Lease Expiry    | Usage | Approximate Gross Floor Area (square metres) | Group's Interest (%) |
| <b>HONG KONG</b>                           |                               |                 |       |                                              |                      |
| <b>Crowne Plaza Hong Kong Causeway Bay</b> | 8 Leighton Road, Causeway Bay | 6 November 2049 | Hotel | 14,945                                       | 97.2                 |

# Property Portfolio

At 31 December 2015

## Particulars of Properties Held for Sale

| Name                                             | Location                                                                  | Stage of Completion | Usage       | Approximate Gross Floor Area (square metres) | Group's Interest (%) |
|--------------------------------------------------|---------------------------------------------------------------------------|---------------------|-------------|----------------------------------------------|----------------------|
| <b>MAINLAND CHINA</b>                            |                                                                           |                     |             |                                              |                      |
| <b>Commercial podium, Westmin Plaza Phase II</b> | 48–58 Zhong Shan 7th Road, Li Wan District, Guangzhou, Guangdong Province | Completed           | Commercial  | 45,984 (including car parking floors)        | 97.2                 |
| <b>Kaifeng Nova City Phase IA</b>                | South lateral of Zheng Kai Da Road, Kaifeng, Henan Province               | Completed           | Residential | 72,000 (including car parking floors)        | 97.2                 |

## Particulars of Development Properties/Properties under Development

| Name of Project          | Location                                                       | Stage of Completion                                                                                                                                   | Estimated Completion Date | Usage                      | Approximate Site Area (square metres) | Group's Interest (%) |
|--------------------------|----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|----------------------------|---------------------------------------|----------------------|
| <b>MAINLAND CHINA</b>    |                                                                |                                                                                                                                                       |                           |                            |                                       |                      |
| <b>Chengdu Nova City</b> | Longquanyi District, Chengdu, Sichuan Province                 | Phase I site formation and piling works completed, commercial basement works in progress and residential basement works are being planned to commence | Beyond 2017               | Residential/ Commercial    | 506,000                               | 97.2                 |
| <b>Kaifeng Nova City</b> | South lateral of Zheng Kai Da Road, Kaifeng, Henan Province    | Phase IB superstructure works in progress                                                                                                             | Phase IB — 2017           | Residential/ Commercial    | 675,000                               | 97.2                 |
| <b>Huangshan Project</b> | Qiankou Town, Huizhou District, Huangshan City, Anhui Province | Phase I site formation works completed and substructure works in progress                                                                             | Phase I — Beyond 2017     | Tourist leisure facilities | 337,000                               | 97.2                 |

# Location of the Group's Properties/Projects





# Financial Calendar

## Results Announcements

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|                                   |                                         |
|-----------------------------------|-----------------------------------------|
| 2015 Annual results announcement  | 24 March 2016 (Thursday)                |
| 2016 Interim results announcement | on or before 31 August 2016 (Wednesday) |

## Book Close Dates

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### For ascertaining Shareholders' entitlement to attend and vote at 2016 Annual General Meeting

|                                         |                                                                         |
|-----------------------------------------|-------------------------------------------------------------------------|
| Latest time to lodge transfer documents | 4:30 p.m. on 25 May 2016 (Wednesday)                                    |
| Closure of register of members          | 26 May 2016 (Thursday) to 30 May 2016 (Monday)<br>(both days inclusive) |
| Record date                             | 30 May 2016 (Monday)                                                    |

### For ascertaining Shareholders' entitlement to the proposed final dividend and special dividend

|                                         |                                                                         |
|-----------------------------------------|-------------------------------------------------------------------------|
| Latest time to lodge transfer documents | 4:30 p.m. on 6 June 2016 (Monday)                                       |
| Closure of register of members          | 7 June 2016 (Tuesday) to 10 June 2016 (Friday)<br>(both days inclusive) |
| Record date                             | 10 June 2016 (Friday)                                                   |

## Annual General Meeting

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|          |                      |
|----------|----------------------|
| 2016 AGM | 30 May 2016 (Monday) |
|----------|----------------------|

## Final Dividend and Special Dividend

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|                                                                                                            |                        |
|------------------------------------------------------------------------------------------------------------|------------------------|
| Ex-dividend date for 2015 final dividend and special dividend                                              | 3 June 2016 (Friday)   |
| Payment of 2015 final dividend and special dividend<br>(subject to Shareholders' approval at the 2016 AGM) | 21 June 2016 (Tuesday) |

## Directors' Biographical Information



**LU WING CHI**  
Executive Director

Mr. Lu, aged 69, joined the Group in 1969 and is the Chairman and Managing Director, the chairman of the Nomination Committee and the Executive Committee and a member of the Remuneration Committee. He is also an executive director of AGP (a subsidiary of the Company listed in London) and a director of various members of the Group. In addition, he is a director of NLI (the Company's controlling shareholder) and JCS (the former's immediate holding company). He has over 45 years of experience in property development and investment in Hong Kong and overseas as well as godown and factory operations. To date, Mr. Lu continues to steer and chart the Group's development direction and strategies.

Mr. Lu is the son of Mr. Lu Chu Mang, the founder of the Group, and the father of Mr. Lincoln Lu and Mr. Lambert Lu, both Executive Directors, and a cousin of Mr. Lu Wing Yuk, Andrew, Executive Director.



**LU WING YUK, ANDREW**  
Executive Director

Mr. Lu, aged 69, has acted as an Executive Director since 1989. He is a member of the Executive Committee and a director of Chengdu Huashang House Development Co., Ltd. (a principal subsidiary of the Company). He is the managing director of Kian Nan Trading Company, Limited (a private limited liability company in which Mr. Lu is a substantial shareholder) and has over 45 years of experience in the textile industry and international trading.

Mr. Lu is a cousin of Mr. Lu Wing Chi, the Chairman and Managing Director and an uncle of Mr. Lincoln Lu and Mr. Lambert Lu, both Executive Directors. He did not hold any directorship in other listed public companies in the last three years.

## Directors' Biographical Information



### LINCOLN LU

#### Executive Director

Mr. Lu, aged 41, joined the Group in 1998 and was appointed as an Executive Director in December 2003. He is a member of the Executive Committee, an executive director of AGP (a subsidiary of the Company listed in London) and a director of various members of the Group. In addition, he is a director of NLI (the Company's controlling shareholder) and JCS (the former's immediate holding company). Mr. Lu is primarily responsible for the Group's hotel and project management operations. He is a member of the Sichuan Committee of Chinese People's Political Consultative Conference and an executive member of All-China Federation of Industry and Commerce. Mr. Lu holds a Bachelor of Arts degree from the University of British Columbia in Canada.

Mr. Lu is a son of Mr. Lu Wing Chi, the Chairman and Managing Director, the elder brother of Mr. Lambert Lu, Executive Director, and a nephew of Mr. Lu Wing Yuk, Andrew, Executive Director.



### LAMBERT LU

#### Executive Director

Mr. Lu, aged 39, joined the Group in 1999 and was appointed as an Executive Director in December 2003. He is a member of both the Executive Committee and Remuneration Committee. Mr. Lu is an executive director of AGP (a subsidiary of the Company listed in London) and a director of various members of the Group. In addition, he is a director of NLI (the Company's controlling shareholder) and JCS (the former's immediate holding company). Mr. Lu is a member of the Henan Committee of Chinese People's Political Consultative Conference and a vice chairman of The Chamber of Hong Kong Listed Companies. He holds a Bachelor's degree in Statistics and Economics from the University of British Columbia in Canada. He furthered his postgraduate business studies at the Tsinghua School of Economics and Management, Tsinghua University in China.

Mr. Lu is a son of Mr. Lu Wing Chi, the Chairman and Managing Director, the younger brother of Mr. Lincoln Lu, Executive Director, and a nephew of Mr. Lu Wing Yuk, Andrew, Executive Director.

## Directors' Biographical Information



### LAM SING TAI

#### Non-executive Director

Mr. Lam, aged 69, joined the Group in 1973 and was appointed as a Non-executive Director in April 2006. He has over 40 years of solid experience in property development and investment. He is currently the general manager of South-East Asia Investment And Agency Company, Limited (a principal wholly-owned subsidiary of the Company), a non-executive director of AGP (a subsidiary of the Company listed in London) and a director of various members of the Group. Mr. Lam is primarily responsible for the sales and marketing matters of the Group's properties in Hong Kong and Mainland China.



### WALUJO SANTOSO, WALLY

#### Independent Non-executive Director

Mr. Santoso, aged 62, has acted as an Independent Non-executive Director since December 1994 and is a member of the Audit Committee, Nomination Committee and Remuneration Committee. He is also the managing director of Grand Ocean (International) Limited (a private limited liability company in which Mr. Santoso is a shareholder) and has over 35 years of experience in international trading and manufacturing. Mr. Santoso also holds a Diploma in Accounting.

Mr. Santoso did not hold any directorship in other listed public companies in the last three years.

## Directors' Biographical Information



### LEUNG HOK LIM

#### Independent Non-executive Director

Mr. Leung, *FCPA(Aust.), FCPA(Practising), CPA(Macau)*, aged 80, has acted as an Independent Non-executive Director since February 1999 and is the chairman of the Audit Committee and a member of both the Nomination Committee and Remuneration Committee.

Mr. Leung is the founding and senior partner of PKF, Accountants and Business Advisers. Mr. Leung is a non-executive director of Beijing-Hong Kong Exchange of Personnel Centre Limited and the independent non-executive director of a number of listed companies, namely Fujian Holdings Limited, High Fashion International Limited, Phoenix Satellite Television Holdings Limited, Yangtzekiang Garment Limited and YGM Trading Limited.



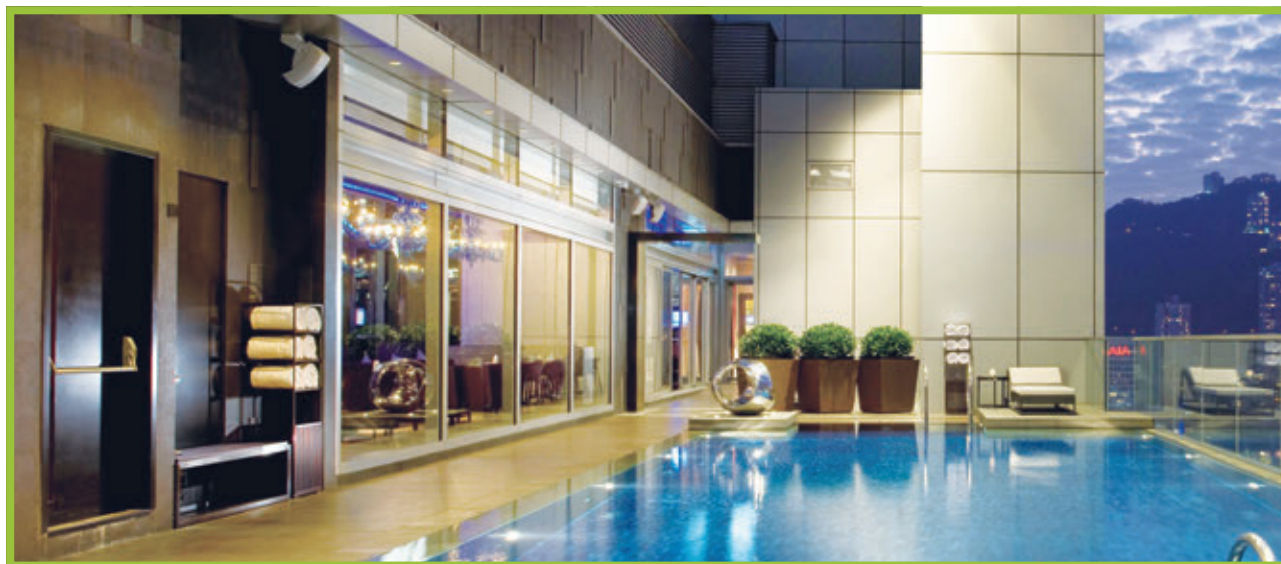
### CHUNG PUI LAM

#### Independent Non-executive Director

Mr. Chung, *GBS, OBE, JP*, aged 75, has acted as an Independent Non-executive Director since September 2004 and is a practicing solicitor in Hong Kong. He is the chairman of the Remuneration Committee and a member of the Audit Committee. He is also a non-executive director of Chow Sang Sang Holdings International Limited and an independent non-executive director of Datronix Holdings Limited (both are listed companies in Hong Kong). In addition, Mr. Chung is serving as consultant for numerous district organisations, industrial and commercial associations, trade unions and body corporates.

# Chairman's Statement

I am pleased to present the consolidated financial results of the Group for the year 2015 to the Shareholders.



*Crowne Plaza Hong Kong Causeway Bay, Hong Kong*

## FINANCIAL SUMMARY

Turnover for the year ended 31 December 2015 amounted to HK\$732.7 million (2014: HK\$668.5 million). The turnover was principally attributable to the recognition of rental income from investment properties, revenue from hotel operation and the sales of residential units in Kaifeng Nova City.

Profit attributable to the Shareholders for the year amounted to HK\$1,435.9 million (2014: HK\$684.5 million), equivalent to a basic earnings per share of HK209.3 cents (2014: HK100.1 cents). The reported profit attributable to the Shareholders included a revaluation surplus on investment properties net of deferred taxation of HK\$984.2 million (2014: HK\$598.7 million). By excluding the effect of such surplus, the Group's net profit attributable to the Shareholders was HK\$479.5 million (2014: HK\$102.7 million), equivalent to HK69.9 cents (2014: HK15.0 cents) per share.

As at 31 December 2015, the Group's equity attributable to the Shareholders amounted to HK\$13,074.4 million (2014: HK\$12,197.1 million). The net asset value per share attributable to the Shareholders as at 31 December 2015 was HK\$19.29 as compared with HK\$17.69 as at 31 December 2014.

# Chairman's Statement

The Group's property assets by geographical location at the year end were as follow:

|                | 31 December 2015<br>HK\$' million | 31 December 2014<br>HK\$' million |
|----------------|-----------------------------------|-----------------------------------|
| Hong Kong      | 9,880.4                           | 9,720.9                           |
| Mainland China | 4,278.7                           | 4,361.7                           |
| Australia      | 158.7                             | 173.6                             |
| United Kingdom | 79.7                              | —                                 |
| Total          | 14,397.5                          | 14,256.2                          |

## DIVIDENDS

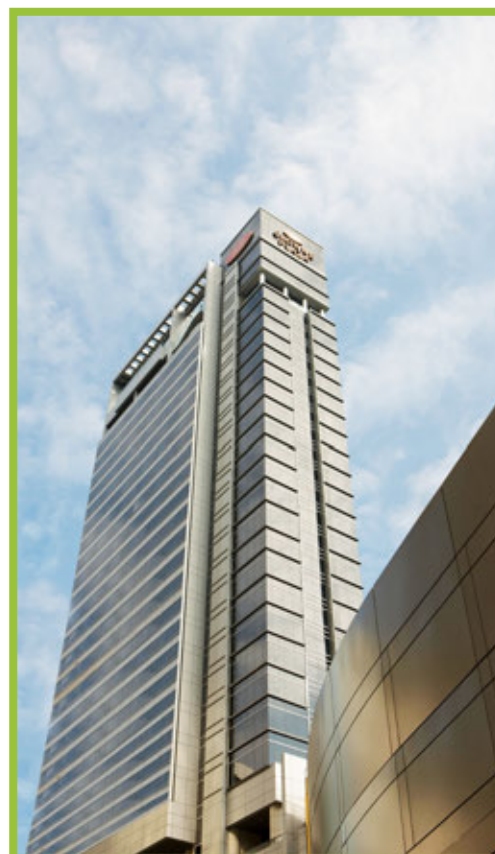
The Board has resolved to recommend for Shareholders' approval at the 2016 AGM the payment of a final dividend of HK6 cents (2014: HK6 cents) per share for the year ended 31 December 2015 and a special dividend of HK\$2 (2014: Nil) per share to Shareholders whose names appear on the register of members of the Company at the close of business on Friday, 10 June 2016. The relevant dividend warrants are expected to be despatched on or before Tuesday, 21 June 2016.

Together with the interim dividend of HK5 cents per share already paid (2014: HK5 cents), the total dividend for the year (including the proposed special dividend of HK\$2 per share) will be HK\$2.11 per share (2014: HK11 cents).

## BUSINESS REVIEW

### Property Investment and Development

The Group continues to focus on its development and investment projects in Hong Kong and Mainland China. It is the Group's approach to review and optimise the project portfolios from time to time. The Group's core projects located in Hong Kong and Mainland China are listed below.



*Crowne Plaza Hong Kong Causeway Bay, Hong Kong*

# Chairman's Statement

## Hong Kong

The office leasing market was stable during the year. With several tenancies of Dah Sing Financial Centre, a commercial building, being renewed at market rates, rental income received during the year increased. The occupancy rate of Dah Sing Financial Centre remains at a high level of approximately 95% as at 31 December 2015 (31 December 2014: 94%).

The Group has entered into an agreement in February 2016 to conditionally dispose of its entire interest in companies which beneficially owns Dah Sing Financial Centre (being the property with owner occupied portion classified as property, plant and equipment of HK\$216 million and the remaining portion as investment property of HK\$8,983 million as at 31 December 2015), for a consideration of approximately HK\$10,000 million, subject to adjustment. The disposal is expected to complete in May 2016 and generate a net cash consideration (after repayment of bank loans) of approximately HK\$8,019 million.



*Dah Sing Financial Centre, Hong Kong*

On 30 September 2015, the Group entered into an agreement to dispose of its entire interest in the development land at Fo Tan for a consideration of HK\$1,400 million. The sale of the development land at Fo Tan was completed on 30 November 2015. The sale realised a gain on disposal of HK\$464 million and generated net cash after repayment of bank loans of approximately HK\$1,250 million.



*Plaza Central, Chengdu*

## Mainland China

### *Chengdu, Sichuan Province*

During the year under review, the occupancy rate for the two 30-storey office towers of Plaza Central remained at a high level and its retail podium with a gross floor area of about 29,000 square metres is fully let principally to Chengdu New World Department Store on a long-term lease. As at 31 December 2015, the aggregate occupancy rate for the two office towers and the retail podium was approximately 84% (31 December 2014: 89%). Leasing activities for the remaining areas of Plaza Central continue.

The shopping arcade of New Century Plaza with a gross floor area of about 16,300 square metres was fully let to a hotel on a long-term lease.

The master layout plan of the Longquan project (known as "Chengdu Nova City"), which has a site area of 506,000 square metres, was approved by the local government in January 2014. Preliminary site works and site formation works for Phase I of the project have been completed. Commercial basement works for Phase I are in progress.



# Chairman's Statement

## *Kaifeng, Henan Province*

The Kaifeng project, known as “Kaifeng Nova City”, is situated in Zheng-Kai District, a new town in Kaifeng and envisages a shopping mall, premium offices, exhibition hall, hotel, serviced apartments and residential towers. This project has a site area of 735,000 square metres and for providing a better living environment, the gross floor area of the development will vary from 2,000,000 to 2,500,000 square metres only. The master layout plan has been approved by the local government. The construction works of Phase IA of the residential were completed and the superstructure works for Phase IB of the residential are in progress. Pre-sale consent for Phase IA and IB were issued, and 50% and 30% of the residential units were launched to the market respectively.



*Kaifeng Nova City, Kaifeng*



*Kaifeng Nova City, Kaifeng*

Kaifeng Nova City is divided into different phases, Phase IA comprises 10 residential blocks and car parking spaces with a total gross floor area of 84,500 square metres. During the year under review, 116 residential units with gross floor area of 12,500 square metres were handed over to the buyers.

## *Guangzhou, Guangdong Province*

As at 31 December 2015, the occupancy rate of the 14-storey office tower of Westmin Plaza Phase II of about 16,100 square metres was 100% with more than one-third of the total office space being leased to AIA (31 December 2014: 100%). Leasing activities for the 3-storey shopping arcade of Westmin Plaza Phase II with a total gross floor area of about 26,400 square metres are in progress.

## *Huangshan, Anhui Province*

The project in Huangshan has a site area of about 337,000 square metres comprising of development land of about 117,000 square metres and landscape land of 220,000 square metres. The master layout plan for the development of the project comprising a hotel, serviced apartments and resort villas in the integrated resort site has been approved by the local government and site formation work for Phase I of the project has been completed. Phase I substructure works are in progress.



*Westmin Plaza, Guangzhou*

# Chairman's Statement

## *Chi Shan, Nanjing, Jiangsu Province*

The Group has established two 51%-owned joint venture companies to participate in the tenant relocation arrangements and excavation and infrastructure works on certain pieces of land in Chi Shan. The Group intends to acquire such lands through land auctions by different stages.

## **Australia**

Turnover generated from the property investment projects in Australia for the year ended 31 December 2015 was HK\$15.2 million (2014: HK\$18.6 million).

## **United Kingdom**

In December 2015, the Group acquired a commercial property at Edinburgh, United Kingdom which is fully let to a government body.

## **Hotel Operation**

Crowne Plaza Hong Kong Causeway Bay is a 29-storey five-star hotel comprising 263 guest rooms with ancillary facilities and is managed by the InterContinental Hotels Group. Its performance dropped comparing with 2014, which was a result in line with the weaker hotel business market. The hotel will strive to gain further market share and look for cost saving measures in the challenging market situation.



*Crowne Plaza Hong Kong Causeway Bay, Hong Kong*

## **FINANCIAL RESOURCES AND LIQUIDITY**

### **Working Capital and Loan Facilities**

As at 31 December 2015, the Group's total bank deposits, bank balances and cash was HK\$3,928.6 million (2014: HK\$3,013.9 million) and unutilised facilities were HK\$500.2 million (2014: HK\$965 million).

The gearing ratio as at 31 December 2015, calculated on the basis of net interest bearing debts minus cash and restricted and pledged deposits as a percentage of total property assets, was 3.9% (2014: 8.4%).

# Chairman's Statement

As at 31 December 2015, maturity of the Group's outstanding borrowings was as follows:

|                     | 31 December 2015<br>HK\$' million | 31 December 2014<br>HK\$' million |
|---------------------|-----------------------------------|-----------------------------------|
| Due                 |                                   |                                   |
| Within 1 year       | 1,539.2                           | 548.4                             |
| 1-2 years           | 164.1                             | 1,385.9                           |
| 3-5 years           | 1,869.4                           | 1,221.5                           |
| Over 5 years        | 939.5                             | 1,078.7                           |
|                     | 4,512.2                           | 4,234.5                           |
| Less: Front-end fee | (22.1)                            | (22.4)                            |
|                     | 4,490.1                           | 4,212.1                           |

## Pledge of Assets

For the Company's subsidiaries operating in Hong Kong and Mainland China, the total bank loans drawn as at 31 December 2015 amounted to HK\$4,416.4 million (2014: HK\$4,129.7 million) which comprised of secured bank loans of HK\$4,013.4 million (2014: HK\$3,919.7 million) and unsecured bank loans of HK\$403.0 million (2014: HK\$210.0 million). The secured bank loans were secured by properties valued at HK\$11,796.0 million (2014: HK\$11,605.9 million) and note receivables of HK\$54.3 million (2014: HK\$54.3 million).

A subsidiary of the Company operating in Australia pledged its investment properties with an aggregate carrying value of HK\$158.7 million as at 31 December 2015 (2014: HK\$173.6 million) to secure bank loans of HK\$73.7 million (2014: HK\$82.4 million).

## Treasury Policies

The Group adheres to prudent treasury policies. As at 31 December 2015, all of the Group's borrowings were raised through its wholly-owned or substantially controlled subsidiaries on a non-recourse basis.

# Chairman's Statement

## STAFF AND EMOLUMENT POLICY

As at 31 December 2015, the Group had a total of 459 employees (2014: 447 employees) in Hong Kong and Mainland China. Employee costs, including the emoluments of the directors of the Group, amounted to HK\$267.0 million for the year ended 31 December 2015 (2014: HK\$188.2 million).

The Group maintains a good working relationship with its employees and continues to recruit, retain and develop competent individuals committed for its long-term success and growth. Salary and benefits of employees are reviewed at least annually both in response to market conditions and trends, and in conjunction with individual appraisals based on qualifications, experience, skills, responsibilities, performance and development potentials. Discretionary bonuses are granted in line with the Group's financial results and employees' performance. Fringe benefits including medical insurance scheme, study and training allowances, examination leave and voluntary employer contributions to retirement schemes are offered to employees. In addition, to retain and motivate management staff and good performers, the Company has adopted an employee share option scheme and a share award scheme with options to subscribe for shares in the Company and awards of shares being granted by the Board to the Group's employees (including directors of the Company) on a discretionary basis. To further enhance employee relations and communications, recreational activities for general staff with senior management's participation are arranged.

## OUTLOOK

The complicated global economy continues to create a challenging business environment. The United States economy has been growing at a moderate pace with improved labour market and household spending which led the Federal Reserve to start increasing interest rates. However, the European Central Bank introduced a new round of quantitative easing. Japan remained in recession without growth. 2016 has begun with significant financial market volatilities and uncertainty.

Mainland China's economy experienced a moderate slowdown with increasing downside risks becoming apparent. The Mainland China's authorities have been implementing policies to boost the PRC property market, such as, a series of official lending rate cuts, targeted tax reduction, easing of restrictions on the property market and relaxation of mortgage requirements of first and second home buyers.

In Mainland China, a 6.9 percent of GDP growth was reported in 2015. Mainland China home prices rose since April 2015, on a monthly basis, indicating that government's efforts to boost the property market have gained traction. Overall average new home prices increased 0.74% in December 2015 versus November 2015, which is higher than the 0.46% increase in November 2015. It increased 4.15% in December 2015 as compared with that in 2014. Such of increasing prices are a sign of bottoming out for the property market.

# Chairman's Statement

Hong Kong's economic growth slowed down during the third quarter of 2015, with GDP up by only 2.3% year-on-year, less than the expansion of 2.8% and 2.4% year-on-year of the preceding two quarters. Residential sales in the first month 2016 hit a 25-year low, with the market anticipating an increase in supply and expected rising mortgage rates to cause a drop in prices. The appreciation of the Hong Kong dollar against the RMB and other major currencies reduced Hong Kong's attractiveness to visitors. Apart, the tense relationship between Hong Kong residents and China visitors may also have negative impacts to the number of visitors. Nevertheless, the demand for Grade-A office market continued to be driven by Mainland Chinese firms but the increasing challenges facing the Hong Kong and Mainland economies could add uncertainty to the sustainability of office demand.



*Chengdu Nova City, Chengdu (perspective view)*

After the disposal of the Fo Tan development land near the end of 2015, we have continued to closely monitor the residential property market in Hong Kong, and will seize opportunities for property development projects in Hong Kong. With the challenging hotel business environment in Hong Kong, Crowne Plaza Hong Kong Causeway Bay was able to maintain the market share among the primary competitors. With a tougher year to come, we strive to gain market share, improve the hotel operation's efficiency and at the same time look for cost saving measures, so as to maintain the return of the operations. In respect to our development projects in Mainland China, despite the rebound in housing prices in Tier I and II cities, the markets in Tier III and IV cities are still a challenging environment. Phase IA of Kaifeng Nova City was completed with the contracted sales recognised while the construction works for Phase IB are still in progress. In Chengdu, the master layout plan was approved and basement works are in progress.

Assuming completion of the disposal of the Dah Sing Financial Centre, the Group will have significant funds for future investment into its other development and investment projects and other potential real estate projects and as general working capital for the Group.

**Lu Wing Chi**

*Chairman and Managing Director*

Hong Kong, 24 March 2016

# Corporate Governance Report

The Company recognises the importance of good corporate governance to the Company's development and has devoted considerable efforts to identifying, formulating, establishing and enhancing corporate governance practices appropriate to the Company's needs. The Board, having regard to the size and nature of businesses of the Group, periodically reviews the Company's corporate governance practices to meet the rising expectations of Shareholders and comply with increasingly stringent regulatory requirements.

## CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2015, the Company has applied the principles and complied with all the code provisions set out in the CG Code contained in Appendix 14 to the Listing Rules except for the following deviations:

| CG Code                                                                                                                    | Deviations and reasons                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|----------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| A.2.1 The roles of the chairman and chief executive should be separate and should not be performed by the same individual. | Mr. Lu Wing Chi, the Chairman who is holding the office of Managing Director, currently oversees the management and the Group's business. The Board considers that the present management structure has been effective in facilitating the operations and development of the Group for a considerably long period and has withstood the test of time and that no benefit will be derived from changing it. The current structure allows flexibility and enhances the efficiency of decision-making process in response to the constantly changing environment while the market sentiment may vary quite significantly in different areas of the Asia Pacific region in which the Group operates. In addition, the Board believes that a balance of power and authority is adequately ensured by the operations of the Board which comprises conscientious, experienced and high calibre individuals including three Independent Non-executive Directors. |
| A.4.1 Non-executive directors should be appointed for a specific term, subject to re-election.                             | Each of the existing Non-executive Directors (including the INED) does not have a specific term of appointment but is subject to retirement by rotation and re-election at the AGMs pursuant to the Bye-laws of the Company. The Bye-laws require that every Director will retire from office no later than the third AGM after he was last elected or re-elected. Further, any person appointed by the Board to fill a casual vacancy or as an additional Director (including Non-executive Director) will hold office only until the next general meeting and will then be eligible for re-election. As such, the Board considers that such requirements are sufficient to meet the underlying objectives of the relevant code provision and therefore does not intend to take any remedial steps in this regard.                                                                                                                                      |

The Board will continuously review and recommend such proposals as appropriate in the circumstances of such deviations.

# Corporate Governance Report

## BOARD OF DIRECTORS

### Composition

The Directors who served the Board during the year under review and up to the date of this report are named as follows:

### Executive Directors

Mr. Lu Wing Chi (*Chairman and Managing Director*)

Mr. Lu Wing Yuk, Andrew

Mr. Lincoln Lu

Mr. Lambert Lu

### Non-executive Director

Mr. Lam Sing Tai

### Independent Non-executive Directors

Mr. Walujo Santoso, Wally

Mr. Leung Hok Lim

Mr. Chung Pui Lam

An updated list of Directors and their respective roles and functions have been maintained on the websites of the Company and HKEX. Biographical particulars of the existing Directors are set out in the section headed “Directors’ Biographical Information” on pages 8 to 11.

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance and has adopted a board diversity policy (the “Policy”). Board diversity will be considered by the Company from a number of aspects, including but not limited to cultural and educational background, experience, skills, knowledge, length of service, age and gender. The Company’s business model and specific needs will also be taken into account in determining the optimum composition of the Board.

The Nomination Committee will monitor the implementation of the Policy and will from time to time review the Policy, as appropriate.

### Role and Function

The Company is governed by the Board and the Directors are accountable to the Shareholders for the activities and performance of the Group. To oversee the Group’s business and development, the Board has reserved for its decision and consideration the following matters:

- (i) adoption and overall oversight of objectives and strategic plans;
- (ii) amendment to memorandum of association and bye-laws as well as alteration of share capital;
- (iii) approval of interim dividends and other distribution and recommendation of final dividends for Shareholders’ approval;

# Corporate Governance Report

- (iv) establishment of Board committees and delegation of powers of the Board to the Board committees;
- (v) appointment, re-appointment, re-designation and removal of Board members;
- (vi) approval of significant accounting policies and practices;
- (vii) oversight of corporate governance and internal controls; and
- (viii) other significant matters.

Matters other than the above mentioned have been delegated by the Board to the management and the major ones are execution of the Board's decisions (including business strategies and initiatives it has adopted) and daily operations, preparation of annual and interim financial statements for the Board's approval before public reporting, implementation of adequate systems of internal control and risk management procedures as well as compliance with relevant requirements, rules and regulations.

## Corporate Governance Function

The Board is also responsible for performing the corporate governance duties including:

- (i) to develop and review the Company's policies and practices on corporate governance;
- (ii) to review and monitor the training and continuous professional development of Directors and senior management;
- (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (iv) to develop, review and monitor the code of conduct applicable to employees and Directors; and
- (v) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year ended 31 December 2015, the Board reviewed the Company's corporate governance practices.

## Retirement and Re-election

Pursuant to the Company's Bye-laws and the CG Code, every Director shall retire from office no later than the third AGM after he was last elected or re-elected. Further, any Director appointed by the Board as an additional Board member or to fill a casual vacancy shall hold office only until the next general meeting of the Company and shall then be eligible for re-election.

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



# Corporate Governance Report

## Meetings

The Board conducts meetings on a regular basis with at least 14 days' notice and on an ad hoc basis with reasonable notice that are required for significant and important issues. Before each Board and committee meetings, relevant agendas and documents with appropriate information are sent to Directors who are consulted for including matters in the agendas. The Board has four scheduled meetings a year to, amongst other matters, approve the final results and interim results respectively and consider financial and operating performances of the Company. All businesses transacted at the Board meetings are well-documented and the records are maintained properly. The Board members are provided with appropriate and sufficient information in a timely manner to keep abreast of the Group's latest developments.

During the year ended 31 December 2015, the Board held four meetings and the attendance record of each Director is set out in the following table:

| <b>Directors</b>                                          | <b>Attendance/Number of Board meetings held in 2015</b> |
|-----------------------------------------------------------|---------------------------------------------------------|
| <i>Executive Directors</i>                                |                                                         |
| Mr. Lu Wing Chi ( <i>Chairman and Managing Director</i> ) | 4/4                                                     |
| Mr. Lu Wing Yuk, Andrew                                   | 4/4                                                     |
| Mr. Lincoln Lu                                            | 4/4                                                     |
| Mr. Lambert Lu                                            | 4/4                                                     |
| <i>Non-executive Director</i>                             |                                                         |
| Mr. Lam Sing Tai                                          | 4/4                                                     |
| <i>INED</i>                                               |                                                         |
| Mr. Walujo Santoso, Wally                                 | 4/4                                                     |
| Mr. Leung Hok Lim                                         | 4/4                                                     |
| Mr. Chung Pui Lam                                         | 4/4                                                     |

## Relationship

Of the Directors, Mr. Lu Wing Chi is the father of Messrs. Lincoln Lu and Lambert Lu and a cousin of Mr. Lu Wing Yuk, Andrew who is an uncle of Messrs. Lincoln Lu and Lambert Lu. Other than these, there is no financial, business, family and other material relationship among other members of the Board.

Notwithstanding the above relationships, there has been an effective and balanced board collectively responsible for the Company's activities and affairs. Throughout the year ended 31 December 2015, half of the Board members were Executive Directors and the other half were Non-executive Directors (including INED) whose views carry significant weight in the Board's decisions. The Board members have been free to discuss issues properly put to the Board meetings and express their views and concerns. No individual or small group can dominate the Board's decision-making process.

# Corporate Governance Report

## Training and Insurance for Directors

Directors are provided with timely updates on changes in laws and compliance issues relevant to the Group. The Company also encourages its Directors to enroll in relevant professional development courses to continually update and further improve their relevant knowledge and skills. An in-house training session conducted by solicitors' firm was organised by the Company for the year 2015 as part of the continuous professional development for its Directors to update them on the latest developments regarding the Listing Rules and applicable regulatory requirements in discharging their duties.

During the year ended 31 December 2015, Directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

A summary of training participated by the Directors during the year ended 31 December 2015 is as follows:

| <b>Directors</b>              | <b>Attend seminars and/or reading materials in relation to updates on laws, rules and regulations</b> | <b>Reading regulatory updates and information relevant to the Group or its business</b> |
|-------------------------------|-------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| <i>Executive Directors</i>    |                                                                                                       |                                                                                         |
| Mr. Lu Wing Chi               | ✓                                                                                                     | ✓                                                                                       |
| Mr. Lu Wing Yuk, Andrew       | ✓                                                                                                     | ✓                                                                                       |
| Mr. Lincoln Lu                | ✓                                                                                                     | ✓                                                                                       |
| Mr. Lambert Lu                | ✓                                                                                                     | ✓                                                                                       |
| <i>Non-executive Director</i> |                                                                                                       |                                                                                         |
| Mr. Lam Sing Tai              | ✓                                                                                                     | ✓                                                                                       |
| <i>INED</i>                   |                                                                                                       |                                                                                         |
| Mr. Walujo Santoso, Wally     | ✓                                                                                                     | ✓                                                                                       |
| Mr. Leung Hok Lim             | ✓                                                                                                     | ✓                                                                                       |
| Mr. Chung Pui Lam             | ✓                                                                                                     | ✓                                                                                       |

The Company has also arranged for appropriate liability insurance for the Directors for indemnifying their liabilities arising out of corporate activities.

# Corporate Governance Report

## Non-executive Directors

The Non-executive Directors (including INED) of the Company serve the relevant function of bringing independent judgement and valuable guidance and advice on the development, performance and risk management of the Group.

## Independent Non-executive Directors

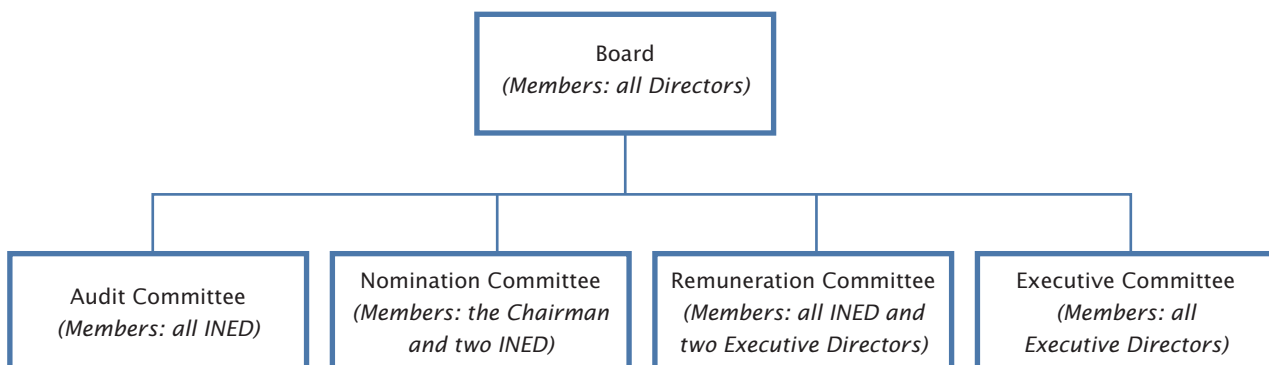
The Board consists of a total of eight Directors, comprising four Executive Directors, one Non-executive Director and three INED. More than one-third of the Board are INED of which at least an INED possessing appropriate professional qualifications or accounting or related financial management expertise.

The three INED come from diverse business and professional backgrounds in the fields of international trading, accounting and laws, rendering valuable expertise and experience to promote the best interests of the Company and its Shareholders as a whole and ensuring that issues are considered in an independent and a more objective manner. All of them serve on the Audit and Remuneration Committees and two of them serve on the Nomination Committee.

The Company has received from each of the INED an annual confirmation in writing of his independence pursuant to Rule 3.13 of the Listing Rules and considers all of the INED are independent since their appointment.

## DELEGATION — BOARD COMMITTEES

The Board has properly delegated its powers and established several Board committees, namely Audit Committee, Nomination Committee, Remuneration Committee and Executive Committee, with specific written terms of reference that deal clearly with their authority and duties, to oversee particular aspects of the Company's affairs and assist in the execution of the Board's responsibilities.



# Corporate Governance Report

## AUDIT COMMITTEE

### Composition

The Audit Committee was established in 1999. Its terms of reference can be found in the websites of the Company and HKEX. The Audit Committee currently comprises of three members and all of them are INED. The attendance record of the committee members at the meetings held during the year ended 31 December 2015 is set out in the following table:

| Directors                             | Attendance/Number of<br>Audit Committee<br>meetings held in 2015 |
|---------------------------------------|------------------------------------------------------------------|
| <i>INED</i>                           |                                                                  |
| Mr. Leung Hok Lim ( <i>chairman</i> ) | 2/2                                                              |
| Mr. Walujo Santoso, Wally             | 2/2                                                              |
| Mr. Chung Pui Lam                     | 2/2                                                              |

### Role and Function

The primary duties of the Audit Committee are to ensure the objectivity and credibility of financial reporting and the effectiveness of the audit process in accordance with applicable standards as well as to maintain an appropriate relationship with the independent external auditor of the Company.

During the year ended 31 December 2015, the Audit Committee met twice with the representatives of the management and the independent auditor of the Company to discuss the auditing and financial reporting matters. During the meetings, the Audit Committee in particular reviewed and discussed about:

- (i) the accounting principles and policies adopted by the Group;
- (ii) the annual results (including the announcement thereof) and the audited financial statements for the year ended 31 December 2014;
- (iii) the interim results (including the announcement thereof) and the financial statements for the six months ended 30 June 2015;
- (iv) any significant findings by the independent auditor during the financial audit and other audit issues;
- (v) the letters of management representations issued to the independent auditor in connection with the audit or review of the Group's relevant financial statements; and
- (vi) the system of internal control including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

# Corporate Governance Report

It also recommended to the Board for the re-appointment of the independent auditor and reviewed the relevant audit fees. In March 2016, the Audit Committee reviewed with representatives of the management and the independent auditor of the Company the audited consolidated financial statements of the Company for the year ended 31 December 2015 and was of the opinion that such financial statements had been prepared in compliance with applicable financial reporting standards and requirements and adequate disclosure had been made.

## NOMINATION COMMITTEE

### Composition

The Nomination Committee was established in 2012. Its terms of reference can be found in the websites of the Company and HKEX. The Nomination Committee currently comprises of three members including the Chairman and two INED. The attendance record of the committee members at the meeting held during the year ended 31 December 2015 is set out in the following table:

| <b>Directors</b>                    | <b>Attendance/Number of<br/>Nomination Committee<br/>meeting held in 2015</b> |
|-------------------------------------|-------------------------------------------------------------------------------|
| <i>Executive Director</i>           |                                                                               |
| Mr. Lu Wing Chi ( <i>chairman</i> ) | 1/1                                                                           |
| <i>INED</i>                         |                                                                               |
| Mr. Walujo Santoso, Wally           | 1/1                                                                           |
| Mr. Leung Hok Lim                   | 1/1                                                                           |

### Role and Function

The principal role of the Nomination Committee includes, inter alia, reviewing the structure, size and composition of the Board, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy. It shall consider the suitability of a candidate to act as a Director on the basis of the candidate's qualification, experience, integrity and potential contribution to the Company and assess the independence of INED taking into account the independence requirements set out in Rule 3.13 of the Listing Rules.

The Nomination Committee held one meeting in the financial year under review and a meeting in March 2016 to review the structure, size and composition of the Board, assess the independence of INED and make recommendations in relation to the re-appointment of retiring Directors at AGMs.

# Corporate Governance Report

## REMUNERATION COMMITTEE

### Composition

The Remuneration Committee was established in 2005. Its terms of reference can be found in the websites of the Company and HKEX. The Remuneration Committee currently comprises of five members including the Chairman, one Executive Director and three INED. The attendance record of the committee members at the meetings held during the year ended 31 December 2015 is set out in the following table:

|                                       | <b>Attendance/Number of<br/>Remuneration<br/>Committee meetings<br/>held in 2015</b> |
|---------------------------------------|--------------------------------------------------------------------------------------|
| <b>Directors</b>                      |                                                                                      |
| <i>INED</i>                           |                                                                                      |
| Mr. Chung Pui Lam ( <i>chairman</i> ) | 2/2                                                                                  |
| Mr. Walujo Santoso, Wally             | 2/2                                                                                  |
| Mr. Leung Hok Lim                     | 2/2                                                                                  |
| <i>Executive Directors</i>            |                                                                                      |
| Mr. Lu Wing Chi                       | 2/2                                                                                  |
| Mr. Lambert Lu                        | 2/2                                                                                  |

### Role and Function

The Remuneration Committee is responsible for, amongst other matters, establishing a formal and transparent procedure for developing remuneration policies and overseeing the remuneration packages for the Executive Directors and Non-executive Directors and ensuring that no Director will be involved in deciding his own remuneration. The Remuneration Committee has adopted the operation model where it determines the remuneration packages of individual Executive Directors and makes recommendations to the Board on the remuneration packages of individual Non-executive Directors.

In determining the Directors' emoluments, the Remuneration Committee takes into consideration factors such as the qualifications, experience, time commitment, responsibilities, performance, contribution and remuneration of the Directors for previous years, the Company's profitability, emoluments paid by comparable companies and employment conditions elsewhere in the Group.

At the AGM held in 2005, the Shareholders passed an ordinary resolution to authorise the Directors to fix the Directors' fees for an aggregate amount not exceeding HK\$1.0 million per annum. During the year, the Remuneration Committee met twice for the purposes of determining matters relating to the remuneration packages and emoluments of Executive Directors as well as making recommendation to the Board on the remuneration packages and emoluments of Non-executive Directors.

In March 2016, the Remuneration Committee held a meeting to review, determine or make recommendation to the Board on the bonus of the Directors for the year ended 31 December 2015 as well as their Director's fees and salary increment for the current year.

# Corporate Governance Report

Details of the Directors' remuneration for the year ended 31 December 2015 is set out in note 14 to the consolidated financial statements.

## EXECUTIVE COMMITTEE

### Composition

The Executive Committee was set up in 1990 and is currently comprised of the Chairman and all other Executive Directors, namely:

Mr. Lu Wing Chi (*Chairman and Managing Director*)

Mr. Lu Wing Yuk, Andrew

Mr. Lincoln Lu

Mr. Lambert Lu

### Role and Function

The Executive Committee is primarily responsible for supervising and undertaking the day-to-day operations of the Group. It exercises leadership and develops and keeps under review business development initiatives of the Group and monitors their implementation. The Executive Committee meets as and when necessary.

## SECURITIES TRANSACTIONS BY DIRECTORS AND EMPLOYEES

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors.

In response to the specific enquiry made on them by the Company, all the Directors have confirmed in writing that they had complied with the required standard as set out in the Model Code throughout the year ended 31 December 2015.

Directors' interests in shares and underlying shares in the Company are contained in the section headed "Directors' Report" on pages 41 to 43 and page 46.

The Company has also adopted a code with no less exacting terms than the Model Code for the directors and employees of the Group (other than the Directors) (the "Relevant Employees") to regulate their dealings in the listed shares of the Company and AGP (a subsidiary of the Company listed in London), as the Relevant Employees are likely to be in possession of inside information in relation to such shares because of their office or employment.

# Corporate Governance Report

## DIRECTORS' RESPONSIBILITY FOR PREPARING FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Group which give a true and fair view of the state of the Group's affairs and of its results. Their responsibilities have also been stated in the section headed "Independent Auditor's Report" on page 53. In doing so, the Directors select suitable accounting policies and apply them consistently and make accounting estimates that are appropriate in the circumstances. With the assistance of the accounting and finance department of the Company, the Directors ensure that the financial statements of the Group are prepared in accordance with statutory requirements and appropriate financial reporting standards.

In addition, the Directors ensure timely publication of the financial statements of the Group.

## INDEPENDENT AUDITOR'S REPORTING RESPONSIBILITY

The statement of DTT, Certified Public Accountants, the independent auditor of the Company, about their reporting responsibility on the financial statements of the Group is set out in the section headed "Independent Auditor's Report" on page 53. Representatives of DTT also attend the AGMs to answer questions which the Shareholders may have.

## INDEPENDENT AUDITOR'S REMUNERATION

At the AGM held on 29 May 2015, DTT were re-appointed by the Shareholders as independent auditor of the Company at a fee to be agreed by the Board. The total fees paid/payable to DTT and its affiliated firms in respect of the audit and non-audit services provided during the year ended 31 December 2015 is set out as follows:

|                                                             | HK\$'000 |
|-------------------------------------------------------------|----------|
| Audit services                                              | 4,290    |
| Non-audit services (reviewing and other reporting services) | 880      |
| Total                                                       | 5,170    |

In addition, fees for the audit of the financial statements of certain members of the Group for the year under review conducted by other auditors amounted to about HK\$289,000.

## GOING CONCERN

The Directors confirm that, to the best of their knowledge, information and belief and having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.



# Corporate Governance Report

## INTERNAL CONTROL

The Board has overall responsibility for the Group's system of internal control and the assessment and management of risks. The Group has implemented an effective internal control system which includes a defined management structure with clear lines of responsibility and limits of authority, proper procedures for income and expenditure, monthly review by the Executive Directors of operational and financial reports provided by the management, regular business meetings between the Executive Directors and the core management team and periodic review of the Group's financial results by the Board.

The Board and the Audit Committee continue to review the effectiveness and adequacy of the Group's system of internal control which includes financial, operational and compliance mechanisms and risk management functions in order to identify, evaluate and manage risks and take appropriate measures to avoid or mitigate those risks that could adversely impact the Group's business activities. The review process consists of, amongst other matters, assessment and implementation of material control issues identified by independent external auditor during statutory audit.

The Board and the Audit Committee make endeavours to review the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

## COMMUNICATION WITH SHAREHOLDERS

The Board has adopted shareholders' communication policy with the objective of ensuring that its communications with the Shareholders are timely, transparent, accurate and open. Information of the Company is disseminated to the Shareholders through a number of channels as follows:

- (i) corporate communication such as annual reports, interim reports and circulars are issued in printed form and are available on the websites of the Company and HKEX;
- (ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Company and HKEX;
- (iii) corporate information is made available on the Company's website;
- (iv) AGMs and SGMs provide a forum for Shareholders to make comments and exchange views with the Directors and senior management; and
- (v) the Company's Hong Kong branch share registrar serves the Shareholders in respect of share registration and related matters.

Separate resolutions are proposed at general meetings on each substantial issue including the election of individual Directors.

During the year ended 31 December 2015, an AGM was held on 29 May 2015. All resolutions relating to ordinary businesses and special businesses proposed at the AGM were duly passed.

# Corporate Governance Report

The attendance record of the Board members at the AGM is set out in the following table:

| Directors                                                 | Attendance |
|-----------------------------------------------------------|------------|
| <i>Executive Directors</i>                                |            |
| Mr. Lu Wing Chi ( <i>Chairman and Managing Director</i> ) | ✓          |
| Mr. Lu Wing Yuk, Andrew                                   | ✓          |
| Mr. Lincoln Lu                                            | ✓          |
| Mr. Lambert Lu                                            | ✓          |
| <i>Non-executive Director</i>                             |            |
| Mr. Lam Sing Tai                                          | ✓          |
| <i>INED</i>                                               |            |
| Mr. Walujo Santoso, Wally                                 | ✓          |
| Mr. Leung Hok Lim                                         | ✓          |
| Mr. Chung Pui Lam                                         | ✓          |

## CONSTITUTIONAL DOCUMENTS

The constitutional documents of the Company can be found on the websites of the Company and HKEX and there is no change in the constitutional documents during the year ended 31 December 2015.

## SHAREHOLDERS' RIGHTS

### Convening Special General Meeting

Shareholder(s) holding not less than one-tenth of the paid-up capital of the Company may request the Board to convene a SGM. The purposes of the meeting must be stated in the related requisition and deposited at the Company's registered office and principal place of business in Hong Kong. If the Directors do not within 21 days from the date of the deposit of a request (after being verified to be valid) proceed to convene a SGM, the Shareholders concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a SGM, but any SGM so convened shall not be held after the expiration of three months from the date of the deposit of the request.

# Corporate Governance Report

## Putting forward proposals at general meetings

Shareholders holding not less than one-twentieth of the total voting rights of those Shareholders having the right to vote at a general meeting or not less than one hundred Shareholders can submit a written request to move a resolution at a general meeting. The written request must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution and deposited at the Company's registered office and principal place of business in Hong Kong not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution, and not less than one week before the meeting in the case of any other requisition. Upon the request verified to be valid, the Company will give notice of the resolution or circulate the statement provided that the Shareholders concerned have deposited a sum reasonably sufficient to meet the Company's expenses in regard thereto.

## INVESTOR RELATIONS

The Company keeps on promoting investor relations and enhancing communication with the existing Shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public who may contact the Company by phone at (852) 2828 6363 during normal business hours, by fax at (852) 2598 6861, by e-mail at [info@seagroup.com.hk](mailto:info@seagroup.com.hk) or by post at 26/F., Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong.

## LOOKING FORWARD

The above corporate governance practices will be monitored, reviewed, amended and revoked from time to time as considered necessary by the Board. The Company will take appropriate actions to ensure compliance with the required practices and standards including the code provisions and if reasonably practicable, the recommended best practices of the CG Code at all times.

# Directors' Report

The Directors have pleasure in presenting their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2015.

## PRINCIPAL ACTIVITIES

During the year, the Company acted as an investment holding company and the activities of its principal subsidiaries were investment holding, hotel operation, property and asset management as well as property investment and development in Hong Kong, Mainland China, Australia and the United Kingdom.

Other particulars of the principal subsidiaries of the Company as at 31 December 2015 are set out in note 45 to the consolidated financial statements.

## BUSINESS REVIEW AND PERFORMANCE

A review of the business of the Group during the year ended 31 December 2015 and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing are provided in the Chairman's Statement on pages 12 to 19 of this Annual Report.

Description of the financial risk management objectives and policies of the Group can be found in note 35 to the consolidated financial statements.

An analysis of the Group's performance during the year ended 31 December 2015 using financial key performance indicators is provided in the Chairman's Statement on pages 12 to 19 and the Financial Highlights on pages 2 and 3 of this Annual Report.

## ENVIRONMENTAL PROTECTION

The Group recognises its responsibility to protect the environment from its business operations. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities, in order to minimise these impacts.

Energy saving measures have been implemented in order to reduce power and water consumption of the Group's offices by reducing office lighting, switching off some passenger lifts after office hours, encouraging the use of electronic communications, installing automatic low flow water faucet for wash basin, etc. Moreover, duplex printing and copying help reducing paper consumption and saving costs.

The Group has actively promoted material-saving and implemented policies to reduce waste generated from business activities. Its financial reports have been printed on Forest Stewardship Council-certified (FSC) papers since 2015 to reduce impact on the environment. The recycling of materials in our operations, including papers, stationery and office equipment, are highly encouraged.

# Directors' Report

## COMPLIANCE WITH LAWS AND REGULATIONS

The Group complies with applicable rules and regulations promulgated by Lands Department, Buildings Department and the Planning Department governing property development and property investment in Hong Kong and holds relevant required licences for provision of services.

With respect to the property projects in the Mainland China, the Group also complies with applicable rules and regulations enacted by the Land Bureau, Planning Bureau and Construction Bureau and holds relevant required licences for developing these projects.

The Group establishes and protects its intellectual property rights and has registered its domain name. Various trademarks have been applied for or registered in various classes in Hong Kong, the PRC and other relevant jurisdictions. The Group takes all appropriate actions to enforce its intellectual property rights.

It is the policy of the Group to strictly prohibit bribery and corrupt practices to ensure the conduct of the Group companies and employees are in compliance with rules and regulations. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

## WORKPLACE QUALITY

The Group believes that a motivated and balanced workforce is crucial for building a substantial business model and delivering long-term returns.

The Group has employee handbook clearly setting out company policies and procedures, expectations for employees' conduct and behavior, employees' rights and benefits. We establish and implement policies that promote a harmony and respectful workplace. Recreational activities were organised for employees, such as outings, to enrich their work lives. The Group encourages staff of all level to serve the community and care for those in need. We have participated in the "Skip Lunch Day" and "Dress Casual Day", which were the annual charity events organized by the Community Chest.

The Group believes that people are the valuable assets of an enterprise and commits to attracting and retaining talent with diverse backgrounds for achieving sustainable growth. As at 31 December 2015, approximately 23.85% of the staff have been working for the Group for five years or more. Service awards are presented at the Group's annual dinner as tribute to staff who have contributed for 5, 10 and 15 years.

The Group provides a fair workplace, promoting non-discrimination and diversity to our staff, together with competitive remuneration and benefits, as well as opportunities for career advancement based on employees' merits and performance. It is the policy of the Group to encourage employees to attend appropriate courses to keep them abreast of the latest developments in the market and industry. They are encouraged to enrol in external job-related seminars and training programmes to improve their knowledge and maximise their potentials.

# Directors' Report

## SEGMENTAL ANALYSIS OF OPERATIONS

An analysis of the Group's performance for the year by reportable segments is set out in note 6 to the consolidated financial statements.

## RESULTS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income on pages 55 and 56 respectively.

The state of affairs of the Group as at 31 December 2015 is set out in the consolidated statement of financial position on pages 57 and 58.

## DIVIDENDS

An interim dividend of HK5 cents per share (2014: HK5 cents) amounting to HK\$34.2 million (2014: HK\$34.5 million) was paid to the Shareholders during the year. The Board has resolved to recommend for Shareholders' approval at the forthcoming 2016 AGM the payment of a final dividend of HK6 cents (2014: HK6 cents) per share for the year under review, amounting to HK\$40.7 million (2014: HK\$41.5 million) and a special dividend of HK\$2 (2014: Nil) per share, amounting to HK\$1,357 million (2014: Nil), to the Shareholders whose names appear on the register of members at the close of business on Friday, 10 June 2016. The relevant dividend warrants are expected to be despatched on or before Tuesday, 21 June 2016.

## SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 33 to the consolidated financial statements. Certain shares were issued on exercise of share options granted during the year.

# Directors' Report

## RESERVES

Details of the movements during the year in the reserves of the Group are set out in the consolidated statement of changes in equity on page 59. The Company's reserves available for distribution to the Shareholders as at 31 December 2015 were as follows:

|                     | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|---------------------|------------------|------------------|
| Contributed surplus | 190,081          | 190,081          |
| Retained profits    | 1,009,262        | 1,033,700        |
|                     | <b>1,199,343</b> | 1,223,781        |

Under the Companies Act 1981 of Bermuda (as amended), the amount of the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend or make a distribution out of contributed surplus if after the payment:

- (i) it is or would be unable to pay its liabilities as they become due; or
- (ii) the realisable value of its assets would thereby be less than its liabilities.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws and there is no restriction against such rights under the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to its existing Shareholders.

## INVESTMENT PROPERTIES

All the investment properties of the Group were revalued at 31 December 2015. The net increase in fair value of investment properties amounting to HK\$953.1 million (2014: HK\$616.3 million) has been credited directly to the consolidated statement of profit or loss.

Details of the movements during the year in the investment properties of the Group are set out in note 18 to the consolidated financial statements.

# Directors' Report

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 19 to the consolidated financial statements.

## PROPERTIES

Details of the properties of the Group held for investment and sale purposes and under development at 31 December 2015 are set out in the section headed "Property Portfolio" on pages 4 and 5.

## DIRECTORS

The Directors who served during the year and up to the date of this annual report were:

### Executive Directors

Mr. Lu Wing Chi (*Chairman and Managing Director*)

Mr. Lu Wing Yuk, Andrew

Mr. Lincoln Lu

Mr. Lambert Lu

### Non-executive Director

Mr. Lam Sing Tai

### Independent Non-executive Directors

Mr. Walujo Santoso, Wally

Mr. Leung Hok Lim

Mr. Chung Pui Lam

In accordance with Bye-laws 88(A), 88(B) and 89 of the Company's Bye-laws and in compliance with code provision A.4.2 of the CG Code set out in Appendix 14 to the Listing Rules, Messrs. Lu Wing Chi, Lu Wing Yuk, Andrew and Chung Pui Lam will retire as Directors by rotation at the 2016 AGM. Mr. Lu Wing Yuk, Andrew informed the Board that he would not offer himself for re-election. The other retiring Directors, being eligible, will offer themselves for re-election.

All other Directors shall continue in office.

## DIRECTORS' BIOGRAPHICAL PARTICULARS

Biographical particulars of the present Directors are set out on pages 8 to 11 of this annual report.

Further particulars of the Directors to be re-elected at the 2016 AGM are set out in the circular to the Shareholders sent together with this annual report.



# Directors' Report

## UPDATE OF DIRECTORS' INFORMATION

Save as disclosed below, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

- The basic salary of a Non-executive Director, namely Mr. Lam Sing Tai, was adjusted upward by 5.26% with effect from 1 January 2016.

## DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the 2016 AGM has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation other than statutory compensation.

Particulars of the emoluments of Directors on a named basis for the year are set out in note 14 to the consolidated financial statements.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Group's business to which the Company or any of its holding companies, subsidiaries or fellow subsidiaries was a party and in which a director or a controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## ARRANGEMENTS FOR DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Other than the share options as described in details in the section headed "Share Option Schemes" below, at no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

# Directors' Report

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Pursuant to Rule 8.10 of the Listing Rules, the following Directors and their associates (as defined in the Listing Rules) are considered by the Company to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where such Directors have been appointed to represent the interests of the Company and/or other members of the Group:

- (i) Mr. Lu Wing Chi, Chairman and Managing Director, has shareholdings (for himself and on behalf of his associates) and holds directorships in a number of private companies controlled by, or owned in conjunction with, his close relatives and associates. From time to time, such companies are involved in real estate development and investment. In this regard, Mr. Lu is considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.
- (ii) Mr. Lu Wing Yuk, Andrew, Executive Director, has shareholdings (for himself and on behalf of his associates) and holds directorships in a number of private companies controlled by, or owned in conjunction with, his close relatives and associates. From time to time, such companies are involved in real estate development and investment. In this regard, Mr. Lu is considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.
- (iii) Messrs. Lincoln Lu and Lambert Lu, both Executive Directors, are the sons of Mr. Lu Wing Chi. In this regard, Messrs. Lincoln Lu and Lambert Lu are considered to have interests in the competing businesses in which Mr. Lu Wing Chi is deemed interested. Messrs. Lincoln Lu and Lambert Lu also have shareholdings (for themselves and on behalf of their associates) and hold directorships in certain private companies controlled by, or owned in conjunction with, their close relatives and associates. From time to time, such companies are involved in real estate development and investment. In this regard, Messrs. Lincoln Lu and Lambert Lu are considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

However, the Board presently comprises eight members including one Non-executive Director and three INED whose views carry significant weight in the Board's decisions. Fundamentally, it is independent of the above individuals and the respective boards of directors of the above companies in which the relevant directors have personal interests. Further, all the Directors are fully aware of, and have been discharging, their fiduciary duty to the Company and have acted and will continue to act in the best interest of the Company and the Shareholders as a whole. Therefore, the Group is capable of carrying on its businesses independently of, and at arm's length from, the said competing businesses.

## MANAGEMENT CONTRACTS

No contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company or any of its holding companies or subsidiaries were entered into with third parties or subsisted during the year.

# Directors' Report

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2015, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

### 1. Long positions in shares of the Company

| Name of Directors     | Number of ordinary shares held                |                                                       |                                        | Number of underlying shares held under equity derivatives | Total interests | Approximate % of interest in the issued share capital |
|-----------------------|-----------------------------------------------|-------------------------------------------------------|----------------------------------------|-----------------------------------------------------------|-----------------|-------------------------------------------------------|
|                       | Personal interests (held as beneficial owner) | Corporate interests (held by controlled corporations) | Family interests (interests of spouse) | Personal interests (held as beneficial owner)             |                 |                                                       |
| Lu Wing Chi           | 11,147,285                                    | 439,669,089 <sup>(i)</sup>                            | —                                      | 4,460,000                                                 | 455,276,374     | 66.87                                                 |
| Lu Wing Yuk, Andrew   | 1,512,000                                     | 20,150 <sup>(ii)</sup>                                | —                                      | 892,000                                                   | 2,424,150       | 0.36                                                  |
| Lincoln Lu            | 18,480,002                                    | —                                                     | —                                      | —                                                         | 18,480,002      | 2.71                                                  |
| Lambert Lu            | 18,008,002                                    | —                                                     | —                                      | —                                                         | 18,008,002      | 2.65                                                  |
| Lam Sing Tai          | 3,821,739                                     | —                                                     | 5,739                                  | —                                                         | 3,827,478       | 0.56                                                  |
| Walujo Santoso, Wally | 756,000                                       | —                                                     | —                                      | 444,000                                                   | 1,200,000       | 0.18                                                  |
| Leung Hok Lim         | 1,412,928                                     | —                                                     | —                                      | 444,000                                                   | 1,856,928       | 0.27                                                  |
| Chung Pui Lam         | 1,412,928                                     | —                                                     | —                                      | 444,000                                                   | 1,856,928       | 0.27                                                  |

Notes:

- (i) Among these shares, 17,084,115 shares were held by Admiralty, 18,375,420 shares were held by Wetherby, 2,060,800 shares were held by NYH and 402,148,754 shares were held by NLI. NLI beneficially owns 100% interests in each of Admiralty and Wetherby and is 63.58% owned by JCS and 30% owned by Mr. Lu Wing Chi. NYH is 100% owned by Mr. Lu Wing Chi. By virtue of Mr. Lu Wing Chi's interests in JCS (as disclosed in paragraph 2 below) and NYH, he is deemed to be interested in these shares.
- (ii) These shares were held by Kian Nan Trading Company, Limited ("Kian Nan") which is 56% owned by Mr. Lu Wing Yuk, Andrew. By virtue of Mr. Lu Wing Yuk, Andrew's interests in Kian Nan, he is deemed to be interested in these shares.
- (iii) The interests in underlying shares held under equity derivatives represented interests in share options granted to the Directors under the 2005 Share Option Scheme, particulars of which are contained under the section of "Share Option Schemes" below.
- (iv) The total number of issued shares of the Company as at 31 December 2015 was 680,807,726 shares.

# Directors' Report

## 2. Long positions in shares of associated corporations

| Name of associated corporations | Name of Directors | Number of ordinary shares held                |                                                       | Total interests | Approximate % of interest in the issued share capital |
|---------------------------------|-------------------|-----------------------------------------------|-------------------------------------------------------|-----------------|-------------------------------------------------------|
|                                 |                   | Personal interests (held as beneficial owner) | Corporate interests (held by controlled corporations) |                 |                                                       |
| Admiralty                       | Lu Wing Chi       | —                                             | 6 <sup>(i)</sup>                                      | 6               | 100.00                                                |
| JCS                             | Lu Wing Chi       | 22,540                                        | —                                                     | 22,540          | 49.00                                                 |
|                                 | Lincoln Lu        | 11,730                                        | —                                                     | 11,730          | 25.50                                                 |
|                                 | Lambert Lu        | 11,730                                        | —                                                     | 11,730          | 25.50                                                 |
| NLI                             | Lu Wing Chi       | 46,938                                        | 99,480 <sup>(ii)</sup>                                | 146,418         | 93.58                                                 |
|                                 | Lincoln Lu        | 5,021                                         | —                                                     | 5,021           | 3.21                                                  |
|                                 | Lambert Lu        | 5,021                                         | —                                                     | 5,021           | 3.21                                                  |
| Wetherby                        | Lu Wing Chi       | —                                             | 1 <sup>(i)</sup>                                      | 1               | 100.00                                                |

Notes:

- (i) These shares are beneficially held by NLI and by virtue of Mr. Lu Wing Chi's interests in JCS and NLI (as disclosed above), he is deemed to be interested in these shares.
- (ii) These shares are beneficially held by JCS and by virtue of Mr. Lu Wing Chi's interests in JCS (as disclosed above), he is deemed to be interested in these shares.

Saved as disclosed herein, as at 31 December 2015, none of the Directors had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

# Directors' Report

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2015, so far as is known to the Directors, the following substantial Shareholders and other persons (other than Directors) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

### Long positions in shares of the Company

| Name of Shareholders | Number of ordinary shares |                                 | Total interests | Approximate % of interest in the issued share capital |
|----------------------|---------------------------|---------------------------------|-----------------|-------------------------------------------------------|
|                      | Held as beneficial owner  | Held by controlled corporations |                 |                                                       |
| JCS                  | —                         | 437,608,289 <sup>(i)</sup>      | 437,608,289     | 64.28                                                 |
| NLI                  | 402,148,754               | 35,459,535 <sup>(ii)</sup>      | 437,608,289     | 64.28                                                 |

Notes:

- (i) JCS holds about 63.58% of the issued shares in NLI. The above 437,608,289 shares held by NLI are also deemed to be JCS's interest and such shares are, therefore, duplicated between these two shareholders for the purpose of the SFO.
- (ii) NLI holds 100% of the issued shares in Admiralty and Wetherby and is the immediate holding company of these two companies, which in turn hold a total of 35,459,535 shares of the Company.
- (iii) Messrs. Lu Wing Chi, Lincoln Lu and Lambert Lu, all being Directors, are also directors of JCS and NLI.

Saved as disclosed herein, as at 31 December 2015, none of the substantial Shareholders and other persons (other than Directors) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

# Directors' Report

## SHARE OPTION SCHEMES

### The Company

The 2005 Share Option Scheme expired on 24 August 2015. Upon expiry of the 2005 Share Option Scheme, no further options should be granted thereunder but the options granted and yet to be exercised under the 2005 Share Option Scheme shall remain in force and effect. A summary of the principal terms applicable to the outstanding share options under the 2005 Share Option Scheme has been disclosed in the Company's 2014 Annual Report.

The Company adopted the 2015 Share Option Scheme on 29 May 2015. A summary of the principal terms of the 2015 Share Option Scheme is set out below:

1. Purpose: To provide a flexible means to recognise and acknowledge the performance and/or contribution of the eligible participants (as defined under the 2015 Share Option Scheme).
2. Participants: Eligible participants include any (i) director or employee of the Company or any of its affiliate; (ii) representative, manager, agent, contractor, advisor, consultant, distributor or supplier engaged by the Company or any of its affiliate; (iii) customer, promoter, business ally or joint-venture partner of the Company or any of its affiliate; or (iv) trustee of any trust established for the benefit of employees of the Company or any of its affiliate.
3. Total number of shares available for issue under the 2015 Share Option Scheme and percentage of the issued share capital that it represents as at the date of this annual report: The maximum number of shares which could be issued upon exercise of all options granted or to be granted under the 2015 Share Option Scheme was 69,186,772 shares (the "Scheme Mandate Limit"), representing approximately 10% of the shares of the Company in issue as at 29 May 2015, the date on which an ordinary resolution was passed by the shareholders of the Company to approve the 2015 Share Option Scheme.

As at 24 March 2016, a total of 48,886,772 shares (excluding the underlying shares comprised in share options that have been granted but not yet lapsed, cancelled or exercised) were available for issue under the 2015 Share Option Scheme, which represented approximately 7.20% of the issued share capital of the Company on that date.

## Directors' Report

4. Maximum entitlement of each participant: Unless approved by shareholders of the Company, the total number of shares issued and to be issued upon exercise of the share options already granted or to be granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company then in issue.
- In addition, for any grant of share options to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates would result in the shares issued and to be issued upon exercise of all options already granted or to be granted (including options exercised, cancelled and outstanding) to such person in any 12-month period exceed 0.1% of the shares of the Company then in issue and with an aggregate value in excess of HK\$5 million, then the proposed grant is also subject to the approval of shareholders of the Company in general meeting.
5. Period within which the shares must be taken up under an option: The period during which an option may be exercised is determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.
6. Minimum period for which an option must be held before it can vest: As determined by the Board.
7. Amount payable on acceptance of an option and the period within which payments shall be made: HK\$10 is payable to the Company upon acceptance of the option which must be taken up within 28 days from the date of offer.
8. Basis of determining the exercise price: The exercise price is determined by the Board which must be at least the highest of (i) the closing price of the share of the Company on the Stock Exchange on the date of grant of the option; (ii) the average of the closing price of the share of the Company on the Stock Exchange for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the share of the Company.
9. Remaining life of the 2015 Share Option Scheme: Valid and effective for a term of ten years from the date of adoption until 28 May 2025.

# Directors' Report

The following table shows the movements in share options under the 2005 Share Option Scheme during the year ended 31 December 2015 and the options outstanding at the beginning and end of the year:

| Name                                         | Date of grant | Exercise price per share (HK\$) | Exercise period          | Number of underlying shares comprised in share options |                            |                        |                  |
|----------------------------------------------|---------------|---------------------------------|--------------------------|--------------------------------------------------------|----------------------------|------------------------|------------------|
|                                              |               |                                 |                          | As at 01.01.2015                                       | Exercised during the year  | Lapsed during the year | As at 31.12.2015 |
| <b>Directors</b>                             |               |                                 |                          |                                                        |                            |                        |                  |
| Lu Wing Chi                                  | 12.07.2012    | 3.454                           | (i)                      | 4,460,000                                              | —                          | —                      | 4,460,000        |
| Lu Wing Yuk, Andrew                          | 12.07.2012    | 3.454                           | (i)                      | 892,000                                                | —                          | —                      | 892,000          |
| Lincoln Lu                                   | 12.07.2012    | 3.454                           | (i)                      | 4,460,000                                              | (4,460,000) <sup>(1)</sup> | —                      | —                |
| Lambert Lu                                   | 12.07.2012    | 3.454                           | (i)                      | 2,230,000                                              | (2,230,000) <sup>(2)</sup> | —                      | —                |
| Lam Sing Tai                                 | 12.07.2012    | 3.454                           | (i)                      | 3,122,000                                              | (3,122,000) <sup>(3)</sup> | —                      | —                |
| Walujo Santoso, Wally                        | 12.07.2012    | 3.454                           | (i)                      | 444,000                                                | —                          | —                      | 444,000          |
| Leung Hok Lim                                | 12.07.2012    | 3.454                           | (i)                      | 666,000                                                | (222,000) <sup>(4)</sup>   | —                      | 444,000          |
| Chung Pui Lam                                | 12.07.2012    | 3.454                           | (i)                      | 444,000                                                | —                          | —                      | 444,000          |
| Sub-Total                                    |               |                                 |                          | 16,718,000                                             | (10,034,000)               | —                      | 6,684,000        |
| <b>Other eligible employees in aggregate</b> | 12.07.2012    | 3.454                           | 01.01.2014 to 31.12.2015 | 520,000                                                | (520,000)                  | —                      | —                |
|                                              |               |                                 | 01.07.2014 to 30.06.2016 | 1,050,000                                              | (1,050,000)                | —                      | —                |
|                                              |               |                                 | 01.01.2015 to 31.12.2016 | 1,600,000                                              | (1,600,000)                | —                      | —                |
|                                              |               |                                 | 01.07.2015 to 30.06.2017 | 6,180,000                                              | (4,520,000)                | (260,000)              | 1,400,000        |
| Sub-Total                                    |               |                                 |                          | 9,350,000                                              | (7,690,000)                | (260,000)              | 1,400,000        |
| <b>Total</b>                                 |               |                                 |                          | 26,068,000                                             | (17,724,000)               | (260,000)              | 8,084,000        |

## Notes:

- (i) One-third of the share options are exercisable during the period from 1 July 2013 to 30 June 2015, a further one-third of the share options are exercisable during the period from 1 July 2014 to 30 June 2016 and the remaining one-third of the share options are exercisable during the period from 1 July 2015 to 30 June 2017.
- (ii) The vesting period of the share options granted is from the date of grant until the commencement of the exercisable period.
- (iii) (a) The closing prices/average closing prices of the shares of the Company immediately before the dates on which the share options were exercised by the Directors were:
- (1) HK\$9.15 per share;
  - (2) HK\$9.15 per share;
  - (3) HK\$11.17 per share; and
  - (4) HK\$6.49 per share.
- (b) The weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised by the other eligible employees was HK\$6.49 per share.
- (c) The weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised by all participants stated in (a) and (b) above was HK\$8.32 per share.
- (iv) No share options had been granted or cancelled under the 2005 Share Option Scheme for the year ended 31 December 2015.



# Directors' Report

The following table shows the movements in share options under the 2015 Share Option Scheme during the year ended 31 December 2015 and the options outstanding at the end of the year:

| Name                            | Date of grant | Exercise price per share (HK\$) | Exercise period          | Number of underlying shares comprised in share options |                         |                           |                        |                  |
|---------------------------------|---------------|---------------------------------|--------------------------|--------------------------------------------------------|-------------------------|---------------------------|------------------------|------------------|
|                                 |               |                                 |                          | As at 01.01.2015                                       | Granted during the year | Exercised during the year | Lapsed during the year | As at 31.12.2015 |
| Eligible employees in aggregate | 02.07.2015    | 6.302                           | 03.07.2015 to 02.07.2017 | —                                                      | 150,000                 | —                         | —                      | 150,000          |
|                                 |               |                                 | 01.01.2016 to 31.12.2017 | —                                                      | 750,000                 | —                         | —                      | 750,000          |
|                                 |               |                                 | 01.07.2016 to 30.06.2018 | —                                                      | 2,600,000               | —                         | —                      | 2,600,000        |
|                                 |               |                                 | 01.01.2017 to 31.12.2018 | —                                                      | 3,500,000               | —                         | (500,000)              | 3,000,000        |
|                                 |               |                                 | 01.07.2017 to 30.06.2019 | —                                                      | 3,400,000               | —                         | (150,000)              | 3,250,000        |
|                                 |               |                                 | 01.01.2018 to 31.12.2019 | —                                                      | 3,150,000               | —                         | —                      | 3,150,000        |
|                                 |               |                                 | 01.07.2018 to 30.06.2020 | —                                                      | 8,100,000               | —                         | (700,000)              | 7,400,000        |
| <b>Total</b>                    |               |                                 |                          | —                                                      | 21,650,000              | —                         | (1,350,000)            | 20,300,000       |

Notes:

- (i) The vesting period of the share options granted is from the date of grant until the commencement of the exercisable period.
- (ii) No share options had been granted to the Directors under the 2015 Share Option Scheme for the year ended 31 December 2015.
- (iii) No share options had been cancelled under the 2015 Share Option Scheme for the year ended 31 December 2015.

# Directors' Report

## AGP

AGP, a 97.17%-owned subsidiary of the Company, also adopted the AGP Share Option Scheme in 2010. A summary of the principal terms of the AGP Share Option Scheme is set out as follows:

1. Purpose:

To provide a flexible means to recognise and acknowledge the performance and/or contribution of the eligible participants (as defined under the AGP Share Option Scheme).
2. Participants:

Eligible participants include any (i) director or employee of AGP or any of its affiliate; (ii) representative, manager, agent, contractor, advisor, consultant, distributor or supplier engaged by AGP or any of its affiliate; (iii) customer, promoter, business ally or joint-venture partner of AGP or any of its affiliate; or (iv) trustee of any trust established for the benefit of employees of AGP or any of its affiliate.
3. Total number of shares of AGP available for issue under the AGP Share Option Scheme and percentage of the issued share capital of AGP that it represents as at the date of this annual report:

The maximum number of the shares of AGP which could be issued upon exercise of all options granted or to be granted under the AGP Share Option Scheme was 88,634,781 shares, representing approximately 10% of the shares of AGP in issue as at the date of this annual report.
4. Maximum entitlement of each participant:

Unless approved by shareholders of the Company, the total number of shares of AGP issued and to be issued upon exercise of the share options already granted or to be granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of AGP then in issue.

In addition, for any grant of share options to a substantial shareholder and/or an independent non-executive director of the Company or AGP or any of their respective associates, and where the total number of shares of AGP issued and to be issued upon exercise of all options granted or to be granted to such person in any 12-month period exceed 0.1% of the shares of AGP then in issue and with an aggregate value in excess of HK\$5 million (or its equivalent amount in British Pound), then the proposed grant is subject to the approval of shareholders of the Company in general meeting.
5. Period within which the shares of AGP must be taken up under an option:

The period during which an option may be exercised is determined by the AGP Board (or any committee delegated by the AGP Board) at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

# Directors' Report

- |                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|--------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6. Minimum period for which an option must be held before it can vest:                           | As determined by the AGP Board.                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 7. Amount payable on acceptance of an option and the period within which payments shall be made: | HK\$10 (or its equivalent amount in British Pound or United States dollar) is payable to AGP upon acceptance of the option which must be taken up within 28 days from the date of offer.                                                                                                                                                                                                                                                                                     |
| 8. Basis of determining the exercise price:                                                      | The exercise price is determined by the AGP Board (or any committee delegated by the AGP Board) which must be at least the highest of (i) the closing price of the share of AGP on the AIM Market of London Stock Exchange plc on the date of grant of the option; (ii) the average of the closing price of the share of AGP on the AIM Market on the five business days immediately preceding the date of grant of the option; and (iii) the par value of the share of AGP. |
| 9. Remaining life of the AGP Share Option Scheme:                                                | Valid and effective for a term of ten years from the date of adoption until 15 August 2020.                                                                                                                                                                                                                                                                                                                                                                                  |

No option was granted by AGP since the commencement of the AGP Share Option Scheme on 16 August 2010.

## SHARE AWARD SCHEMES

### The Company

The SEA Share Award Scheme was approved by the Shareholders at the SGM held on 27 May 2010. The SEA Share Award Scheme commenced on 15 June 2010 and will continue in force until the day immediately before the fifteenth anniversary of such date.

The purpose of the SEA Share Award Scheme is to provide a flexible means to recognise and acknowledge the performance and/or contribution of the eligible participants. Under the SEA Share Award Scheme, the Board (or any committee delegated by the Board) may at its absolute discretion grant awards, which may comprise (a) new shares of the Company; (b) existing shares of the Company in issue and are listed on the Stock Exchange; (c) cash in lieu of the shares of the Company; or (d) a combination of (a), (b) and (c), to any eligible participants as it thinks fit and appropriate and subject to the terms and conditions of the SEA Share Award Scheme. No award may be granted under the SEA Share Award Scheme if the aggregate number of shares which may be issued and/or transferred upon vesting of all outstanding awards granted under the SEA Share Award Scheme and any other share award scheme of the Company and which may be issued upon exercise of all outstanding options granted and yet to be exercised under any share option scheme of the Company exceed 30% of the shares of the Company in issue from time to time.

# Directors' Report

During the year ended 31 December 2015, a total of 9,000,000 shares of the Company were awarded to the Directors without vesting period. The awarded shares were acquired by the trustee of the SEA Share Award Scheme in the open market after the date of grant and the awarded shares were transferred to the awardees in December 2015 at nil consideration.

Details of the shares of the Company awarded during the year ended 31 December 2015 are as follows:

| Name                  | Date of grant | Number of awarded shares |                        |                  |
|-----------------------|---------------|--------------------------|------------------------|------------------|
|                       |               | Granted during the year  | Vested During the year | As at 31.12.2015 |
| <b>Directors</b>      |               |                          |                        |                  |
| Lu Wing Chi           | 02.07.2015    | 2,000,000                | (2,000,000)            | —                |
| Lu Wing Yuk, Andrew   | 02.07.2015    | 400,000                  | (400,000)              | —                |
| Lincoln Lu            | 02.07.2015    | 2,000,000                | (2,000,000)            | —                |
| Lambert Lu            | 02.07.2015    | 2,000,000                | (2,000,000)            | —                |
| Lam Sing Tai          | 02.07.2015    | 2,000,000                | (2,000,000)            | —                |
| Walujo Santoso, Wally | 02.07.2015    | 200,000                  | (200,000)              | —                |
| Leung Hok Lim         | 02.07.2015    | 200,000                  | (200,000)              | —                |
| Chung Pui Lam         | 02.07.2015    | 200,000                  | (200,000)              | —                |
| <b>Total</b>          |               | <b>9,000,000</b>         | <b>(9,000,000)</b>     | <b>—</b>         |

## AGP

The AGP Share Award Scheme was approved by the Shareholders on 27 May 2010 and by the AGP Board on 28 May 2010. The AGP Share Award Scheme commenced on 16 August 2010 and will continue in force until the day immediately before the fifteenth anniversary of such date.

The purpose of the AGP Share Award Scheme is to provide a flexible means to recognise and acknowledge the performance and/or contribution of the eligible participants. Under the AGP Share Award Scheme, the AGP Board (or any committee delegated by the AGP Board) may at its absolute discretion grant awards, which may comprise (a) new shares of AGP; (b) existing shares of AGP in issue and are listed on the AIM Market; (c) cash in lieu of the shares of AGP; or (d) a combination of (a), (b) and (c), to any eligible participants as it thinks fit and appropriate and subject to the terms and conditions of the AGP Share Award Scheme. No award may be granted under the AGP Share Award Scheme if the aggregate number of shares which may be issued and/or transferred upon vesting of all outstanding awards granted under the AGP Share Award Scheme and any other share award scheme of AGP and which may be issued upon exercise of all outstanding options granted and yet to be exercised under any share option scheme of AGP exceed 30% of the shares of AGP in issue from time to time.

No award was granted by AGP since the commencement of the AGP Share Award Scheme on 16 August 2010.

# Directors' Report

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

During the year ended 31 December 2015, the Company repurchased a total of 29,590,000 Shares on the Stock Exchange at an aggregate cash consideration of HK\$228,529,700 (excluding expenses). All the purchased shares were then cancelled and the number of issued shares of the Company was reduced accordingly. Particulars of the repurchases are as follows:

| Period of repurchase | Total number of shares repurchased | Price paid per share |             | Aggregate consideration HK\$ |
|----------------------|------------------------------------|----------------------|-------------|------------------------------|
|                      |                                    | Highest HK\$         | Lowest HK\$ |                              |
| April 2015           | 360,000                            | 5.90                 | 5.58        | 2,103,540                    |
| July 2015            | 9,704,000                          | 7.19                 | 5.79        | 67,629,380                   |
| August 2015          | 106,000                            | 6.93                 | 6.72        | 726,700                      |
| September 2015       | 12,690,000                         | 8.65                 | 6.85        | 90,006,720                   |
| October 2015         | 3,574,000                          | 8.91                 | 7.95        | 30,145,720                   |
| December 2015        | 3,156,000                          | 12.80                | 10.78       | 37,917,640                   |
|                      | 29,590,000                         |                      |             | 228,529,700                  |

The Directors considered that the aforesaid shares were repurchased at a substantial discount to the net asset value per share and such purchases resulted in an increase in the net asset value and earnings of every remaining share of the Company.

Apart from the above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2015.

## MAJOR SUPPLIERS AND MAJOR CUSTOMERS

During the year, the aggregate amount of purchases and sales attributable to the five largest suppliers and customers of the Group accounted for less than 20% of the Group's total purchases and sales respectively.

## CORPORATE GOVERNANCE

The Company is committed to maintain high corporate governance standards so as to ensure better transparency and protection of shareholders' interests. Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" on pages 20 to 33.

# Directors' Report

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the issued shares in the Company was held by the public (i.e. the prescribed public float applicable to the Company under the Listing Rules) during the year and up to the date of this annual report.

## CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to about HK\$396,000 (2014: HK\$453,000).

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out in the section headed "Financial Highlights" on page 2.

## REVIEW BY AUDIT COMMITTEE

The Audit Committee comprises three members, namely Messrs. Leung Hok Lim, Walujo Santoso, Wally and Chung Pui Lam, all being INED. The Audit Committee has reviewed with the management the audited consolidated financial statements of the Company for the year ended 31 December 2015.

## INDEPENDENT AUDITOR

The consolidated financial statements of the Company for the year under review have been audited by DTT, who will retire and, being eligible, offer themselves for re-appointment. Approved by the Board upon the Audit Committee's recommendation, a resolution to re-appoint DTT as independent auditor of the Company for the ensuing year will be put to the 2016 AGM for the Shareholders' approval.

On behalf of the Board

**Lu Wing Chi**

*Chairman and Managing Director*

Hong Kong, 24 March 2016

# Independent Auditor's Report



**TO THE SHAREHOLDERS OF S E A HOLDINGS LIMITED**  
*(incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of S E A Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 55 to 126, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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

## **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, 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 judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the consolidated financial statements.

# Independent Auditor's Report

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 its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

24 March 2016



# Consolidated Statement of Profit or Loss

For the year ended 31 December 2015

|                                                                                                         | NOTES | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|---------------------------------------------------------------------------------------------------------|-------|------------------|------------------|
| Revenue                                                                                                 | 7     | 732,696          | 668,521          |
| Interest income                                                                                         |       | 24,127           | 26,410           |
| Other income                                                                                            | 8     | 42,855           | 22,988           |
| Costs:                                                                                                  |       |                  |                  |
| Property and related costs                                                                              | 9     | (133,891)        | (73,501)         |
| Staff costs                                                                                             |       | (267,033)        | (188,240)        |
| Depreciation and amortisation                                                                           |       | (65,327)         | (61,844)         |
| Other expenses                                                                                          | 10    | (171,573)        | (153,542)        |
|                                                                                                         |       | (637,824)        | (477,127)        |
| Profit from operations before fair value changes<br>on investment properties                            |       | 161,854          | 240,792          |
| Fair value changes on investment properties                                                             |       | 953,077          | 616,314          |
| Profit from operations after fair value changes<br>on investment properties                             |       | 1,114,931        | 857,106          |
| Gain on disposal of subsidiaries                                                                        | 42    | 464,162          | —                |
| Finance costs                                                                                           | 11    | (117,133)        | (107,173)        |
| Profit before taxation                                                                                  | 12    | 1,461,960        | 749,933          |
| Income tax credit (expense)                                                                             | 13    | 1,252            | (46,346)         |
| Profit for the year                                                                                     |       | 1,463,212        | 703,587          |
| Attributable to:                                                                                        |       |                  |                  |
| Company's shareholders                                                                                  |       | 1,435,932        | 684,462          |
| Non-controlling interests                                                                               |       | 27,280           | 19,125           |
|                                                                                                         |       | 1,463,212        | 703,587          |
|                                                                                                         |       | HK cents         | HK cents         |
| Earnings per share for profit attributable to<br>the Company's shareholders                             | 17    |                  |                  |
| Basic                                                                                                   |       | 209.3            | 100.1            |
| Diluted                                                                                                 |       | 205.3            | 99.0             |
| <i>Earnings per share excluding fair value changes on<br/>investment properties net of deferred tax</i> | 17    |                  |                  |
| <i>Basic</i>                                                                                            |       | 69.9             | 15.0             |
| <i>Diluted</i>                                                                                          |       | 68.5             | 14.9             |

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

|                                                                                                         | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|---------------------------------------------------------------------------------------------------------|------------------|------------------|
| Profit for the year                                                                                     | 1,463,212        | 703,587          |
| Other comprehensive (expense) income:                                                                   |                  |                  |
| <i>Items that will not be reclassified to profit or loss:</i>                                           |                  |                  |
| Revaluation increase upon reclassification of property,<br>plant and equipment to investment properties | —                | 1,594            |
| <i>Items that may be subsequently reclassified to profit or loss:</i>                                   |                  |                  |
| Exchange differences arising on translation of foreign operations                                       | (257,956)        | (23,334)         |
| Fair value loss on other financial assets                                                               | (60,004)         | —                |
|                                                                                                         | (317,960)        | (23,334)         |
|                                                                                                         | (317,960)        | (21,740)         |
| Total comprehensive income for the year                                                                 | 1,145,252        | 681,847          |
| Total comprehensive income attributable to:                                                             |                  |                  |
| Company's shareholders                                                                                  | 1,128,046        | 663,287          |
| Non-controlling interests                                                                               | 17,206           | 18,560           |
|                                                                                                         | 1,145,252        | 681,847          |

# Consolidated Statement of Financial Position

At 31 December 2015

|                                               | NOTES | 2015<br>HK\$'000  | 2014<br>HK\$'000 |
|-----------------------------------------------|-------|-------------------|------------------|
| <b>Non-current assets</b>                     |       |                   |                  |
| Investment properties                         | 18    | 11,422,459        | 10,546,169       |
| Property, plant and equipment                 | 19    | 946,483           | 984,475          |
| Properties for development                    | 20    | 1,200,180         | 1,248,432        |
| Club memberships                              | 21    | 8,920             | 8,574            |
| Other financial assets                        | 22    | 147,307           | 7,764            |
| Loan receivables                              | 23    | 3,789             | 4,118            |
| Note receivables                              | 24    | 54,256            | 54,289           |
| Other receivables                             | 25    | 361,114           | 391,173          |
| Restricted bank deposits                      | 26    | 5,613             | 6,338            |
|                                               |       | <b>14,150,121</b> | 13,251,332       |
| <b>Current assets</b>                         |       |                   |                  |
| Properties held for sale                      |       |                   |                  |
| Completed properties                          |       | 627,384           | 218,395          |
| Properties under development                  | 27    | 231,667           | 1,297,343        |
| Inventories                                   |       | 1,251             | 1,333            |
| Loan receivables                              | 23    | 371               | 362              |
| Trade receivables, deposits and prepayments   | 28    | 128,147           | 166,563          |
| Tax recoverable                               |       | 17,795            | 4,549            |
| Amounts due from non-controlling interests    | 29    | —                 | 70               |
| Bank balances and cash                        | 30    | 3,923,012         | 3,007,591        |
|                                               |       | <b>4,929,627</b>  | 4,696,206        |
| <b>Current liabilities</b>                    |       |                   |                  |
| Payables, rental deposits and accrued charges | 31    | 433,552           | 340,826          |
| Sales deposits                                |       | 13,064            | 64,389           |
| Tax liabilities                               |       | 84,469            | 103,690          |
| Amounts due to non-controlling interests      | 29    | 93,696            | 99,505           |
| Bank borrowings — due within one year         | 32    | 1,536,781         | 546,568          |
|                                               |       | <b>2,161,562</b>  | 1,154,978        |
| <b>Net current assets</b>                     |       | <b>2,768,065</b>  | 3,541,228        |
| <b>Total assets less current liabilities</b>  |       | <b>16,918,186</b> | 16,792,560       |

# Consolidated Statement of Financial Position

At 31 December 2015

|                                                   | NOTES | 2015<br>HK\$'000  | 2014<br>HK\$'000 |
|---------------------------------------------------|-------|-------------------|------------------|
| <b>Capital and reserves</b>                       |       |                   |                  |
| Share capital                                     | 33    | 67,765            | 68,962           |
| Reserves                                          |       | 13,006,638        | 12,128,083       |
| Equity attributable to the Company's shareholders |       | 13,074,403        | 12,197,045       |
| Non-controlling interests                         |       | 444,030           | 427,632          |
| <b>Total equity</b>                               |       | <b>13,518,433</b> | 12,624,677       |
| <b>Non-current liabilities</b>                    |       |                   |                  |
| Bank borrowings — due after one year              | 32    | 2,953,381         | 3,665,523        |
| Deferred taxation                                 | 34    | 446,372           | 502,360          |
|                                                   |       | 3,399,753         | 4,167,883        |
| <b>Total equity and non-current liabilities</b>   |       | <b>16,918,186</b> | 16,792,560       |

The consolidated financial statements on pages 55 to 126 were approved and authorised for issue by the Board on 24 March 2016 and are signed on its behalf by:

**Lu Wing Chi**  
*Chairman And Managing Director*

**Lambert Lu**  
*Executive Director*

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

|                                                                                                      | Attributable to the Company's shareholders |                              |                                    |                                    |                                              |                                                                                     |                                       |                                        |                                                |                                                  |                               |                                 |                   |                                              | Total<br>HK\$'000 |
|------------------------------------------------------------------------------------------------------|--------------------------------------------|------------------------------|------------------------------------|------------------------------------|----------------------------------------------|-------------------------------------------------------------------------------------|---------------------------------------|----------------------------------------|------------------------------------------------|--------------------------------------------------|-------------------------------|---------------------------------|-------------------|----------------------------------------------|-------------------|
|                                                                                                      | Share<br>capital<br>HK\$'000               | Share<br>premium<br>HK\$'000 | Contributed<br>surplus<br>HK\$'000 | Translation<br>reserve<br>HK\$'000 | Capital<br>redemption<br>reserve<br>HK\$'000 | Shares on<br>trust<br>for<br>awardees<br>under share<br>award<br>scheme<br>HK\$'000 | Share<br>award<br>reserve<br>HK\$'000 | Share<br>option<br>reserve<br>HK\$'000 | Property<br>revaluation<br>reserve<br>HK\$'000 | Investment<br>revaluation<br>reserve<br>HK\$'000 | Other<br>reserves<br>HK\$'000 | Retained<br>profits<br>HK\$'000 | Total<br>HK\$'000 | Non-<br>controlling<br>interests<br>HK\$'000 |                   |
| At 1 January 2014                                                                                    | 67,237                                     | 358,190                      | 277,707                            | 611,175                            | 4,451                                        | —                                                                                   | —                                     | 20,455                                 | 5,229                                          | —                                                | 25,220                        | 10,181,489                      | 11,551,153        | 410,287                                      | 11,961,440        |
| Profit for the year                                                                                  | —                                          | —                            | —                                  | —                                  | —                                            | —                                                                                   | —                                     | —                                      | —                                              | —                                                | —                             | 684,462                         | 684,462           | 19,125                                       | 703,587           |
| Exchange differences arising on translation of foreign operations                                    | —                                          | —                            | —                                  | (22,769)                           | —                                            | —                                                                                   | —                                     | —                                      | —                                              | —                                                | —                             | —                               | (22,769)          | (565)                                        | (23,334)          |
| Revaluation increase upon reclassification of property, plant and equipment to investment properties | —                                          | —                            | —                                  | —                                  | —                                            | —                                                                                   | —                                     | —                                      | 1,594                                          | —                                                | —                             | —                               | 1,594             | —                                            | 1,594             |
| Other comprehensive (expense) income for the year                                                    | —                                          | —                            | —                                  | (22,769)                           | —                                            | —                                                                                   | —                                     | —                                      | 1,594                                          | —                                                | —                             | —                               | (21,175)          | (565)                                        | (21,740)          |
| Total comprehensive income for the year                                                              | —                                          | —                            | —                                  | (22,769)                           | —                                            | —                                                                                   | —                                     | —                                      | 1,594                                          | —                                                | —                             | 684,462                         | 663,287           | 18,560                                       | 681,847           |
| Recognition of equity-settled share-based payments — share options                                   | —                                          | —                            | —                                  | —                                  | —                                            | —                                                                                   | —                                     | 5,631                                  | —                                              | —                                                | —                             | —                               | 5,631             | —                                            | 5,631             |
| Shares issued upon exercise of share options                                                         | 1,849                                      | 73,177                       | —                                  | —                                  | —                                            | —                                                                                   | —                                     | (11,169)                               | —                                              | —                                                | —                             | 63,857                          | —                 | —                                            | 63,857            |
| Additional interest in a subsidiary                                                                  | —                                          | —                            | —                                  | —                                  | —                                            | —                                                                                   | —                                     | —                                      | —                                              | —                                                | (5,453)                       | —                               | (5,453)           | —                                            | (5,453)           |
| Repurchase of ordinary shares                                                                        | (124)                                      | (5,866)                      | —                                  | —                                  | —                                            | —                                                                                   | —                                     | —                                      | —                                              | —                                                | —                             | (5,990)                         | —                 | —                                            | (5,990)           |
| Dividends paid                                                                                       | —                                          | —                            | —                                  | —                                  | —                                            | —                                                                                   | —                                     | —                                      | —                                              | —                                                | —                             | (75,440)                        | (75,440)          | —                                            | (75,440)          |
| Dividends paid to non-controlling interests                                                          | —                                          | —                            | —                                  | —                                  | —                                            | —                                                                                   | —                                     | —                                      | —                                              | —                                                | —                             | —                               | —                 | (1,215)                                      | (1,215)           |
| At 31 December 2014                                                                                  | 68,962                                     | 425,501                      | 277,707                            | 588,406                            | 4,451                                        | —                                                                                   | —                                     | 14,917                                 | 6,823                                          | —                                                | 19,767                        | 10,790,511                      | 12,197,045        | 427,632                                      | 12,624,677        |
| Profit for the year                                                                                  | —                                          | —                            | —                                  | —                                  | —                                            | —                                                                                   | —                                     | —                                      | —                                              | —                                                | —                             | 1,435,932                       | 1,435,932         | 27,280                                       | 1,463,212         |
| Exchange differences arising on translation of foreign operations                                    | —                                          | —                            | —                                  | (247,882)                          | —                                            | —                                                                                   | —                                     | —                                      | —                                              | —                                                | —                             | —                               | (247,882)         | (10,074)                                     | (257,956)         |
| Fair value change on other financial assets                                                          | —                                          | —                            | —                                  | —                                  | —                                            | —                                                                                   | —                                     | —                                      | —                                              | (60,004)                                         | —                             | —                               | (60,004)          | —                                            | (60,004)          |
| Other comprehensive expense for the year                                                             | —                                          | —                            | —                                  | (247,882)                          | —                                            | —                                                                                   | —                                     | —                                      | —                                              | (60,004)                                         | —                             | —                               | (307,886)         | (10,074)                                     | (317,960)         |
| Total comprehensive income for the year                                                              | —                                          | —                            | —                                  | (247,882)                          | —                                            | —                                                                                   | —                                     | —                                      | —                                              | (60,004)                                         | —                             | 1,435,932                       | 1,128,046         | 17,206                                       | 1,145,252         |
| Recognition of equity-settled share-based payments — share options                                   | —                                          | —                            | —                                  | —                                  | —                                            | —                                                                                   | —                                     | 7,066                                  | —                                              | —                                                | —                             | —                               | 7,066             | —                                            | 7,066             |
| — share awards                                                                                       | —                                          | —                            | —                                  | —                                  | —                                            | —                                                                                   | 55,800                                | —                                      | —                                              | —                                                | —                             | —                               | 55,800            | —                                            | 55,800            |
| Shares issued upon exercise of share options                                                         | 1,762                                      | 70,372                       | —                                  | —                                  | —                                            | —                                                                                   | —                                     | (11,261)                               | —                                              | —                                                | —                             | —                               | 60,873            | —                                            | 60,873            |
| Purchase of shares under share award scheme                                                          | —                                          | —                            | —                                  | —                                  | —                                            | (70,217)                                                                            | —                                     | —                                      | —                                              | —                                                | —                             | —                               | (70,217)          | —                                            | (70,217)          |
| Shares transferred to participants under share award scheme                                          | —                                          | —                            | —                                  | —                                  | —                                            | 70,217                                                                              | (55,800)                              | —                                      | —                                              | —                                                | —                             | (14,417)                        | —                 | —                                            | —                 |
| Repurchase of ordinary shares                                                                        | (2,959)                                    | (225,571)                    | —                                  | —                                  | —                                            | —                                                                                   | —                                     | —                                      | —                                              | —                                                | —                             | —                               | (228,530)         | —                                            | (228,530)         |
| Dividends paid                                                                                       | —                                          | —                            | —                                  | —                                  | —                                            | —                                                                                   | —                                     | —                                      | —                                              | —                                                | —                             | (75,680)                        | (75,680)          | —                                            | (75,680)          |
| Dividends paid to non-controlling interests                                                          | —                                          | —                            | —                                  | —                                  | —                                            | —                                                                                   | —                                     | —                                      | —                                              | —                                                | —                             | —                               | —                 | (808)                                        | (808)             |
| At 31 December 2015                                                                                  | 67,765                                     | 270,302                      | 277,707                            | 340,524                            | 4,451                                        | —                                                                                   | —                                     | 10,722                                 | 6,823                                          | (60,004)                                         | 19,767                        | 12,136,346                      | 13,074,403        | 444,030                                      | 13,518,433        |

Contributed surplus represents the excess of the nominal value of the shares of the acquired subsidiaries over the nominal value of the Company's shares issued for the acquisition pursuant to the group reorganisation in previous years.

Other reserves represent the excess of the consideration paid for acquisition of additional interest in subsidiaries from non-controlling interests over the carrying amount of non-controlling interests.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2015

|                                                                    | NOTES | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|--------------------------------------------------------------------|-------|------------------|------------------|
| <b>Operating activities</b>                                        |       |                  |                  |
| Profit before taxation                                             |       | 1,461,960        | 749,933          |
| Adjustments for:                                                   |       |                  |                  |
| Interest expenses                                                  |       | 106,466          | 97,931           |
| Depreciation and amortisation                                      |       | 65,327           | 61,844           |
| Fair value changes on investment properties                        |       | (953,077)        | (616,314)        |
| Fair value changes on other financial assets                       |       | —                | (1,142)          |
| Fair value adjustment on other receivables                         |       | 7,521            | (7,636)          |
| Gain on disposal of subsidiaries                                   |       | (464,162)        | —                |
| Interest income                                                    |       | (24,127)         | (26,410)         |
| Loss on disposal of property, plant and equipment                  |       | 31               | 3,170            |
| Share-based payment expenses                                       |       | 62,866           | 5,631            |
| Operating cash flows before movements in working capital           |       | 262,805          | 267,007          |
| Increase in properties held for sale                               |       | (309,347)        | (206,137)        |
| Decrease (increase) in inventories                                 |       | 82               | (214)            |
| Decrease (increase) in trade receivables, deposits and prepayments |       | 30,640           | (44,397)         |
| Decrease (increase) in guaranteed bank balances                    |       | 31,374           | (34,468)         |
| Increase in payables, rental deposits and accrued charges          |       | 98,642           | 10,354           |
| (Decrease) increase in sales deposits                              |       | (49,531)         | 64,266           |
| Cash generated from operations                                     |       | 64,665           | 56,411           |
| Interest paid                                                      |       | (98,847)         | (97,421)         |
| Tax paid                                                           |       | (54,995)         | (86,054)         |
| Tax refunded                                                       |       | 1,073            | 3,605            |
| Payment for shares under share award scheme                        |       | (70,217)         | —                |
| <b>Net cash used in operating activities</b>                       |       | <b>(158,321)</b> | <b>(123,459)</b> |
| <b>Investing activities</b>                                        |       |                  |                  |
| Acquisition of and additional cost on properties for development   |       | (51,285)         | (51,047)         |
| Interest received                                                  |       | 24,985           | 30,920           |
| Decrease in loan receivables                                       |       | 320              | 3,055            |
| Increase in bank deposits                                          |       | (364,048)        | (309,380)        |
| Restricted bank deposits refunded                                  |       | 370              | —                |
| Bank deposits refunded                                             |       | 309,380          | 455,340          |
| Purchase of property, plant and equipment                          |       | (2,778)          | (4,206)          |
| Purchase of investment properties                                  |       | (81,935)         | —                |
| Proceeds on disposals of property, plant and equipment             |       | 17               | 2,910            |
| Purchase of club membership                                        |       | (487)            | —                |
| Increase in other receivables                                      |       | —                | (2,825)          |
| Disposal of other financial assets                                 |       | 16,598           | —                |
| Additional interest in other financial assets                      |       | (216,145)        | (7,764)          |
| Net consideration received on disposal of subsidiaries             | 42    | 1,382,500        | —                |
| <b>Net cash from investing activities</b>                          |       | <b>1,017,492</b> | <b>117,003</b>   |

# Consolidated Statement of Cash Flows

For the year ended 31 December 2015

|                                                           | NOTES | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|-----------------------------------------------------------|-------|------------------|------------------|
| <b>Financing activities</b>                               |       |                  |                  |
| Draw down of bank loans                                   |       | 2,195,232        | 2,931,315        |
| Repayments of bank loans                                  |       | (1,864,501)      | (1,917,988)      |
| Payment of front-end fee                                  |       | (7,000)          | (14,102)         |
| Issue of new shares                                       |       | 60,873           | 63,857           |
| Repurchase of ordinary shares                             |       | (228,530)        | (5,990)          |
| Advances from non-controlling interests                   |       | —                | 2,835            |
| Repayments from non-controlling interests                 |       | 70               | 195              |
| Additional interest in a subsidiary                       |       | —                | (5,453)          |
| Dividends paid                                            |       | (75,680)         | (75,440)         |
| Dividends paid to non-controlling interests               |       | (808)            | (1,215)          |
| <b>Net cash from financing activities</b>                 |       | <b>79,656</b>    | <b>978,014</b>   |
| <b>Net increase in cash and cash equivalents</b>          |       | <b>938,827</b>   | <b>971,558</b>   |
| <b>Cash and cash equivalents at beginning of the year</b> |       | <b>2,663,743</b> | <b>1,694,761</b> |
| Effect of foreign exchange rate changes                   |       | (46,700)         | (2,576)          |
| <b>Cash and cash equivalents at end of the year</b>       |       | <b>3,555,870</b> | <b>2,663,743</b> |
| Represented by:                                           |       |                  |                  |
| Bank balance and cash                                     | 30    | 3,555,870        | 2,663,743        |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 1. GENERAL

The Company is a public limited company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange. Its immediate holding company is Nan Luen International Limited and its ultimate holding company is JCS Limited. Both holding companies are incorporated in Bermuda as exempted companies with limited liability. The addresses of the registered office and principal place of business of the Company are disclosed in the directory of the annual report.

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

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 45.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

|                       |                                               |
|-----------------------|-----------------------------------------------|
| Amendments to HKAS 19 | Defined Benefit Plans: Employee Contributions |
| Amendments to HKFRSs  | Annual Improvements to HKFRSs 2010–2012 Cycle |
| Amendments to HKFRSs  | Annual Improvements to HKFRSs 2011–2013 Cycle |

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

|                                              |                                                                                                    |
|----------------------------------------------|----------------------------------------------------------------------------------------------------|
| HKFRS 9                                      | Financial Instruments <sup>1</sup>                                                                 |
| HKFRS 14                                     | Regulatory Deferral Accounts <sup>2</sup>                                                          |
| HKFRS 15                                     | Revenue from Contracts with Customers <sup>1</sup>                                                 |
| Amendments to HKFRS 11                       | Accounting for Acquisitions of Interests in Joint Operations <sup>3</sup>                          |
| Amendments to HKAS 1                         | Disclosure Initiative <sup>3</sup>                                                                 |
| Amendments to HKAS 16 and HKAS 38            | Clarification of Acceptable Methods of Depreciation and Amortisation <sup>3</sup>                  |
| Amendments to HKFRSs                         | Annual Improvements to HKFRSs 2012-2014 Cycle <sup>3</sup>                                         |
| Amendments to HKAS 16 and HKAS 41            | Agriculture: Bearer Plants <sup>3</sup>                                                            |
| Amendments to HKAS 27                        | Equity Method in Separate Financial Statements <sup>3</sup>                                        |
| Amendments to HKFRS 10 and HKAS 28           | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup> |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception <sup>3</sup>                             |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined

Except as described below, the directors of the Company do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

### ***HKFRS 9 Financial Instruments***

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

### *HKFRS 9 Financial Instruments (continued)*

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

### *HKFRS 9 Financial Instruments (continued)*

The directors of the Company do not anticipate that the application of HKFRS 9 in future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities.

### *HKFRS 15 Revenue from Contracts with Customers*

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

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

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company do not anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, listed investments and derivative financial instruments, which are measured at revalued amount or fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance. Comparative information previously required to be disclosed under the predecessor Hong Kong Companies Ordinance or Listing Rules but not under the new Hong Kong Companies Ordinance or amended Listing Rules are not disclosed in these consolidated financial statements and all financial information is disclosed based on the new requirements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

### Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the revenue recognition criteria are included in the consolidation statement of financial position under the heading of sales deposits.

Hotel operation and other service income are recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's policy for recognition of revenue from operating leases is described in the accounting policy below.

### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

If an investment property becomes property, plant and equipment because its use has changed as evidenced by the commencement of owner-occupation, any difference between the carrying amount and the fair value of the property at the date of transfer is recognised in profit or loss. Subsequent to the transfer, the property is stated at deemed cost, equivalent to the fair value at the date of transfer, less subsequent accumulated depreciation and accumulated impairment losses.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Property, plant and equipment

Leasehold land and building held for use in the supply of services, or for administrative purpose and other property, plant and equipment other than crockery, utensils and linen are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than crockery, utensils and linen, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Initial expenditure incurred for crockery, utensils and linens is capitalised and no depreciation is provided thereon. The cost of subsequent replacement for these items is recognised in profit or loss when incurred.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### Properties under development

When buildings are in the course of development held for use in the supply of services or for administrative purposes, the amortisation of prepaid lease payments, where the leasehold land is classified as operating leases, provided during the construction period is included as part of the cost of the building under construction. Buildings under construction are carried at cost, less any identified impairment losses. Cost comprises development costs including attributable borrowing costs, prepaid lease payments and directly attributable costs capitalised during the development period. Depreciation of buildings commences when they are available for use (i.e. when they are in the condition necessary for them to be capable of operating in the manner intended by management).

When leasehold land is intended for sale in the ordinary course of business after completion of development, the leasehold land component is included within the carrying amount of the properties and is classified under current assets.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Properties for development

Properties for development represents consideration and other direct costs for acquisition of leasehold interest in land held for future development.

Properties for development are stated at cost and amortised to profit or loss on a straight-line basis over the term of the relevant lease until the commencement of development, upon which the remaining carrying value of the properties will be transferred to the appropriate categories according to the management's intention of use of the properties after completion of development.

### Inventories

#### Properties held for sale

Completed properties for sale in the ordinary course of business are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to estimated selling price less selling expenses.

Properties for or under development intended for sale after completion of development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to estimated selling price less anticipated costs to completion of the development and costs to be incurred in marketing and selling the completed properties.

Cost of properties comprises land cost, development costs and other direct costs attributable to the development and borrowing costs capitalised during the development period that have been incurred in bringing the properties to their present condition.

#### Other inventories

Other inventories comprising food and beverage are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

### Impairment of assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

The recoverable amount is the higher of 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 for which the estimates of future cash flows have not been adjusted.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Impairment of assets** *(continued)*

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

### **Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

### **Financial assets**

The Group's financial assets are classified as either loans and receivables or available-for-sales ("AFS"). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loan receivables, note receivables, other receivables, convertible loan, restricted bank deposits, trade receivables, amounts due from non-controlling interests, bank deposits and cash) are measured at amortised cost using the effective interest method, less any impairment.

#### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Financial instruments *(continued)*

#### Financial assets *(continued)*

##### *AFS financial assets*

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Equity securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment of financial assets below).

##### *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Financial instruments *(continued)*

#### Financial assets *(continued)*

##### *Impairment of financial assets (continued)*

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Financial assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. The impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loan receivables, other receivables and trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets carried at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Financial instruments** *(continued)*

#### **Financial assets** *(continued)*

##### *Impairment of financial assets (continued)*

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

#### **Financial liabilities and equity instruments**

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recorded at the proceeds received, net of direct issue costs.

##### *Financial liabilities*

Financial liabilities including payables, amounts due to non-controlling interests and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

##### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

#### **Derivative financial instruments**

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Financial instruments *(continued)*

#### Financial guarantee liabilities

Financial guarantee liabilities are recognised in respect of the financial guarantee provided by the Group for the property purchasers. Financial guarantee liabilities are recognised initially at fair value that are directly attributable to the issue of the financial guarantee liabilities. After initial recognition, such liabilities are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

Financial guarantee liabilities are derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired.

#### Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### Club memberships

The Club membership with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Leasing

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

### The Group as lessor

Rental income is recognised on a straight-line basis over the term of the relevant lease. In the event that lease incentives are provided to enter into operating leases, such incentives are recognised as an asset. The aggregate benefit of incentives is recognised as a reduction of rental income on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### The Group as lessee

Rentals payable under operating leases are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

### Share-based payment arrangements

#### Equity-settled share-based payment transactions

##### *Share options granted to employees*

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 38 to the Group's consolidation financial statements.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Share-based payment arrangements *(continued)*

#### Equity-settled share-based payment transactions *(continued)*

##### *Share options granted to employees (continued)*

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

### Retirement benefit costs

Payments to defined contribution retirement benefit plans, including state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme, are charged as an expense when employees have rendered service entitling them to the contributions.

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before taxation” as reported in the consolidated statement of profit or loss because of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Taxation** *(continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities for investment properties that are measured using the fair value model, the carrying amount of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

### **Critical judgements in applying accounting policies**

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

### Critical judgements in applying accounting policies *(continued)*

#### Deferred tax

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors of the Company have determined that the Group's investment properties situated in Hong Kong are held under a business model whose objective is to recover the value through sale rather than to consume substantially all of the economic benefits embodied in the investment properties over time, whereas those situated in the PRC and Australia are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the presumption that the carrying amounts of investment properties are recovered entirely through sale is not rebutted for properties situated in Hong Kong. As a result, the Group has not recognised any deferred taxes on changes in fair value of the Group's investment properties situated in Hong Kong as the Group is not subject to any income taxes on disposal of these investment properties. The presumption that the carrying amounts of the Group's investment properties situated in the PRC and Australia are recovered entirely through sale has been rebutted and the deferred tax on the changes in fair value of these investment properties is recognised according to the relevant tax rules.

### Key sources of estimation uncertainty

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

#### Income tax

No deferred tax asset has been recognised in respect of tax losses of HK\$112,864,000 (2014: HK\$138,159,000) as it is not probable that taxable profit will be available due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, additional recognition of deferred tax assets may arise, which would be recognised in the consolidated statement of profit or loss for the period in which it takes place.

#### Fair value of investment properties

Investment properties with a carrying amount of HK\$11,422,459,000 (2014: HK\$10,546,169,000) are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have used a method of valuation which involves certain assumptions of market conditions. In relying on the valuation report or making their own valuation, the directors of the Company have exercised their judgment and are satisfied that the method of valuation is reflective of the current market conditions.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

### Key sources of estimation uncertainty *(continued)*

#### Impairment of property, plant and equipment

The Group performs a review annually to determine whether its hotel property with an aggregate carrying amount of HK\$666,251,000 (2014: HK\$686,105,000) has any indication of impairment by considering the recoverable amount of the hotel building which has been determined based on value in use. The calculation of value in use requires an estimation of future profit generated from the hotel's operating cash flows discounted to arrive at the present value of the asset. Where the actual future cash flows are less than expected, a material impairment loss may arise.

#### Valuation of properties for development

The Group performs a review annually to determine whether properties for development with an aggregate carrying amount of HK\$1,200,180,000 (2014: HK\$1,248,432,000) has any indication of impairment by considering the recoverable amounts of the properties which has been determined based on the current market price of properties of comparable location. In case the recoverable amounts of the properties are less than the carrying amount, a material adjustment for an impairment loss may result.

#### Valuation of properties held for sale

Management's assessment of properties held for sale with an aggregate carrying amount of HK\$859,051,000 (2014: HK\$1,515,738,000) is based on an estimation of the net realisable value of these properties which involves, inter-alia, considerable analyses of the recent transacted prices of the respective properties held for sale, the current market price of properties of comparable standard and location, the estimated costs to complete the development, where appropriate, and a forecast of future sales based on available market data and statistics. If the actual net realisable values of the properties held for sale are (more) less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, a material adjustment for (reversal of) write-down of the properties held for sale may result.

#### Impairment of other receivables

In determining whether there is any impairment loss on the carrying amount of the other receivables of HK\$361,114,000 (2014: HK\$391,173,000) in relation to costs incurred on certain pieces of land as detailed in note 25, the Group takes into consideration objective evidence in the estimation of future cash flows. Where the actual future cash flows are less than expected, a material impairment loss, which is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, may arise.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of net debt, which includes bank borrowings net of bank deposits, and bank balances and cash, and equity attributable to the Company's shareholders, comprising issued share capital, retained profits and reserves.

The directors of the Company review the capital structure periodically and maintain a low gearing. The Group's percentage of net debt to carrying value of properties (comprising investments properties, properties included in property, plant and equipment, properties for development and properties held for sale) at the end of the reporting period is as follows:

|                                                        | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|--------------------------------------------------------|------------------|------------------|
| Bank borrowings                                        | 4,490,162        | 4,212,091        |
| Restricted bank deposits                               | (5,613)          | (6,338)          |
| Bank balances and cash                                 | (3,923,012)      | (3,007,591)      |
| Net debt                                               | 561,537          | 1,198,162        |
| Total carrying value of properties                     | 14,397,541       | 14,256,163       |
| Percentage of net debt to carrying value of properties | 3.9%             | 8.4%             |

## 6. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance is mainly focused on property development, property investment and hotel operation. No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reportable segments of the Group.

During the year, the Group's property investment activities are in Hong Kong, the PRC, Australia and the United Kingdom; property development activities are in Hong Kong and the PRC whereas the hotel operation is in Hong Kong.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 6. SEGMENT INFORMATION *(continued)*

The following is an analysis of the Group's revenue and results by reportable segment:

### Segment revenues and results For the year ended 31 December 2015

|                                | Property<br>development<br>HK\$'000 | Property<br>investment<br>HK\$'000 | Hotel<br>operation<br>HK\$'000 | Consolidated<br>HK\$'000 |
|--------------------------------|-------------------------------------|------------------------------------|--------------------------------|--------------------------|
| SEGMENT REVENUE                |                                     |                                    |                                |                          |
| External sales                 | 94,285                              | 409,160                            | 229,251                        | 732,696                  |
| SEGMENT RESULTS                |                                     |                                    |                                |                          |
| Segment profit                 | 420,541                             | 1,298,303                          | 59,194                         | 1,778,038                |
| Interest income                |                                     |                                    |                                | 24,127                   |
| Corporate income less expenses |                                     |                                    |                                | (223,072)                |
| Finance costs                  |                                     |                                    |                                | (117,133)                |
| Profit before taxation         |                                     |                                    |                                | 1,461,960                |

### For the year ended 31 December 2014

|                                | Property<br>development<br>HK\$'000 | Property<br>investment<br>HK\$'000 | Hotel<br>operation<br>HK\$'000 | Consolidated<br>HK\$'000 |
|--------------------------------|-------------------------------------|------------------------------------|--------------------------------|--------------------------|
| SEGMENT REVENUE                |                                     |                                    |                                |                          |
| External sales                 | 520                                 | 405,014                            | 262,987                        | 668,521                  |
| SEGMENT RESULTS                |                                     |                                    |                                |                          |
| Segment (loss) profit          | (77,958)                            | 949,591                            | 85,774                         | 957,407                  |
| Interest income                |                                     |                                    |                                | 26,410                   |
| Corporate income less expenses |                                     |                                    |                                | (126,711)                |
| Finance costs                  |                                     |                                    |                                | (107,173)                |
| Profit before taxation         |                                     |                                    |                                | 749,933                  |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 6. SEGMENT INFORMATION *(continued)*

### Segment revenues and results *(continued)*

The Group does not allocate interest income, corporate income less expenses and finance costs to individual reportable segment profit or loss for the purposes of resource allocation and performance assessment by the chief operating decision makers.

The accounting policies adopted in preparing the reportable segment information are the same as the Group's accounting policies described in note 3.

### Other segment profit or loss information

The following charges (credits) are included in the measurement of segment profit or loss:

#### For the year ended 31 December 2015

|                                                      | Property<br>development<br>HK\$'000 | Property<br>investment<br>HK\$'000 | Hotel<br>operation<br>HK\$'000 | Consolidated<br>HK\$'000 |
|------------------------------------------------------|-------------------------------------|------------------------------------|--------------------------------|--------------------------|
| Depreciation and amortisation                        |                                     |                                    |                                |                          |
| — Properties for development                         | 27,488                              | —                                  | —                              | 27,488                   |
| — Club                                               | —                                   | 141                                | —                              | 141                      |
| — Property, plant and equipment                      | 1,378                               | 11,678                             | 24,642                         | 37,698                   |
| Fair value changes on investment<br>properties       | —                                   | (953,077)                          | —                              | (953,077)                |
| Fair value adjustment on other<br>receivables        | 7,521                               | —                                  | —                              | 7,521                    |
| Gain on disposal of subsidiaries                     | (464,162)                           | —                                  | —                              | (464,162)                |
| Loss on disposal of property,<br>plant and equipment | —                                   | 31                                 | —                              | 31                       |

#### For the year ended 31 December 2014

|                                                      | Property<br>development<br>HK\$'000 | Property<br>investment<br>HK\$'000 | Hotel<br>operation<br>HK\$'000 | Consolidated<br>HK\$'000 |
|------------------------------------------------------|-------------------------------------|------------------------------------|--------------------------------|--------------------------|
| Depreciation and amortisation                        |                                     |                                    |                                |                          |
| — Properties for development                         | 23,298                              | —                                  | —                              | 23,298                   |
| — Property, plant and equipment                      | 1,667                               | 12,100                             | 24,779                         | 38,546                   |
| Fair value changes on investment<br>properties       | —                                   | (616,314)                          | —                              | (616,314)                |
| Fair value adjustment on other<br>receivables        | (7,636)                             | —                                  | —                              | (7,636)                  |
| Loss on disposal of property,<br>plant and equipment | —                                   | 3,170                              | —                              | 3,170                    |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 6. SEGMENT INFORMATION *(continued)*

### Geographical information

The Group operates in four principal geographical areas, being Hong Kong (country of domicile), the PRC, Australia and the United Kingdom.

The Group's revenue from external customers by geographical location of properties is detailed below.

|                | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|----------------|------------------|------------------|
| Hong Kong      | 483,174          | 508,224          |
| PRC            | 233,913          | 141,652          |
| Australia      | 15,177           | 18,645           |
| United Kingdom | 432              | —                |
|                | <b>732,696</b>   | 668,521          |

No single customer contributes over 10% of the total revenue of the Group for both years.

The Group's information about its non-current assets, excluding financial assets, by geographical location are detailed below.

|                | 2015<br>HK\$'000  | 2014<br>HK\$'000 |
|----------------|-------------------|------------------|
| Hong Kong      | 9,908,969         | 8,864,425        |
| PRC            | 3,430,731         | 3,749,641        |
| Australia      | 158,692           | 173,584          |
| United Kingdom | 79,650            | —                |
|                | <b>13,578,042</b> | 12,787,650       |

No segment assets and liabilities are presented as the information is not reported to the chief operating decision maker in the resource allocation and assessment of performance.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 7. REVENUE

The following is an analysis of the Group's revenue from its major business activities.

|                                  | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|----------------------------------|------------------|------------------|
| Sale of properties               | 94,285           | 520              |
| Renting of investment properties | 409,160          | 405,014          |
| Hotel operation                  | 229,251          | 262,987          |
|                                  | <b>732,696</b>   | 668,521          |

## 8. OTHER INCOME

|                                                                | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|----------------------------------------------------------------|------------------|------------------|
| Included in other income is:                                   |                  |                  |
| Fair value adjustment on other receivables                     | —                | 7,636            |
| Net exchange gain                                              | 2,672            | —                |
| Rental income from properties held for sale temporarily leased | 6,114            | 4,638            |

## 9. PROPERTY AND RELATED COSTS

|                                                    | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|----------------------------------------------------|------------------|------------------|
| Cost of properties sold                            | 76,699           | 615              |
| Selling and marketing expenses                     | 9,909            | 21,192           |
| Direct operating expenses of investment properties | 47,283           | 51,694           |
|                                                    | <b>133,891</b>   | 73,501           |



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 10. OTHER EXPENSES

|                                            | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|--------------------------------------------|------------------|------------------|
| Included in other expenses are:            |                  |                  |
| Hotel operating expenses                   | 62,733           | 67,406           |
| Legal and professional fees                | 14,762           | 10,518           |
| Net exchange loss                          | —                | 525              |
| Fair value adjustment on other receivables | 7,521            | —                |

## 11. FINANCE COSTS

|                                                           | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|-----------------------------------------------------------|------------------|------------------|
| Interest on bank borrowings                               | 125,990          | 108,373          |
| Less: Amounts capitalised to property development project | (19,524)         | (10,442)         |
|                                                           | 106,466          | 97,931           |
| Front end fee                                             | 6,966            | 5,423            |
| Other charges                                             | 3,701            | 3,819            |
|                                                           | 117,133          | 107,173          |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 12. PROFIT BEFORE TAXATION

|                                                                        | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|------------------------------------------------------------------------|------------------|------------------|
| Profit before taxation has been arrived at after charging (crediting): |                  |                  |
| Auditor's remuneration                                                 | 4,550            | 4,454            |
| Share-based payment expenses                                           |                  |                  |
| — Share options                                                        | 7,066            | 5,631            |
| — Share awards                                                         | 55,800           | —                |
| Depreciation and amortisation                                          | 65,755           | 62,256           |
| Less: Amount capitalised to property development projects              | (428)            | (412)            |
|                                                                        | 65,327           | 61,844           |
| Loss on disposal of property, plant and equipment                      | 31               | 3,170            |
| Gross rental income from investment properties                         | (409,160)        | (405,014)        |
| Less: Direct operating expenses                                        | 47,283           | 51,694           |
| Net rental income                                                      | (361,877)        | (353,320)        |
| Interest income from second mortgage loans                             | (234)            | (328)            |
| Interest earned on bank deposits                                       | (23,827)         | (26,082)         |
| Fair value changes on derivative financial instrument                  | —                | (1,142)          |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 13. INCOME TAX CREDIT (EXPENSE)

|                                | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|--------------------------------|------------------|------------------|
| The credit (charge) comprises: |                  |                  |
| Current tax                    |                  |                  |
| Hong Kong Profits Tax          | (19,489)         | (37,912)         |
| PRC Enterprise Income Tax      | (14,933)         | (11,809)         |
| Other jurisdictions            | (2,899)          | (2,638)          |
|                                | <b>(37,321)</b>  | (52,359)         |
| Overprovision in prior years   |                  |                  |
| Hong Kong Profits Tax          | 4,001            | 100              |
| PRC Enterprise Income tax      | 6,666            | —                |
|                                | <b>10,667</b>    | 100              |
| Deferred tax                   |                  |                  |
| — current year                 | 27,906           | (19,763)         |
| — overprovision in prior years | —                | 25,676           |
|                                | <b>27,906</b>    | 5,913            |
|                                | <b>1,252</b>     | (46,346)         |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

Income tax arising in the PRC and other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Details of deferred taxation are set out in note 34.

Income tax credit (expense) for the year can be reconciled to profit before taxation in the consolidated statement of profit or loss as follows:

|                                                                                   | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|-----------------------------------------------------------------------------------|------------------|------------------|
| Profit before taxation                                                            | 1,461,960        | 749,933          |
| Tax at the domestic income tax rate of 16.5%                                      | (241,223)        | (123,739)        |
| Tax effect of expenses not deductible for tax purposes                            | (43,257)         | (33,232)         |
| Tax effect of income not taxable for tax purposes                                 | 270,425          | 103,765          |
| Tax effect of tax losses not recognised                                           | (4,378)          | (9,333)          |
| Utilisation of tax losses previously not recognised                               | 1,001            | 317              |
| Effect of different tax rates of subsidiaries operating<br>in other jurisdictions | 3,665            | (10,866)         |
| Overprovision in prior years                                                      | 10,667           | 25,776           |
| Others                                                                            | 4,352            | 966              |
| Income tax credit (expense) for the year                                          | <b>1,252</b>     | (46,346)         |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 14. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the directors of the Company for the year are as follows:

|                                                        | Mr.<br>Lu Wing<br>Chi<br>HK\$'000 | Mr .Lu<br>Wing Yuk,<br>Andrew<br>HK\$'000 | Mr.<br>Lincoln<br>Lu<br>HK\$'000 | Mr.<br>Lambert<br>Lu<br>HK\$'000 | Mr.<br>Lam Sing<br>Tai<br>HK\$'000 | Mr.<br>Walujo<br>Santoso,<br>Wally<br>HK\$'000 | Mr.<br>Leung<br>Hok<br>Lim<br>HK\$'000 | Mr.<br>Chung<br>Pui<br>Lam<br>HK\$'000 | Total<br>HK\$'000 |
|--------------------------------------------------------|-----------------------------------|-------------------------------------------|----------------------------------|----------------------------------|------------------------------------|------------------------------------------------|----------------------------------------|----------------------------------------|-------------------|
| <b>2015</b>                                            |                                   |                                           |                                  |                                  |                                    |                                                |                                        |                                        |                   |
| Fees                                                   | 257                               | 20                                        | 257                              | 257                              | 257                                | 200                                            | 250                                    | 250                                    | 1,748             |
| Other emoluments                                       |                                   |                                           |                                  |                                  |                                    |                                                |                                        |                                        |                   |
| Salaries and other benefits                            | 6,300                             | 960                                       | 3,720                            | 3,720                            | 2,190                              | —                                              | —                                      | —                                      | 16,890            |
| Discretionary and performance based bonus (Note below) | 43,040                            | 380                                       | 3,587                            | 3,587                            | 1,200                              | —                                              | —                                      | —                                      | 51,794            |
| Retirement benefits scheme contributions               | 945                               | 144                                       | 465                              | 465                              | 329                                | —                                              | —                                      | —                                      | 2,348             |
| Share-based payment expenses                           |                                   |                                           |                                  |                                  |                                    |                                                |                                        |                                        |                   |
| — Share options                                        | 240                               | 48                                        | 240                              | 240                              | 240                                | 24                                             | 24                                     | 24                                     | 1,080             |
| — Share awards                                         | 12,400                            | 2,480                                     | 12,400                           | 12,400                           | 12,400                             | 1,240                                          | 1,240                                  | 1,240                                  | 55,800            |
| <b>Total emoluments</b>                                | <b>63,182</b>                     | <b>4,032</b>                              | <b>20,669</b>                    | <b>20,669</b>                    | <b>16,616</b>                      | <b>1,464</b>                                   | <b>1,514</b>                           | <b>1,514</b>                           | <b>129,660</b>    |
| <b>2014</b>                                            |                                   |                                           |                                  |                                  |                                    |                                                |                                        |                                        |                   |
| Fees                                                   | 276                               | 20                                        | 221                              | 276                              | 221                                | 200                                            | 250                                    | 250                                    | 1,714             |
| Other emoluments                                       |                                   |                                           |                                  |                                  |                                    |                                                |                                        |                                        |                   |
| Salaries and other benefits                            | 6,000                             | 960                                       | 3,300                            | 3,300                            | 2,040                              | —                                              | —                                      | —                                      | 15,600            |
| Discretionary and performance based bonus (Note below) | 21,930                            | 380                                       | 1,828                            | 1,828                            | 1,200                              | —                                              | —                                      | —                                      | 27,166            |
| Retirement benefits scheme contributions               | 906                               | 144                                       | 413                              | 419                              | 306                                | —                                              | —                                      | —                                      | 2,188             |
| Share-based payment expenses                           | 840                               | 168                                       | 840                              | 840                              | 840                                | 84                                             | 84                                     | 84                                     | 3,780             |
| <b>Total emoluments</b>                                | <b>29,952</b>                     | <b>1,672</b>                              | <b>6,602</b>                     | <b>6,663</b>                     | <b>4,607</b>                       | <b>284</b>                                     | <b>334</b>                             | <b>334</b>                             | <b>50,448</b>     |

Note:

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

The discretionary and performance based bonus to Messrs. Lu Wing Chi, Lincoln Lu and Lambert Lu are based on their contribution to the Group and calculated on the basis of profit before taxation attributable to the Company's shareholders. Messrs. Lu Wing Yuk, Andrew and Lam Sing Tai are based on the performance of the Group and their individual performance.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 15. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2014: four) were directors of the Company whose emoluments are disclosed in note 14. The emoluments of the remaining one (2014: one) individual for the year amounted to HK\$5,629,000 (2014: HK\$4,785,000), comprising salaries and other benefits of HK\$5,083,000 (2014: HK\$4,336,000), retirement benefits scheme contributions of HK\$133,000 (2014: HK\$133,000), discretionary and performance-based bonus of HK\$413,000 (2014: HK\$316,000) for his service rendered to the Group.

## 16. DIVIDENDS

|                                                                                          | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|------------------------------------------------------------------------------------------|------------------|------------------|
| Dividends recognised as distributions during the year:                                   |                  |                  |
| 2015 interim dividend — HK5 cents<br>(2014: 2014 interim dividend — HK5 cents) per share | 34,168           | 34,460           |
| 2014 final dividend — HK6 cents<br>(2014: 2013 final dividend — HK6 cents) per share     | 41,512           | 40,980           |
|                                                                                          | 75,680           | 75,440           |
| 2015 final dividend proposed:<br>HK6 cents (2014: HK6 cents) per share                   | 40,711           | 41,484           |
| Special dividend proposed:<br>HK\$2 (2014: Nil) per share                                | 1,357,049        | —                |
|                                                                                          | 1,397,760        | 41,484           |

A 2015 final dividend of HK6 cents (2014: HK6 cents) per share and a special dividend of HK\$2 (2014: Nil) per share have been proposed by the directors of the Company and are subject to approval by the Company's shareholders at the forthcoming annual general meeting.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 17. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the Company's shareholders is based on the following data:

|                                                                   | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|-------------------------------------------------------------------|------------------|------------------|
| Earnings for the purpose of basic and diluted earnings per share: |                  |                  |
| Profit for the year attributable to Company's shareholders        | 1,435,932        | 684,462          |

|                                                                                          | Number of shares |             |
|------------------------------------------------------------------------------------------|------------------|-------------|
|                                                                                          | 2015             | 2014        |
| Weighted average number of ordinary shares for the purpose of basic earnings per share   | 686,089,849      | 683,757,101 |
| Effect of dilutive potential ordinary share options                                      | 13,502,911       | 7,706,945   |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 699,592,760      | 691,464,046 |

For the purpose of assessing the performance of the Group, the directors of the Company are of the view that the profit for the year should be adjusted for the fair value changes on investment properties recognised in profit or loss and the related deferred taxation in arriving at the "adjusted profit attributable to the Company's shareholders". A reconciliation of the adjusted earnings is as follows:

|                                                                                                                         | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|-------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| Profit for the year attributable to the Company's shareholders as shown in the consolidated statement of profit or loss | 1,435,932        | 684,462          |
| Fair value changes on investment properties                                                                             | (953,077)        | (616,314)        |
| Deferred tax thereon                                                                                                    | (31,129)         | 17,588           |
| Attributable to non-controlling interests                                                                               | 27,758           | 16,990           |
| Adjusted profit attributable to the Company's shareholders                                                              | 479,484          | 102,726          |
| Earnings per share excluding fair value changes on investment properties net of deferred tax                            |                  |                  |
| Basic                                                                                                                   | HK69.9 cents     | HK15.0 cents     |
| Diluted                                                                                                                 | HK68.5 cents     | HK14.9 cents     |

The denominators used in the calculation of basic and diluted adjusted earnings per share for the year ended 31 December 2015 and 31 December 2014 are the same as those detailed above.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 18. INVESTMENT PROPERTIES

|                                                               | Hong Kong    |                    | PRC                |                    | United Kingdom Freehold | Australia Medium-term lease | Total      |
|---------------------------------------------------------------|--------------|--------------------|--------------------|--------------------|-------------------------|-----------------------------|------------|
|                                                               | Long leases  | Medium-term leases | Medium-term leases | Medium-term leases |                         |                             |            |
|                                                               | HK\$'000     | HK\$'000           | HK\$'000           | HK\$'000           | HK\$'000                | HK\$'000                    | HK\$'000   |
| At 1 January 2014                                             | 8,100        | 7,364,500          | 2,388,118          | —                  | —                       | 191,461                     | 9,952,179  |
| Fair value changes                                            | 500          | 548,200            | 69,706             | —                  | —                       | (2,092)                     | 616,314    |
| Reclassification from property, plant and equipment (Note 19) | —            | —                  | 4,766              | —                  | —                       | —                           | 4,766      |
| Reclassification to property, plant and equipment (Note 19)   | —            | —                  | (3,506)            | —                  | —                       | —                           | (3,506)    |
| Exchange adjustments                                          | —            | —                  | (7,799)            | —                  | —                       | (15,785)                    | (23,584)   |
| At 31 December 2014                                           | 8,600        | 7,912,700          | 2,451,285          | —                  | —                       | 173,584                     | 10,546,169 |
| Addition                                                      | —            | —                  | —                  | —                  | 81,935                  | —                           | 81,935     |
| Cost adjustment on additions                                  | —            | (8)                | —                  | —                  | —                       | —                           | (8)        |
| Fair value changes                                            | 300          | 1,076,208          | (126,901)          | —                  | —                       | 3,470                       | 953,077    |
| Exchange adjustments                                          | —            | —                  | (138,067)          | —                  | (2,285)                 | (18,362)                    | (158,714)  |
| <b>At 31 December 2015</b>                                    | <b>8,900</b> | <b>8,988,900</b>   | <b>2,186,317</b>   | <b>79,650</b>      | <b>158,692</b>          | <b>11,422,459</b>           |            |

All of the Group's property interests are held under operating leases to earn rentals and/or for capital appreciation purposes. These properties are measured using the fair value model and are classified and accounted for as investment properties.

In estimating the fair value of investment properties, the Group uses market-observable data to the extent it is available. The Group engages third party qualified valuers to perform the valuation of the Group's investment properties. At the end of each reporting period, the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs to the model.

The fair values of the Group's investment properties in Hong Kong and the PRC with an aggregate carrying value of HK\$11,184,117,000 at 31 December 2015 (2014: HK\$10,372,585,000) were arrived at on the basis of valuations carried out at those dates by Savills Valuation and Professional Services Limited ("Savills") whereas those in Australia with a carrying value of HK\$158,692,000 at 31 December 2015 (2014: HK\$173,584,000) were arrived at on the basis of a valuation carried out at those dates by CBRE Valuations Pty Limited ("CBRE").

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 18. INVESTMENT PROPERTIES *(continued)*

Savills and CBRE are independent professional valuers not connected to the Group. Savills is a firm of Chartered Surveyors, recognised by The Hong Kong Institute of Surveyors and CBRE is a firm of Registered Valuers, recognised by the Australian Property Institute. Both firms have appropriate qualifications and recent experience in the valuation of properties in the relevant locations.

The fair value of the investment property in the United Kingdom with a carrying value of HK\$79,650,000 at 31 December 2015 was arrived at on the basis of valuation carried out by the directors of the Company with reference to the latest transaction prices.

The valuations were arrived at by reference to market evidence of transaction prices or by capitalisation of future rental which is estimated by reference to comparable rental as available in the relevant markets. In the valuation, which falls under Level 3 of the fair value hierarchy, the market rentals of all lettable units as well as those of similar properties are made by reference to the rentals achieved by the Group in the lettable units as well as those of similar properties in the neighbourhood. The capitalisation rate adopted is by reference to the yield rates observed by the valuers for similar properties in the locality and adjusted for the valuers' knowledge of factors specific to the respective properties. There has been no change from the valuation technique used in the prior year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The key inputs used in valuing the investment properties under the income capitalisation approach were the capitalisation rates used and monthly unit rent. A slight increase in the capitalisation rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. The higher the monthly unit rent, the higher the fair value and vice versa.

Details of the significant unobservable input under the income capitalisation approach are as follows:

| Class of property                   | Capitalisation rates            |                          |
|-------------------------------------|---------------------------------|--------------------------|
|                                     | 2015                            | 2014                     |
| Office units and shops in Hong Kong | <b>3.25% to 3.75% per annum</b> | 3.6% to 3.75% per annum  |
| Car parking spaces in Hong Kong     | <b>4.5% per annum</b>           | 5.25% per annum          |
| Shops in the PRC                    | <b>7.0% to 9.0% per annum</b>   | 6.75% to 9.0% per annum  |
| Office units in the PRC             | <b>6.0% to 6.5% per annum</b>   | 6.0% to 6.5% per annum   |
| Other properties in Australia       | <b>10.5% to 10.8% per annum</b> | 10.3% to 10.8% per annum |



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 18. INVESTMENT PROPERTIES *(continued)*

Residential units in Hong Kong and car parking spaces in the PRC were valued under the direct comparison approach. The market unit rate is one of the key inputs. The higher the market unit rate the higher the fair value, and vice versa. The adopted market unit rates for residential units in Hong Kong range from HK\$12,400 to HK\$21,800 (2014: HK\$12,000 to HK\$21,000) per square feet and the adopted market unit rates for the car parking spaces in the PRC range from RMB135,000 to RMB200,000 (2014: RMB110,000 to RMB170,000) per unit.

Details of the Group's investment properties which falls under Level 3 of the fair value hierarchy as at 31 December 2015 and 31 December 2014 are as follows:

|                                                | Fair value as at  |                  |
|------------------------------------------------|-------------------|------------------|
|                                                | 2015<br>HK\$'000  | 2014<br>HK\$'000 |
| Commercial property located in Hong Kong       | 8,983,000         | 7,907,000        |
| Residential properties located in Hong Kong    | 14,800            | 14,300           |
| Commercial properties located in the PRC       | 2,186,317         | 2,451,285        |
| Other properties located in Australia          | 158,692           | 173,584          |
| Other properties located in the United Kingdom | 79,650            | —                |
|                                                | <b>11,422,459</b> | 10,546,169       |

There were no transfers between Level 1, 2 and 3 in both years presented.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 19. PROPERTY, PLANT AND EQUIPMENT

|                                                                        | Hotel<br>property in<br>Hong Kong<br>HK\$'000 | Other<br>properties<br>in Hong<br>Kong<br>HK\$'000 | Properties<br>in PRC<br>HK\$'000 | Plant and<br>machinery<br>HK\$'000 | Furniture,<br>fixtures and<br>equipment<br>HK\$'000 | Motor<br>vehicles<br>HK\$'000 | Leasehold<br>improvements<br>HK\$'000 | Crockery,<br>utensils<br>and linen<br>HK\$'000 | Total<br>HK\$'000 |
|------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------------|----------------------------------|------------------------------------|-----------------------------------------------------|-------------------------------|---------------------------------------|------------------------------------------------|-------------------|
| <b>COST</b>                                                            |                                               |                                                    |                                  |                                    |                                                     |                               |                                       |                                                |                   |
| At 1 January 2014                                                      | 789,895                                       | 258,998                                            | 39,501                           | 45,050                             | 44,270                                              | 26,328                        | 80,455                                | 5,051                                          | 1,289,548         |
| Additions                                                              | —                                             | —                                                  | —                                | 511                                | 2,420                                               | 724                           | 551                                   | —                                              | 4,206             |
| Disposals                                                              | —                                             | —                                                  | —                                | —                                  | (462)                                               | (12,313)                      | (1,329)                               | —                                              | (14,104)          |
| Reclassification to investment<br>properties (note I)                  | —                                             | —                                                  | (3,616)                          | —                                  | —                                                   | —                             | —                                     | —                                              | (3,616)           |
| Reclassification from<br>investment properties<br>(note II)            | —                                             | —                                                  | 3,506                            | —                                  | —                                                   | —                             | —                                     | —                                              | 3,506             |
| Exchange adjustments                                                   | —                                             | —                                                  | (99)                             | (21)                               | 81                                                  | (22)                          | (23)                                  | —                                              | (84)              |
| <b>At 31 December 2014</b>                                             | <b>789,895</b>                                | <b>258,998</b>                                     | <b>39,292</b>                    | <b>45,540</b>                      | <b>46,309</b>                                       | <b>14,717</b>                 | <b>79,654</b>                         | <b>5,051</b>                                   | <b>1,279,456</b>  |
| Additions                                                              | —                                             | —                                                  | —                                | 694                                | 1,831                                               | 253                           | —                                     | —                                              | 2,778             |
| Disposals                                                              | (354)                                         | —                                                  | —                                | (1,692)                            | (2,260)                                             | —                             | (827)                                 | —                                              | (5,133)           |
| Exchange adjustments                                                   | —                                             | —                                                  | (2,286)                          | (400)                              | (397)                                               | (368)                         | (332)                                 | —                                              | (3,783)           |
| <b>At 31 December 2015</b>                                             | <b>789,541</b>                                | <b>258,998</b>                                     | <b>37,006</b>                    | <b>44,142</b>                      | <b>45,483</b>                                       | <b>14,602</b>                 | <b>78,495</b>                         | <b>5,051</b>                                   | <b>1,273,318</b>  |
| <b>DEPRECIATION</b>                                                    |                                               |                                                    |                                  |                                    |                                                     |                               |                                       |                                                |                   |
| At 1 January 2014                                                      | 83,783                                        | 28,655                                             | 2,309                            | 18,261                             | 37,281                                              | 16,431                        | 77,762                                | —                                              | 264,482           |
| Provided for the year                                                  | 20,007                                        | 7,164                                              | 903                              | 5,368                              | 2,660                                               | 1,811                         | 1,045                                 | —                                              | 38,958            |
| Eliminated on disposals                                                | —                                             | —                                                  | —                                | —                                  | (425)                                               | (6,403)                       | (1,196)                               | —                                              | (8,024)           |
| Eliminated on reclassification<br>to investment properties<br>(Note I) | —                                             | —                                                  | (444)                            | —                                  | —                                                   | —                             | —                                     | —                                              | (444)             |
| Exchange adjustments                                                   | —                                             | —                                                  | (16)                             | (1)                                | (7)                                                 | 46                            | (13)                                  | —                                              | 9                 |
| <b>At 31 December 2014</b>                                             | <b>103,790</b>                                | <b>35,819</b>                                      | <b>2,752</b>                     | <b>23,628</b>                      | <b>39,509</b>                                       | <b>11,885</b>                 | <b>77,598</b>                         | <b>—</b>                                       | <b>294,981</b>    |
| Provided for the year                                                  | 19,854                                        | 7,164                                              | 859                              | 5,120                              | 2,699                                               | 1,597                         | 833                                   | —                                              | 38,126            |
| Eliminated on disposals                                                | (354)                                         | —                                                  | —                                | (1,680)                            | (2,224)                                             | —                             | (827)                                 | —                                              | (5,085)           |
| Exchange adjustments                                                   | —                                             | —                                                  | (190)                            | (206)                              | (231)                                               | (280)                         | (280)                                 | —                                              | (1,187)           |
| <b>At 31 December 2015</b>                                             | <b>123,290</b>                                | <b>42,983</b>                                      | <b>3,421</b>                     | <b>26,862</b>                      | <b>39,753</b>                                       | <b>13,202</b>                 | <b>77,324</b>                         | <b>—</b>                                       | <b>326,835</b>    |
| <b>CARRYING VALUES</b>                                                 |                                               |                                                    |                                  |                                    |                                                     |                               |                                       |                                                |                   |
| <b>At 31 December 2015</b>                                             | <b>666,251</b>                                | <b>216,015</b>                                     | <b>33,585</b>                    | <b>17,280</b>                      | <b>5,730</b>                                        | <b>1,400</b>                  | <b>1,171</b>                          | <b>5,051</b>                                   | <b>946,483</b>    |
| At 31 December 2014                                                    | 686,105                                       | 223,179                                            | 36,540                           | 21,912                             | 6,800                                               | 2,832                         | 2,056                                 | 5,051                                          | 984,475           |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 19. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Notes:

- I. During the year ended 31 December 2014, the Group changed the usage of certain properties in the PRC from owner occupation to investment properties. Accordingly, the relevant portion of the properties with a net carrying value of HK\$3,172,000 was transferred from property, plant and equipment to investment properties at its fair value on the date of transfer of HK\$4,766,000 which were determined by the directors of the Company by reference to the valuation carried out by Savills at 31 December 2014.
- II. During the year ended 31 December 2014, the Group changed the usage of certain properties in the PRC from investment properties to owner occupation. Accordingly, the relevant portion of the properties was transferred from investment properties to property, plant and equipment at its fair value on the date of transfer of HK\$3,506,000 which were determined by the directors of the Company by reference to the valuation carried out by Savills at 1 August 2014.

The above items of property, plant and equipment are depreciated on a straight-line basis after taking into account their estimated residual values at the following rates per annum:

|                                   |                                                          |
|-----------------------------------|----------------------------------------------------------|
| Leasehold land and properties     | Over the lease terms ranging from 42 years to 45.5 years |
| Completed hotel building          | 40 years                                                 |
| Other building                    | 4%                                                       |
| Plant and machinery               | 10%                                                      |
| Furniture, fixtures and equipment | 25%                                                      |
| Motor vehicles                    | 25%                                                      |
| Leasehold improvements            | 25%                                                      |

The carrying amounts of properties shown above comprise properties situated in:

|                                         | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|-----------------------------------------|------------------|------------------|
| Hotel and other properties in Hong Kong | 882,266          | 909,284          |
| Properties in PRC                       | 33,585           | 36,540           |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 20. PROPERTIES FOR DEVELOPMENT

|                                      | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|--------------------------------------|------------------|------------------|
| <b>COST</b>                          |                  |                  |
| At 1 January                         | 1,332,112        | 1,417,033        |
| Additions                            | 51,713           | 51,459           |
| Transfer to properties held for sale | —                | (133,126)        |
| Exchange adjustments                 | (78,888)         | (3,254)          |
| At 31 December                       | 1,304,937        | 1,332,112        |
| <b>AMORTISATION</b>                  |                  |                  |
| At 1 January                         | 83,680           | 66,220           |
| Provided for the year                | 27,488           | 23,298           |
| Transfer to properties held for sale | —                | (5,695)          |
| Exchange adjustments                 | (6,411)          | (143)            |
| At 31 December                       | 104,757          | 83,680           |
| <b>CARRYING VALUE</b>                |                  |                  |
| At 31 December                       | 1,200,180        | 1,248,432        |

The carrying amount represents the Group's interest in certain pieces of land located in the PRC to be held for future development.

The carrying amount is amortised on a straight-line basis over the lease terms ranging from 40 to 70 years.

## 21. CLUB MEMBERSHIPS

Club memberships with finite useful lives are amortised on a straight-line basis over the membership period of 24 years up to 31 December 2039 as the directors of the Company are of the opinion that the Group will derive benefits from the use of these club memberships over their life.

Club memberships with indefinite useful lives are stated at cost. All club memberships will be tested for impairment annually or whenever there is an indication of impairment.

During the year ended 31 December 2015, an addition of HK\$487,000 (2014: nil) was incurred and amortisation of HK\$141,000 (2014: nil) was recognised in profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 22. OTHER FINANCIAL ASSETS

|                              | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|------------------------------|------------------|------------------|
| Unlisted investments:        |                  |                  |
| — Equity securities (Note 1) | 5,824            | 3,882            |
| — Convertible loan (Note 2)  | 5,824            | 3,882            |
|                              | <b>11,648</b>    | 7,764            |
| Listed investments:          |                  |                  |
| — Equity securities (Note 3) | 135,659          | —                |
| <b>Total</b>                 | <b>147,307</b>   | 7,764            |

(1) At 31 December 2015, unlisted equity securities classified as available-for sale held by the Group amounting to US\$750,000 (equivalent to HK\$5,824,000) (2014: US\$500,000 (equivalent to HK\$3,882,000)), representing approximately a 8% (2014: 5%) equity interest of the investee company, were measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company were of the opinion that the fair value cannot be measured reliably.

(2) The Group committed and contributed an unsecured interest-free loan in the sum of US\$750,000 (equivalent to HK\$5,824,000) (2014: US\$500,000 (equivalent to HK\$3,882,000)) to the party set out in note (1).

The party is scheduled to repay the convertible loan at its principal amount of US\$500,000 on 14 October 2017 and US\$250,000 on 30 July 2018 (the "Maturity date"). The Group has the right to convert into shares representing not more than a 7% (2014: 5%) equity interest of the investee company.

The conversion option feature is regarded as a derivative embedded in but not closely related to the convertible loan in accordance with HKAS 39 Financial Instruments: Recognition and Measurement. However, in the opinion of the directors of the Company, the fair value of the embedded derivative at the end of the reporting period is insignificant and therefore it has not been accounted for it as a separate component in the consolidated financial statements.

(3) The listed investments represent equity securities listed in Hong Kong.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 23. LOAN RECEIVABLES

|                                  | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|----------------------------------|------------------|------------------|
| Second mortgage loans            | 4,160            | 4,480            |
| Analysed for reporting purposes: |                  |                  |
| Non-current assets               | 3,789            | 4,118            |
| Current assets                   | 371              | 362              |
|                                  | 4,160            | 4,480            |

The loans bear interest at Hong Kong Prime Rate and are repayable by monthly installments over a period of 20 years or as stipulated in the respective agreements.

The second mortgage loans are secured by the leasehold properties of the borrowers.

The effective interest rate of the loans receivable is 5.0% (2014: 5.0%) per annum.

Loan receivables balances which are past due at the end of the reporting period are minimal and are not considered impaired. In determining the recoverability of the loans receivable, the Group considers, among other factors, any change in value of the properties securing the loans.

The concentration of credit risk is limited due to the customer base being large and unrelated. No single loan receivable is individually material.

## 24. NOTE RECEIVABLES

The amount represents (i) the carrying value of a five-year zero coupon principal protected index-linked note with a principal amount of US\$2,000,000 (equivalent to HK\$15,502,000) (2014: US\$2,000,000 (equivalent to HK\$15,511,000)) maturing on 7 February 2017; and (ii) the carrying value of a five-year zero coupon principal protected index-linked note with a principal amount of US\$5,000,000 (equivalent to HK\$38,754,000) (2014: US\$5,000,000 (equivalent to HK\$38,778,000)) maturing on 9 August 2018. The index is a proprietary index named Forex Yield Differential Accrual Perpetual Index, which is a proprietary non-discretionary algorithm to calculate the risk filter multiple of non-discretionary trading that observes a basket of ten currencies.

The host contracts of the note are measured at amortised cost. The index-linked feature is regarded as a derivative embedded in but not closely related to the host contract in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement*. However, in the opinion of the directors of the Company, the fair values of the embedded derivatives at the end of the reporting period are insignificant and therefore they have not been accounted for as a separate component in the consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 25. OTHER RECEIVABLES

At 31 December 2015, the Group had incurred a total amount of RMB321,060,000 (2014: RMB321,060,000), equivalent to HK\$383,217,000 (2014: HK\$406,976,000), for the tenant relocation arrangements, excavation and infrastructure work on certain pieces of land in Nanjing, the PRC. The amount, together with further costs to complete the work, are wholly refundable from the relevant PRC local government either by deduction against the consideration payable if the Group is successful in bidding for the land or out of the proceeds received by the relevant PRC local government from another successful tenderer. The directors of the Company estimate that, based on the Group's development plan, the time schedule for auction of the relevant land will be initiated before the end of 2018 and by then the full amount will be recovered.

The balance of HK\$361,114,000 (2014: HK\$391,173,000) represents the Hong Kong dollar equivalent of the present value of the original amount of RMB321,060,000 (2014: RMB321,060,000) expected to be recovered in 2018 discounted at the rate of 2% per annum.

## 26. RESTRICTED BANK DEPOSITS

Restricted bank deposits carry fixed interest rates ranging from 0.4 to 1.9% (2014: 0.4% to 3.1%) per annum and were placed with a bank in relation to long-term bank borrowings.

## 27. PROPERTIES HELD FOR SALE — PROPERTIES UNDER DEVELOPMENT

The properties under development are expected to be completed in more than twelve months after the end of the reporting period (2014: HK\$281,004,000 to be completed in 2015).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 28. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

|                          | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|--------------------------|------------------|------------------|
| Trade receivables        | 10,000           | 10,603           |
| Accrued income           | 99,159           | 99,415           |
| Deposits and prepayments | 18,988           | 56,545           |
|                          | 128,147          | 166,563          |

Trade receivables mainly represent rental receivable from tenants for the use of the Group's properties and receivables from corporate customers and travel agents for the use of hotel facilities. No credit is allowed to tenants. Rentals are payable upon presentation of demand notes. An average credit period of 30 days is allowed to corporate customers and travel agents.

The following is an aged analysis of trade receivables, presented based on the invoice date, at the end of the reporting period.

|                | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|----------------|------------------|------------------|
| 0 to 30 days   | 8,167            | 8,014            |
| 31 to 60 days  | 271              | 590              |
| 61 to 90 days  | 232              | 207              |
| 91 to 365 days | 1,110            | 1,148            |
| Over 365 days  | 220              | 644              |
|                | 10,000           | 10,603           |

Before granting credit to any customer, the Group uses an internal credit assessment policy to assess the potential customers' credit quality and defines credit limit by customer. Trade receivables of HK\$2,498,000 (2014: HK\$3,100,000) at the end of the reporting period are past due but not considered impaired as most of them are sufficiently covered by rental deposits received from respective tenants. The Group considers that the amounts are still recoverable and no provision is required. The Group does not hold any collateral over these balances.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 29. AMOUNTS DUE FROM/TO NON-CONTROLLING INTERESTS

The balances are unsecured, interest-free and repayable on demand.

## 30. BANK BALANCES AND CASH

|                                                                 | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|-----------------------------------------------------------------|------------------|------------------|
| Cash and cash equivalents                                       | 3,555,870        | 2,663,743        |
| Fixed deposits with original maturity period more than 3 months | 364,048          | 309,380          |
| Guaranteed bank balances                                        | 3,094            | 34,468           |
|                                                                 | <b>3,923,012</b> | 3,007,591        |

Bank balances and cash comprise cash and short-term bank deposits which carry fixed interest rates ranging from 0.3% to 2.4% (2014: 0.1% to 3.3%) per annum.

Guaranteed bank balances represent deposits placed by the Group with banks which can only be applied to designated property development projects of the Group. Guaranteed bank balances carry interest at market rates which range from 0.4% to 1.0% (2014: 0.4% to 2.9%) per annum.

The Group's bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

|                       | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|-----------------------|------------------|------------------|
| Hong Kong dollars     | 23               | 23               |
| United States dollars | 63               | 1,919            |
| Renminbi              | 3,036            | 227,228          |
| Australian dollars    | 587              | 842              |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 31. PAYABLES, RENTAL DEPOSITS AND ACCRUED CHARGES

|                                                    | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|----------------------------------------------------|------------------|------------------|
| Trade payables                                     | 3,052            | 3,018            |
| Rental deposits                                    | 113,809          | 115,925          |
| Rental received in advance                         | 13,463           | 16,399           |
| Other payables, other deposits and accrued charges | 303,228          | 205,484          |
|                                                    | 433,552          | 340,826          |

Included in other payables is an aggregate amount of HK\$93,010,000 (2014: HK\$91,759,000) payable to contractors for the cost in relation to the tenant relocation arrangements, excavation and infrastructure work on certain pieces of land as detailed in note 25 and HK\$67,436,000 (2014: HK\$4,207,000) payable to contractors for properties held for sale.

Rental deposits to be settled after twelve months from the end of the reporting period based on the respective lease terms amounted to HK\$76,421,000 (2014: HK\$71,151,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 32. BANK BORROWINGS

|                                    | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|------------------------------------|------------------|------------------|
| Secured                            | 4,109,251        | 4,024,467        |
| Unsecured                          | 403,000          | 210,000          |
|                                    | 4,512,251        | 4,234,467        |
| Less: Front-end fee                | (22,089)         | (22,376)         |
|                                    | 4,490,162        | 4,212,091        |
| Analysed for reporting purpose as: |                  |                  |
| Current liabilities                | 1,536,781        | 546,568          |
| Non-current liabilities            | 2,953,381        | 3,665,523        |
|                                    | 4,490,162        | 4,212,091        |

The bank borrowings are repayable as follows:

|                                                                      | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|----------------------------------------------------------------------|------------------|------------------|
| On demand or within one year                                         | 1,539,239        | 548,379          |
| Within a period of more than one year, but not exceeding two years   | 164,126          | 1,385,866        |
| Within a period of more than two years, but not exceeding five years | 1,869,412        | 1,221,491        |
| Within a period of more than five years                              | 939,474          | 1,078,731        |
|                                                                      | 4,512,251        | 4,234,467        |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 32. BANK BORROWINGS *(continued)*

All bank borrowings are denominated in the functional currencies of the relevant group entities and carry interest at floating rates with effective interest rates ranging from 1.4% to 7.1% (2014: 1.5% to 7.7%) per annum and are analysed below:

| Denominated in     | Interest rates                                                                                                                 | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|--------------------|--------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| Hong Kong dollars  | Hong Kong Interbank Offered Rate ("HIBOR") plus 1.13% to 2.75% (2014: HIBOR plus 1.1% to 2.75%)                                | 3,862,000        | 3,460,000        |
| Renminbi           | 95% to 125% of People's Bank of China ("PBOC") Prescribed Interest Rates (2014: 95% to 125% of PBOC Prescribed Interest Rates) | 576,574          | 692,110          |
| Australian dollars | Bank Bill Swap Bid Rate plus 1.78% (2014: Bank Bill Swap Bid Rate plus 1.78%)                                                  | 73,677           | 82,357           |
|                    |                                                                                                                                | <b>4,512,251</b> | 4,234,467        |

## 33. SHARE CAPITAL

|                                              | Number of ordinary shares of HK\$0.1 each |               | Nominal value    |                  |
|----------------------------------------------|-------------------------------------------|---------------|------------------|------------------|
|                                              | 2015                                      | 2014          | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
| Authorised                                   | 1,000,000,000                             | 1,000,000,000 | 100,000          | 100,000          |
| Issued and fully paid:                       |                                           |               |                  |                  |
| At beginning of year                         | 689,617,726                               | 672,371,726   | 68,962           | 67,237           |
| Shares issued upon exercise of share options | 17,624,000                                | 18,488,000    | 1,762            | 1,849            |
| Repurchase of ordinary shares                | (29,590,000)                              | (1,242,000)   | (2,959)          | (124)            |
| At end of year                               | <b>677,651,726</b>                        | 689,617,726   | <b>67,765</b>    | 68,962           |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 33. SHARE CAPITAL *(continued)*

During the year, 17,624,000 (2014: 18,488,000) shares of HK\$0.1 each in the Company were issued at the subscription prices of HK\$3.454, upon exercise of the share options.

During the year, the Company repurchased 29,590,000 (2014: 1,242,000) of its own shares at prices ranging from HK\$5.58 to HK\$12.80 (2014: HK\$4.63 to HK\$5.00) for an aggregate consideration of HK\$228,530,000 (2014: HK\$5,990,000). The shares were cancelled following repurchase.

None of the Company's subsidiaries purchased or sold any of the Company's shares during the year.

## 34. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior reporting periods:

|                                      | Accelerated<br>tax<br>depreciation<br>HK\$'000 | Fair value<br>of<br>investment<br>properties<br>HK\$'000 | Effective<br>rental<br>income<br>HK\$'000 | Tax<br>losses<br>HK\$'000 | Others<br>HK\$'000 | Total<br>HK\$'000 |
|--------------------------------------|------------------------------------------------|----------------------------------------------------------|-------------------------------------------|---------------------------|--------------------|-------------------|
| At 1 January 2014                    | 24,090                                         | 472,479                                                  | 20,928                                    | (5,526)                   | 682                | 512,653           |
| Exchange adjustments                 | 8                                              | (4,528)                                                  | (65)                                      | 201                       | 4                  | (4,380)           |
| Charge (credit) to profit or<br>loss | 1,722                                          | (8,089)                                                  | 1,143                                     | (1,600)                   | 911                | (5,913)           |
| At 31 December 2014                  | 25,820                                         | 459,862                                                  | 22,006                                    | (6,925)                   | 1,597              | 502,360           |
| Exchange adjustments                 | —                                              | (27,263)                                                 | (1,339)                                   | 512                       | 8                  | (28,082)          |
| Charge (credit) to profit or<br>loss | 2,145                                          | (31,129)                                                 | 1,372                                     | (621)                     | 327                | (27,906)          |
| <b>At 31 December 2015</b>           | <b>27,965</b>                                  | <b>401,470</b>                                           | <b>22,039</b>                             | <b>(7,034)</b>            | <b>1,932</b>       | <b>446,372</b>    |

For the purpose of presentation of the consolidated statement of financial position, deferred tax assets and liabilities have been offset and shown under non-current liabilities.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 34. DEFERRED TAXATION *(continued)*

At 31 December 2015, the Group has unused tax losses of HK\$140,154,000 (2014: HK\$162,884,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK\$27,290,000 (2014: HK\$24,725,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$112,864,000 (2014: HK\$138,159,000) as it is not probable that taxable profit will be available to offset against the tax losses due to the unpredictability of future profit streams. The tax losses will expire in the following years ending 31 December:

|      | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|------|------------------|------------------|
| 2015 | —                | 2,122            |
| 2016 | 1,465            | 1,556            |
| 2017 | 3,354            | 3,562            |
| 2018 | 4,797            | 5,093            |
| 2019 | 39,316           | 51,608           |
| 2020 | 29,159           | —                |
|      | <b>78,091</b>    | 63,941           |

Other tax losses may be carried forward indefinitely.

## 35. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

|                                                             | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|-------------------------------------------------------------|------------------|------------------|
| <i>Financial assets</i>                                     |                  |                  |
| Loans and receivables (including cash and cash equivalents) | 4,363,979        | 3,500,011        |
| Available-for-sale investments                              |                  |                  |
| — listed investments                                        | 135,659          | —                |
| — unlisted investments                                      | 5,824            | 3,882            |
| <i>Financial liabilities</i>                                |                  |                  |
| Financial liabilities at amortised cost                     | 4,872,483        | 4,494,330        |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 35. FINANCIAL INSTRUMENTS *(continued)*

### (b) Financial risk management objectives and policies

The directors of the Company have overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls to monitor risks and adherence to market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a constructive control environment in which all employees understand their roles and obligations. The directors of the Company monitor and manage the financial risks relating to the operations of the Group to ensure appropriate measures are implemented on a timely and effective manner. These risks include market risk (including primarily foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Group's overall strategy remains unchanged from prior year.

#### Market risk

##### (i) Foreign currency risk

Certain subsidiaries of the Company have foreign currency denominated monetary assets, which expose the Group to foreign currency risk. The Group currently does not have a policy to hedge the foreign currency exposure. However, the management monitors the related foreign currency fluctuation closely and will consider entering into foreign exchange forward contracts to hedge significant portion of the foreign currency risk should the need arise.

The carrying amounts of the foreign currency denominated monetary assets at the end of the reporting period in the respective group entities are as follows:

|                       | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|-----------------------|------------------|------------------|
| Hong Kong dollars     | 23               | 23               |
| United States dollars | 65,967           | 63,972           |
| Renminbi              | 3,036            | 227,228          |
| Australian dollars    | 587              | 842              |

The loans for foreign operations within the Group that form part of the Group's net investment in the foreign operations are denominated in foreign currencies, other than the functional currency of the respective foreign entities. At the end of the reporting period, the loans denominated in Hong Kong dollars and United States dollar were HK\$208,903,000 (2014: HK\$208,903,000) and HK\$85,374,000 (2014: HK\$92,441,000), respectively.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 35. FINANCIAL INSTRUMENTS *(continued)*

### (b) Financial risk management objectives and policies *(continued)*

#### Market risk *(continued)*

##### (i) Foreign currency risk *(continued)*

##### Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2014: 5%) appreciation in the functional currencies of the relevant subsidiaries (i.e. Renminbi and Hong Kong dollars), relative to the foreign currencies of the relevant subsidiaries (i.e. Hong Kong dollars, United States dollars, Renminbi and Australian dollars). There would be an equal and opposite impact where Hong Kong dollars, United States dollars, Renminbi and Australian dollars weaken 5% (2014:5%) against the relevant currencies.

|                       | Decrease in<br>profit for the year |                  | Increase in equity |                  |
|-----------------------|------------------------------------|------------------|--------------------|------------------|
|                       | 2015<br>HK\$'000                   | 2014<br>HK\$'000 | 2015<br>HK\$'000   | 2014<br>HK\$'000 |
| Hong Kong dollars     | 1                                  | 1                | 10,445             | 10,445           |
| United States dollars | 3,298                              | 3,199            | 4,269              | 4,622            |
| Renminbi              | 152                                | 11,361           | —                  | —                |
| Australian dollars    | 29                                 | 42               | —                  | —                |

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign currency risk as the year end exposure does not reflect the exposure during the year.

Since the Hong Kong dollar is pegged to the United States dollar under the Linked Exchange Rate System, management does not expect any significant foreign currency exposure in relation to the exchange rate fluctuations between the Hong Kong dollar and the United States dollar.

##### (ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate borrowings, loan receivables, bank balances and deposits. The directors of the Company consider that the interest rate risk on bank balances and deposits are insignificant as they are subject to minimal interest rate fluctuation, accordingly, no sensitivity analysis is presented. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR, the PBOC Prescribed Interest Rates and Australian Bank Bill Swap Bid Rate on the bank borrowings, and Hong Kong Prime Rate on the loan receivables.

The Group currently does not have an interest rate swap hedging policy. However, the management monitors the interest rate exposure and will consider hedging interest rate risk exposure should the need arise.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 35. FINANCIAL INSTRUMENTS *(continued)*

### (b) Financial risk management objectives and policies *(continued)*

#### Market risk *(continued)*

##### (ii) Interest rate risk *(continued)*

##### *Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates in relation to the Group's variable-rate bank borrowings and loan receivables at the end of the reporting period. The analysis is prepared assuming the amount of asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2015 would decrease/increase by HK\$21,809,000 (2014: HK\$19,449,000).

#### Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position, which is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and the amount of contingent liabilities in relation to the financial guarantees provided by the Group as disclosed in note 41. In order to minimise the credit risk, management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

At 31 December 2015, the Group has concentration of credit risk on other receivable from two counterparties. The management of the Group has periodic communication with the counterparties and has monitored the progress of the project as set out in note 25, continuously.

Although the placing of deposits and notes subscribed are concentrated on certain banks, the credit risk on these financial assets is limited because the counterparties are licensed banks.

The Group has no other significant concentration of credit risk with exposure spread over a number of counterparties and customers.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 35. FINANCIAL INSTRUMENTS *(continued)*

### (b) Financial risk management objectives and policies *(continued)*

#### Credit risk *(continued)*

For properties under development which are held for sales, subject to pre-sales agreements, the Group generally provides guarantees to banks in connection with the purchasers' borrowing of mortgage loans to finance their purchase of the properties. Pursuant to the guarantees, upon default in mortgage payments by these property purchasers, the Group is responsible to repay the outstanding mortgage principals together with the accrued interest thereon. Under such circumstances, the Group is entitled to retain the purchasers' deposit and to take over the legal title and possession of the relevant property. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

#### Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities, and by continuously monitoring forecast and actual cash flows. As at 31 December 2015, the Group has bank balances and cash of HK\$3,923,012,000 (2014: HK\$3,007,591,000) and available unutilised bank loan facilities of approximately HK\$500,000,000 (2014: HK\$965,000,000).

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities and on the earliest date on which the Group can be required to pay. The table includes both interest, estimated based on interest rate at the end of the reporting period, and principal cash flows.

|                                          | Weighted average effective interest rate % | Within 3 months HK\$'000 | 3 months to 6 months HK\$'000 | 6 months to 9 months HK\$'000 | 9 months to 12 months HK\$'000 | Over 1 year HK\$'000 | Total undiscounted cash flows HK\$'000 | Carrying amount HK\$'000 |
|------------------------------------------|--------------------------------------------|--------------------------|-------------------------------|-------------------------------|--------------------------------|----------------------|----------------------------------------|--------------------------|
| <b>At 31 December 2015</b>               |                                            |                          |                               |                               |                                |                      |                                        |                          |
| Payables and deposits received           | —                                          | 303,074                  | 10,679                        | 6,732                         | 5,528                          | 76,421               | 402,434                                | 402,434                  |
| Amounts due to non-controlling interests | —                                          | 93,696                   | —                             | —                             | —                              | —                    | 93,696                                 | 93,696                   |
| Variable rates bank borrowings           | 2.70                                       | 482,910                  | 1,036,845                     | 38,104                        | 90,582                         | 3,420,727            | 5,069,168                              | 4,490,162                |
| Financial guarantee liabilities          | —                                          | 43,382                   | —                             | —                             | —                              | —                    | 43,382                                 | —                        |
|                                          |                                            | 923,062                  | 1,047,524                     | 44,836                        | 96,110                         | 3,497,148            | 5,608,680                              | 4,986,292                |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 35. FINANCIAL INSTRUMENTS *(continued)*

### (b) Financial risk management objectives and policies *(continued)*

#### Liquidity risk *(continued)*

|                                              | Weighted<br>average<br>effective<br>interest<br>rate<br>% | Within<br>3 months<br>HK\$'000 | 3 months<br>to<br>6 months<br>HK\$'000 | 6 months<br>to<br>9 months<br>HK\$'000 | 9 months<br>to<br>12 months<br>HK\$'000 | Over<br>1 year<br>HK\$'000 | Total<br>undiscounted<br>cash flows<br>HK\$'000 | Carrying<br>amount<br>HK\$'000 |
|----------------------------------------------|-----------------------------------------------------------|--------------------------------|----------------------------------------|----------------------------------------|-----------------------------------------|----------------------------|-------------------------------------------------|--------------------------------|
| At 31 December 2014                          |                                                           |                                |                                        |                                        |                                         |                            |                                                 |                                |
| Payables and deposits<br>received            | —                                                         | 191,637                        | 3,707                                  | 4,906                                  | 27,257                                  | 71,151                     | 298,658                                         | 298,658                        |
| Amounts due to non-<br>controlling interests | —                                                         | 99,505                         | —                                      | —                                      | —                                       | —                          | 99,505                                          | 99,505                         |
| Variable rates bank<br>borrowings            | 2.94                                                      | 438,951                        | 78,723                                 | 60,511                                 | 82,716                                  | 4,012,751                  | 4,673,652                                       | 4,212,092                      |
| Financial guarantee<br>liabilities           | —                                                         | 17,432                         | —                                      | —                                      | —                                       | —                          | 17,432                                          | —                              |
|                                              |                                                           | 747,525                        | 82,430                                 | 65,417                                 | 109,973                                 | 4,083,902                  | 5,089,247                                       | 4,610,255                      |

The amounts of financial guarantee liabilities, as set out in note 41, are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that such an amount will not be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable rate bank borrowings are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 35. FINANCIAL INSTRUMENTS *(continued)*

### (c) Fair value measurement of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices;
- the fair value of listed available for sale investments is determined in accordance with the quoted bid prices in active markets. This valuation falls under Level 1 of the fair value hierarchy; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models which is based on discounted cash flow analysis using the relevant prevailing market rates as input.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

The measurement of fair value of derivative financial instrument subsequent to initial recognition is derived from inputs, other than quoted prices for financial assets and liabilities trade in active markets, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

## 36. OPERATING LEASE ARRANGEMENTS

### The Group as lessee

Minimum lease payments paid under operating leases during the year are HK\$1,386,000 (2014: HK\$1,325,000).

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

|                                        | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|----------------------------------------|------------------|------------------|
| Within one year                        | 766              | 977              |
| In the second to fifth years inclusive | 129              | 834              |
|                                        | 895              | 1,811            |

Leases are negotiated for the range of 1 to 2 years (2014: 1 to 2 years) with fixed monthly rentals.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 36. OPERATING LEASE ARRANGEMENTS *(continued)*

### The Group as lessor

The majority of the Group's investment properties were leased out under operating leases.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

|                                        | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|----------------------------------------|------------------|------------------|
| Within one year                        | 377,561          | 387,365          |
| In the second to fifth years inclusive | 942,040          | 620,108          |
| Over five years                        | 976,129          | 756,052          |
|                                        | 2,295,730        | 1,763,525        |

In addition to the annual minimum lease payments, the Group is entitled to, in respect of leases, in addition to committed rent, additional rental based on a specified percentage of revenue, if achieved, earned by the tenant. No such additional rental was received during the year and the preceding year.

The lease terms of the remaining leased properties range from 1 to 18 years (2014: 1 to 19 years).

## 37. PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to secure banking facilities granted to the Group:

- Fixed charges on investment properties and property, plant and equipment with an aggregate carrying value of HK\$10,905,555,000 (2014: HK\$10,037,307,000) together with a floating charge over all the assets of the properties owning subsidiaries and benefits accrued to the relevant properties.
- Fixed charges on hotel properties with aggregate carrying values of HK\$666,251,000 (2014: HK\$686,105,000) together with a floating charge over all the assets of the properties owning subsidiaries and benefits accrued to the relevant properties.
- Fixed charges on properties under development held for sale with an aggregate carrying value of HK\$195,963,000 (2014: HK\$936,355,000).
- Fixed charges on properties for development with an aggregate carrying value of HK\$186,898,000 (2014: HK\$119,689,000).
- Note receivables of HK\$54,256,000 (2014: HK\$54,289,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 38. SHARE-BASED PAYMENTS

### Share Option Scheme of the Company

The employee share option scheme adopted by the Company on 25 August 2005 (the “2005 SEA Share Option Scheme”). Upon expiry of the 2005 SEA Share Option Scheme, no further options should be granted thereunder but the options granted and yet to be exercised under the 2005 SEA Share Option Scheme shall remain in force and effect.

The Company adopted a new share option scheme (the “2015 SEA Share Option Scheme”) on 29 May 2015. Unless terminated earlier by the board of directors of the Company (the “Board”), the 2015 SEA Share Option Scheme shall be valid and effective for a term of 10 years until 28 May 2025. Under the 2015 SEA Share Option Scheme, the Board may offer to eligible participants options to subscribe for shares of the Company at a price at least the highest of (i) the nominal value of the share of the Company; (ii) the average of the closing price of the share of the Company on the Stock Exchange for the five business days immediately preceding the date of grant of the option; and (iii) the closing price of the share of the Company on the Stock Exchange on the date of grant of the option.

Without prior approval of the shareholders of the Company in general meeting, no option may be granted to (a) an eligible participant which, if exercised in full, would result in the total number of shares issued and to be issued upon exercise of all options already granted or to be granted to such eligible participant (including both exercised and outstanding options) in any 12-month period, exceeding 1% of the shares of the Company then in issue; and (b) a substantial shareholder or an independent non-executive director of the Company or any of their respective associates which, if exercised in full, would result in the total number of shares issued and to be issued upon exercise of all options already granted or to be granted (including options exercised, cancelled and outstanding) to such person in any 12-month period, exceeding 0.1% of the shares of the Company then in issue and with an aggregate value exceeding HK\$5 million.

Options granted must be taken up within 28 days from the date of grant upon payment of HK\$10. The period during which an option may be exercised is determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. Unless otherwise determined by the Board at its sole discretion, there is no minimum period for which an option must be held before it can be exercised.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 38. SHARE-BASED PAYMENTS (continued)

### Share Option Scheme of the Company (continued)

Details of the share options granted under the 2005 SEA Share Option Scheme and the 2015 SEA Share Option Scheme during the two years ended 31 December 2015 are as follows:

| Date of grant            | Exercisable period upon vesting | Exercise price HK\$ | Number of share options |            |              |              |                     |            |              |              |                     |            |
|--------------------------|---------------------------------|---------------------|-------------------------|------------|--------------|--------------|---------------------|------------|--------------|--------------|---------------------|------------|
|                          |                                 |                     | At 1 January 2014       | Granted    | Exercised    | Lapsed       | At 31 December 2014 | Granted    | Exercised    | Lapsed       | At 31 December 2015 |            |
| Granted to the Directors |                                 |                     |                         |            |              |              |                     |            |              |              |                     |            |
| 12.07.2012               | 01.07.2013–30.06.2015           | 3.454               | 10,032,000              | —          | (9,810,000)  | —            | 222,000             | —          | (222,000)    | —            | —                   |            |
| 12.07.2012               | 01.07.2014–30.06.2016           | 3.454               | 10,032,000              | —          | (3,568,000)  | —            | 6,464,000           | —          | (3,122,000)  | —            | 3,342,000           |            |
| 12.07.2012               | 01.07.2015–30.06.2017           | 3.454               | 10,032,000              | —          | —            | —            | 10,032,000          | —          | (6,690,000)  | —            | 3,342,000           |            |
|                          |                                 |                     | 30,096,000              | —          | (13,378,000) | —            | 16,718,000          | —          | (10,034,000) | —            | 6,684,000           |            |
| Granted to the employees |                                 |                     |                         |            |              |              |                     |            |              |              |                     |            |
| 12.07.2012               | 12.07.2012–30.06.2014           | 3.454               | 100,000                 | —          | —            | (100,000)    | —                   | —          | —            | —            | —                   |            |
| 12.07.2012               | 01.07.2013–30.06.2015           | 3.454               | 1,630,000               | —          | (1,630,000)  | —            | —                   | —          | —            | —            | —                   |            |
| 12.07.2012               | 01.01.2014–31.12.2015           | 3.454               | 2,650,000               | —          | (2,130,000)  | —            | 520,000             | —          | (520,000)    | —            | —                   |            |
| 12.07.2012               | 01.07.2014–30.06.2016           | 3.454               | 2,400,000               | —          | (1,350,000)  | —            | 1,050,000           | —          | (1,050,000)  | —            | —                   |            |
| 12.07.2012               | 01.01.2015–31.12.2016           | 3.454               | 1,600,000               | —          | —            | —            | 1,600,000           | —          | (1,600,000)  | —            | —                   |            |
| 12.07.2012               | 01.07.2015–30.06.2017           | 3.454               | 6,960,000               | —          | —            | (780,000)    | 6,180,000           | —          | (4,520,000)  | (260,000)    | 1,400,000           |            |
| 02.07.2015               | 03.07.2015–02.07.2017           | 6.302               | —                       | —          | —            | —            | —                   | 150,000    | —            | —            | 150,000             |            |
| 02.07.2015               | 01.01.2016–31.12.2017           | 6.302               | —                       | —          | —            | —            | —                   | 750,000    | —            | —            | 750,000             |            |
| 02.07.2015               | 01.07.2016–30.06.2018           | 6.302               | —                       | —          | —            | —            | —                   | 2,600,000  | —            | —            | 2,600,000           |            |
| 02.07.2015               | 01.01.2017–31.12.2018           | 6.302               | —                       | —          | —            | —            | —                   | 3,500,000  | —            | (500,000)    | 3,000,000           |            |
| 02.07.2015               | 01.07.2017–30.06.2019           | 6.302               | —                       | —          | —            | —            | —                   | 3,400,000  | —            | (150,000)    | 3,250,000           |            |
| 02.07.2015               | 01.01.2018–31.12.2019           | 6.302               | —                       | —          | —            | —            | —                   | 3,150,000  | —            | —            | 3,150,000           |            |
| 02.07.2015               | 01.07.2018–30.06.2020           | 6.302               | —                       | —          | —            | —            | —                   | 8,100,000  | —            | (700,000)    | 7,400,000           |            |
|                          |                                 |                     | 15,340,000              | —          | (5,110,000)  | (880,000)    | 9,350,000           | 21,650,000 | (7,690,000)  | (1,610,000)  | 21,700,000          |            |
|                          |                                 |                     | Total                   | 45,436,000 | —            | (18,488,000) | (880,000)           | 26,068,000 | 21,650,000   | (17,724,000) | (1,610,000)         | 28,384,000 |
| Exercisable at year end  |                                 |                     | 11,762,000              |            |              |              | 8,256,000           |            |              |              | 8,234,000           |            |

Total consideration received by the Group for exercising the share options during the year amounted to HK\$61,219,000 (2014: HK\$63,858,000) and the weighted average share price at the dates of exercise was HK\$8.41 (2014: HK\$4.56). 100,000 shares were issued on 7 January 2016 pursuant to the options exercised on 17 December 2015.

On 2 July 2015, 21,650,000 share options under the 2015 SEA Share Option Scheme were granted to the employees of the Company and the closing price of the Company's shares immediately preceding the date of grant was HK\$6.23. The estimated fair value of the share options granted to employees of the Company on that date was HK\$21,499,000. The directors determined the fair values of share options with reference to the calculation of the fair value of the share options granted made by an independent professional valuer.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 38. SHARE-BASED PAYMENTS *(continued)*

### Share Option Scheme of the Company *(continued)*

The fair values were calculated using The Binominal Option Pricing model. The inputs into the model were as follows:

|                               | Share Option Granted on |                        |
|-------------------------------|-------------------------|------------------------|
|                               | 12 July 2012            | 2 July 2015            |
| Share price as at grant date: | HK\$3.340               | <b>HK\$6.200</b>       |
| Exercise price:               | HK\$3.454               | <b>HK\$6.302</b>       |
| Expected volatility:          | 24.68% – 31.22%         | <b>21.58% – 24.24%</b> |
| Expected dividend yield:      | 3.29%                   | <b>1.75%</b>           |
| Risk-free rate:               | 0.18% – 0.33%           | <b>0.385% – 1.188%</b> |

Expected volatility was determined by using the historical volatility of the Company's share price over the previous five years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The variables and assumptions used in computing the fair value of the share options were based on director's best estimate. The value of option varied with different variables of certain subjective assumptions.

### Share Award Scheme of the Company

The share award scheme of the Company (the "SEA Share Award Scheme") was approved by the shareholders of the Company on 27 May 2010 and came into effect on 15 June 2010. Unless terminated earlier by the Board, the SEA Share Award Scheme shall be valid and effective for a term of 15 years until 14 June 2025.

The purpose of the SEA Share Award Scheme is to provide a flexible means to recognise and acknowledge the performance and/or contribution of the eligible participants (as defined in the SEA Share Award Scheme). Under the SEA Share Award Scheme, the Board (or any committee delegated by the Board) may at its absolute discretion grant awards, which may comprise (a) new shares of the Company; (b) existing shares of the Company in issue and is listed on the Stock Exchange from time to time; (c) cash in lieu of the shares of the Company; or (d) a combination of (a), (b) and (c), to any eligible participants as it thinks fit and appropriate and subject to the terms and conditions of the SEA Share Award Scheme. No award may be granted under the SEA Share Award Scheme if the aggregate number of shares which may be issued and/or transferred upon vesting of all outstanding awards granted under the SEA Share Award Scheme and any other share award scheme of the Company and which may be issued upon exercise of all outstanding options granted and yet to be exercised under any share option scheme of the Company exceed 30% of the shares of the Company in issue from time to time.

The Company has appointed trustee to acquire the Company's shares from the open market with funds provided by the Company and to hold the shares before they are vested and transferred to the selected participants.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 38. SHARE-BASED PAYMENTS *(continued)*

### Share Option Scheme of AGP

The share option scheme of AGP (the “AGP Share Option Scheme”) was approved by the shareholders of the Company on 27 May 2010 and by the board of directors of AGP (the “AGP Board”) on 28 May 2010 and came into effect on 16 August 2010. Unless terminated earlier by the AGP Board, the AGP Share Option Scheme shall be valid and effective for a term of 10 years until 15 August 2020.

Under the AGP Share Option Scheme, the AGP Board (or any committee delegated by the AGP Board) may offer to the eligible participants options to subscribe for shares of AGP at a price at least the highest of (i) the closing price of the share of AGP on the AIM Market on the date of grant of the option; (ii) the average of the closing price of the share of AGP on the AIM Market for the five business days immediately preceding the date of grant of the option; and (iii) the par value of the share of AGP.

Without prior approval of the shareholders of the Company in general meeting, no option may be granted to (a) an eligible participant which, if exercised in full, would result in the total number of shares issued and to be issued upon exercise of all options already granted or to be granted to such eligible participant in any 12-month period, exceeding 1% of the shares of AGP then in issue; and (b) a substantial shareholder and/or an independent non-executive director of the Company or AGP or any of their respective associates which, if exercised in full, would result in the total number of shares issued and to be issued upon exercise of all options granted or to be granted to such person in any 12-month period, exceeding 0.1% of the shares of AGP then in issue and with an aggregate value exceeding HK\$5 million (or its equivalent amount in British Pound).

Options granted must be taken up within 28 days from the date of grant upon payment of HK\$10 (or its equivalent amount in British Pound or United States dollars). The period during which an option may be exercised is determined by the AGP Board (or any committee delegated by the AGP Board) at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. Unless otherwise determined by the AGP Board (or any committee delegated by the AGP Board) at its sole discretion, there is no minimum period for which an option must be held before it can be exercised.

No option was granted since the commencement of the AGP Share Option Scheme.

# Notes to the Consolidated Financial Statements

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## 38. SHARE-BASED PAYMENTS *(continued)*

### Share Award Scheme of AGP

The share award scheme of AGP (the “AGP Share Award Scheme”) was approved by the shareholders of the Company on 27 May 2010 and by the AGP Board on 28 May 2010 and came into effect on 16 August 2010. Unless terminated earlier by the AGP Board, the AGP Share Award Scheme shall be valid and effective for a term of 15 years until 15 August 2025.

The purpose of the AGP Share Award Scheme is to provide a flexible means to recognise and acknowledge the performance and/or contribution of the eligible participants (as defined in the AGP Share Award Scheme). Under the AGP Share Award Scheme, the AGP Board (or any committee delegated by the AGP Board) may at its absolute discretion grant awards, which may comprise (a) new shares of AGP; (b) existing shares of AGP in issue and is listed on the AIM Market from time to time; (c) cash in lieu of the shares of AGP; or (d) a combination of (a), (b) and (c), to any eligible participants as it thinks fit and appropriate and subject to the terms and conditions of the AGP Share Award Scheme. No award may be granted under the AGP Share Award Scheme if the aggregate number of shares which may be issued and/or transferred upon vesting of all outstanding awards granted under the AGP Share Award Scheme and any other share award scheme of AGP and which may be issued upon exercise of all outstanding options granted and yet to be exercised under any share option scheme of AGP exceed 30% of the shares of AGP in issue from time to time.

No award was granted since the commencement of the AGP Share Award Scheme.

## 39. RETIREMENT BENEFIT PLANS

The Group participates in defined contribution schemes which are registered under the Occupational Retirement Schemes Ordinance (the “ORSO Scheme”) and a Mandatory Provident Fund Scheme (the “MPF Scheme”) established under the Mandatory Provident Fund Schemes Ordinance of Hong Kong in December 2000 for eligible employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at rates ranging from 5% to 15% of the employee’s basic salary, depending on the length of service with the Group.

For members of the MPF Scheme, the Group contributes 5% to 15% of relevant payroll costs to the scheme for members of the MPF Scheme, depending on the length of service with the Group.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 39. RETIREMENT BENEFIT PLANS *(continued)*

The employees of the Group's subsidiaries in the PRC are members of state-managed retirement benefit scheme operated by the government of the PRC.

The total contribution paid to the retirement benefit schemes by the Group charged to profit or loss for the year amounted to HK\$8,579,000 (2014: HK\$8,757,000). No forfeited contributions have been used to reduce the level of contributions in either year.

## 40. RELATED PARTY TRANSACTIONS

The remuneration of directors of the Company who are the Group's key management personnel is set out in note 14.

The remuneration of directors and key executives of the Company is determined/recommended to the Board for approval by the remuneration committee having regard to the performance of individuals and market trends.

## 41. CONTINGENT LIABILITIES

The Group has given guarantees to banks in respect of mortgage loans provided to the Group's customers for the purchase of the Group's properties located in the PRC. At 31 December 2015, the total outstanding mortgage loans which are under the guarantee were HK\$43,382,000 (2014: HK\$17,432,000). The directors of the Company consider that the fair values of these guarantees at their initial recognition and the end of the reporting period are insignificant and accordingly the fair value of these guarantees have not been accounted for in the consolidated financial statements. The amounts as at 31 December 2015 were to be discharged upon the issuance of the real estate ownership certificate which is then pledged with the banks.

## 42. GAIN ON DISPOSAL OF SUBSIDIARIES

On 30 September 2015, after taking into account the market conditions, the current development plan has been changed. The Group entered into a sale and purchase agreement, pursuant to which the Group agreed to dispose of the entire interest in the subsidiaries, being the owner of a piece of land known as Sha Tin Town Lot No. 75 and the Remaining Portion of Lot No. 744 in the Demarcation District No. 176 and situated at 1-11 Au Pui Wan Street, Fo Tan, Sha Tin, New Territories, Hong Kong, to an independent third party at an aggregate consideration of HK\$1,400 million, subject to post-completion adjustments. Such disposal was completed on 30 November 2015. Management do not consider the disposal of the subsidiaries comprising an entire early stage development project, to be in the normal course of business of the Group and for that reason the gain on disposal is presented below profit from operations after fair value changes on investment properties.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 42. GAIN ON DISPOSAL OF SUBSIDIARIES *(continued)*

The major classes of assets and liabilities of the disposed subsidiaries at the date of the disposal were as follows:

|                                       | HK\$'000         |
|---------------------------------------|------------------|
| Properties under development for sale | 918,188          |
| Receivables, deposits and prepayments | 603              |
|                                       | <u>918,791</u>   |
| Gain on disposal of subsidiaries:     |                  |
| Cash consideration                    | 1,400,000        |
| Add: Consideration receivable         | 603              |
|                                       | <u>1,400,603</u> |
| Total consideration                   | 1,400,603        |
| Less: Transaction costs incurred      | (17,650)         |
| Less: Net assets disposed of          | (918,791)        |
|                                       | <u>464,162</u>   |
| Gain on disposal of subsidiaries      | 464,162          |
| Cash consideration received           | 1,400,000        |
| Less: Transaction costs paid          | (17,500)         |
|                                       | <u>1,382,500</u> |
| Net cash inflow arising on disposal   | <u>1,382,500</u> |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

|                                | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|--------------------------------|------------------|------------------|
| <b>Non-current assets</b>      |                  |                  |
| Interests in subsidiaries      | 5,902,696        | 5,839,915        |
| <b>Current assets</b>          |                  |                  |
| Receivables and deposits       | 211              | 670              |
| Bank balances                  | 168,163          | 118,024          |
|                                | 168,374          | 118,694          |
| <b>Current liabilities</b>     |                  |                  |
| Payables and accrued charges   | 3,658            | 2,208            |
| Amounts due to subsidiaries    | 4,111,829        | 4,108,789        |
| Unsecured bank borrowings      | 403,000          | 110,000          |
|                                | 4,518,487        | 4,220,997        |
| <b>Net current liabilities</b> | (4,350,113)      | (4,102,303)      |
| <b>Net assets</b>              | 1,552,583        | 1,737,612        |
| <b>Capital and reserves</b>    |                  |                  |
| Share capital                  | 67,765           | 68,962           |
| Reserves                       | 1,484,818        | 1,668,650        |
|                                | 1,552,583        | 1,737,612        |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(continued)*

### Movement in the Company's reserve

|                                                                    | Attributable to the Company's shareholders |                           |                                 |                                        |                                                                   |                                 |                                  |                              |                   |
|--------------------------------------------------------------------|--------------------------------------------|---------------------------|---------------------------------|----------------------------------------|-------------------------------------------------------------------|---------------------------------|----------------------------------|------------------------------|-------------------|
|                                                                    | Share capital<br>HK\$'000                  | Share premium<br>HK\$'000 | Contributed surplus<br>HK\$'000 | Capital redemption reserve<br>HK\$'000 | Shares on trust for awardees under share award scheme<br>HK\$'000 | Share award reserve<br>HK\$'000 | Share option reserve<br>HK\$'000 | Retained profits<br>HK\$'000 | Total<br>HK\$'000 |
| At 1 January 2014                                                  | 67,237                                     | 358,190                   | 190,081                         | 4,451                                  | —                                                                 | —                               | 20,455                           | 1,110,638                    | 1,751,052         |
| Loss and total comprehensive income for the year                   | —                                          | —                         | —                               | —                                      | —                                                                 | —                               | —                                | (1,498)                      | (1,498)           |
| Recognition of equity-settled share-based payments — share options | —                                          | —                         | —                               | —                                      | —                                                                 | —                               | 5,631                            | —                            | 5,631             |
| Shares issued upon exercise of share options                       | 1,849                                      | 73,177                    | —                               | —                                      | —                                                                 | —                               | (11,169)                         | —                            | 63,857            |
| Repurchase of ordinary shares                                      | (124)                                      | (5,866)                   | —                               | —                                      | —                                                                 | —                               | —                                | —                            | (5,990)           |
| Dividends paid                                                     | —                                          | —                         | —                               | —                                      | —                                                                 | —                               | —                                | (75,440)                     | (75,440)          |
| At 31 December 2014                                                | 68,962                                     | 425,501                   | 190,081                         | 4,451                                  | —                                                                 | —                               | 14,917                           | 1,033,700                    | 1,737,612         |
| Profit and total comprehensive income for the year                 | —                                          | —                         | —                               | —                                      | —                                                                 | —                               | —                                | 51,242                       | 51,242            |
| Recognition of equity-settled share-based payments — share options | —                                          | —                         | —                               | —                                      | —                                                                 | —                               | 7,066                            | —                            | 7,066             |
| — share awards                                                     | —                                          | —                         | —                               | —                                      | —                                                                 | 55,800                          | —                                | —                            | 55,800            |
| Shares issued upon exercise of share options                       | 1,762                                      | 70,372                    | —                               | —                                      | —                                                                 | —                               | (11,261)                         | —                            | 60,873            |
| Purchase of shares under share award scheme                        | —                                          | —                         | —                               | —                                      | (70,217)                                                          | —                               | —                                | —                            | (70,217)          |
| Shares transferred to participants under share award scheme        | —                                          | —                         | —                               | —                                      | 70,217                                                            | (55,800)                        | —                                | —                            | 14,417            |
| Repurchase of ordinary shares                                      | (2,959)                                    | (225,571)                 | —                               | —                                      | —                                                                 | —                               | —                                | —                            | (228,530)         |
| Dividends paid                                                     | —                                          | —                         | —                               | —                                      | —                                                                 | —                               | —                                | (75,680)                     | (75,680)          |
| At 31 December 2015                                                | 67,765                                     | 270,302                   | 190,081                         | 4,451                                  | —                                                                 | —                               | 10,722                           | 1,009,262                    | 1,552,583         |

## 44. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group entered into a sale and purchase agreement with independent third parties on 25 February 2016 to sell the entire issued shares of SEA (BVI) Limited, which wholly owns the issued shares of Wing Siu Company Limited (the sole registered and beneficial owner of Dah Sing Financial Centre (the "Property")) (the "Disposal") for a consideration of HK\$10,000 million subject to adjustments. The Group received deposits of HK\$1,000 million for the Disposal in February 2016. The owner occupied portion of the Property was classified as property, plant and equipment with carrying value of HK\$216 million and the remaining portion of the Property was accounted for as investment property with carrying value of HK\$8,983 million as set out in note 19 and note 18, respectively.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 44. EVENT AFTER THE REPORTING PERIOD *(continued)*

Upon the fulfillment of the conditions as set out in the sale and purchase agreement, the Disposal is expected to be completed in the first half of 2016 with an estimated gain (before expenses) of approximately HK\$900 million.

## 45. PRINCIPAL SUBSIDIARIES

| Name of subsidiary                                                           | Place/country of incorporation/operation | Issued and paid up share capital/registered capital | Effective % of issued share capital/registered capital held by the Company |      | Principal activities                                    |
|------------------------------------------------------------------------------|------------------------------------------|-----------------------------------------------------|----------------------------------------------------------------------------|------|---------------------------------------------------------|
|                                                                              |                                          |                                                     | 2015                                                                       | 2014 |                                                         |
| <i>Direct subsidiaries</i>                                                   |                                          |                                                     |                                                                            |      |                                                         |
| SEABO Pacific Limited                                                        | Bermuda/PRC                              | HK\$767,919                                         | 100                                                                        | 100  | Investment holding                                      |
| South-East Asia Investment And Agency Company, Limited                       | Hong Kong                                | HK\$10,000,000                                      | 100                                                                        | 100  | Provision of corporate and property management services |
| <i>Indirect subsidiaries</i>                                                 |                                          |                                                     |                                                                            |      |                                                         |
| AGP (Diamond Hill) Limited                                                   | Hong Kong                                | HK\$2                                               | 97                                                                         | 97   | Property development                                    |
| AGP (Sha Tin) Limited                                                        | Hong Kong                                | HK\$1                                               | —                                                                          | 97   | Property development                                    |
| Asian Growth Properties Limited                                              | BVI/Hong Kong                            | US\$44,317,390.60                                   | 97                                                                         | 97   | Investment holding                                      |
| Chengdu Huashang House Development Co., Ltd.*<br>成都華商房屋開發有限公司                | PRC                                      | RMB200,000,000 registered capital                   | 97                                                                         | 97   | Property investment                                     |
| Chengdu Yulong No.1 Property Development Company Limited*<br>成都裕龍壹號房地產開發有限公司 | PRC                                      | RMB345,000,000 registered capital                   | 97                                                                         | 97   | Property development                                    |
| Chengdu Yulong No.2 Property Development Company Limited*<br>成都裕龍貳號房地產開發有限公司 | PRC                                      | RMB80,000,000 registered capital                    | 97                                                                         | 97   | Property development                                    |
| Chengdu Yulong No.3 Property Development Company Limited*<br>成都裕龍參號房地產開發有限公司 | PRC                                      | RMB450,000,000 registered capital                   | 97                                                                         | 97   | Property development                                    |
| Concord Way Limited                                                          | Hong Kong                                | HK\$100                                             | 97                                                                         | 97   | Hotel operation                                         |
| Giant Well Enterprises Limited                                               | BVI/Hong Kong                            | US\$1                                               | 97                                                                         | 97   | Investment holding                                      |
| Grace Art Development Limited                                                | Hong Kong                                | HK\$1                                               | 97                                                                         | 97   | Treasury services                                       |
| Guangzhou Yingfat House Property Development Co., Ltd.*<br>廣州市盈發房產發展有限公司     | PRC                                      | US\$20,110,000 registered capital                   | 97                                                                         | 97   | Property development and investment                     |
| Harvest Hill Limited                                                         | Hong Kong                                | HK\$2                                               | 97                                                                         | 97   | Financing                                               |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 45. PRINCIPAL SUBSIDIARIES (continued)

| Name of subsidiary                                                                                               | Place/country of incorporation/operation | Issued and paid up share capital/registered capital | Effective % of issued share capital/registered capital held by the Company |      | Principal activities                                |
|------------------------------------------------------------------------------------------------------------------|------------------------------------------|-----------------------------------------------------|----------------------------------------------------------------------------|------|-----------------------------------------------------|
|                                                                                                                  |                                          |                                                     | 2015                                                                       | 2014 |                                                     |
| <i>Indirect subsidiaries (continued)</i>                                                                         |                                          |                                                     |                                                                            |      |                                                     |
| Huangshan City Huizhou District Feng Dan Bailu Investment and Development Company Limited*<br>黃山市徽州區楓丹白露投資開發有限公司 | PRC                                      | RMB35,000,000 registered capital                    | 97                                                                         | 97   | Property and tourist leisure facilities development |
| Kaifeng International City No.1 Realty Development Company Limited*<br>開封國際城一號實業開發有限公司                           | PRC                                      | US\$152,500,000 registered capital                  | 97                                                                         | 97   | Property development                                |
| Kaifeng International City No.5 Realty Development Company Limited*<br>開封國際城五號實業開發有限公司                           | PRC                                      | US\$42,450,000 registered capital                   | 97                                                                         | 97   | Property development                                |
| Kingston Pacific Investment Limited                                                                              | BVI/Hong Kong                            | US\$100                                             | 53                                                                         | 53   | Property development                                |
| Leighton Road Hotel Management Services Limited                                                                  | Hong Kong                                | HK\$1                                               | 97                                                                         | 97   | Hotel operation                                     |
| Nanjing Hushu Ecology Travel Development Co., Ltd.@<br>南京湖熟生態旅遊發展有限公司                                            | PRC                                      | RMB100,000,000 registered capital                   | 50                                                                         | 50   | Property, cultural and tourism development          |
| Nanjing Taligang Tourist Leisure Facilities Company Limited@<br>南京搭里崗旅遊開發有限公司                                    | PRC                                      | RMB35,000,000 registered capital                    | 50                                                                         | 50   | Property, cultural and tourism development          |
| Pearl Hope Limited                                                                                               | BVI                                      | US\$1                                               | 100                                                                        | 100  | Investment holding                                  |
| SEA Island Holdings Pty. Limited                                                                                 | Australia                                | A\$320,000 paid up share capital                    | 100                                                                        | 100  | Property investment                                 |
| Shine Concord Investments Limited                                                                                | Hong Kong                                | HK\$1                                               | 97                                                                         | 97   | Hotel operation                                     |
| Sino Harvest Real Estate Development (Chengdu) Company Limited*<br>漢泰房地產開發(成都)有限公司                               | PRC                                      | US\$3,000,000 registered capital                    | 97                                                                         | 97   | Property investment                                 |
| Sky Trend Investments Limited                                                                                    | Hong Kong                                | HK\$2                                               | 97                                                                         | 97   | Hotel operation                                     |
| Sunfold Development Limited                                                                                      | Hong Kong                                | HK\$1                                               | 97                                                                         | 97   | Hotel operation                                     |
| Top Paragon Investments Limited                                                                                  | BVI                                      | US\$1                                               | 100                                                                        | —    | Property investment                                 |
| Wing Siu Company Limited                                                                                         | Hong Kong                                | HK\$2                                               | 97                                                                         | 97   | Property investment                                 |

\* Wholly foreign owned enterprises.

@ Sino-foreign equity joint venture.

The directors of the Company are of the opinion that a complete list of the particulars of all subsidiaries of the Company will be of excessive length and therefore the above list contains only the particulars of subsidiaries which principally affect the results or assets of the Group.

None of the subsidiaries has issued any debt securities at the end of the year.



## GLOSSARY

In this annual report, unless the context otherwise requires, the following expression shall have the following meanings:

|                           |                                                                                                                                                                                                    |
|---------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Admiralty”               | Admiralty Pacific Limited, a company incorporated in the BVI with limited liability;                                                                                                               |
| “AGM(s)”                  | the annual general meeting(s) of the Company;                                                                                                                                                      |
| “AGP”                     | Asian Growth Properties Limited, a company incorporated in the BVI with limited liability and is a subsidiary of the Company, whose shares are admitted for trading on the AIM Market;             |
| “AGP Board”               | the board of directors of AGP;                                                                                                                                                                     |
| “AGP Share Award Scheme”  | the share award scheme of AGP;                                                                                                                                                                     |
| “AGP Share Option Scheme” | the share option scheme of AGP;                                                                                                                                                                    |
| “AIM Market”              | the AIM Market of The London Stock Exchange plc.;                                                                                                                                                  |
| “Audit Committee”         | the audit committee of the Company;                                                                                                                                                                |
| “Board”                   | the board of Directors;                                                                                                                                                                            |
| “BVI”                     | the British Virgin Islands;                                                                                                                                                                        |
| “CG Code”                 | the Corporate Governance Code;                                                                                                                                                                     |
| “Chairman”                | the chairman of the Board;                                                                                                                                                                         |
| “Company” or “SEA”        | S E A Holdings Limited is an exempted company incorporated in Bermuda with limited liability, the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock code: 251); |
| “Director(s)”             | the director(s) of the Company;                                                                                                                                                                    |
| “DTT”                     | Deloitte Touche Tohmatsu, Certified Public Accountants;                                                                                                                                            |
| “Executive Committee”     | the executive committee of the Company;                                                                                                                                                            |
| “Executive Director(s)”   | the executive Director(s);                                                                                                                                                                         |
| “Group”                   | the Company and its subsidiaries;                                                                                                                                                                  |
| “Government”              | the government of Hong Kong;                                                                                                                                                                       |
| “HK\$”                    | the lawful currency of Hong Kong for the time being;                                                                                                                                               |
| “HKAS”                    | Hong Kong Accounting Standards;                                                                                                                                                                    |

# GLOSSARY

|                                                   |                                                                                                                        |
|---------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| “HKEX”                                            | Hong Kong Exchanges and Clearing Limited;                                                                              |
| “HKFRS”                                           | Hong Kong Financial Reporting Standards;                                                                               |
| “Hong Kong”                                       | the Hong Kong Special Administrative Region of the PRC;                                                                |
| “Independent Non-executive Director(s)” or “INED” | the independent non-executive Director(s);                                                                             |
| “JCS”                                             | JCS Limited, an exempted company incorporated in Bermuda with limited liability;                                       |
| “Listing Rules”                                   | the Rules Governing the Listing of Securities on the Stock Exchange;                                                   |
| “Managing Director”                               | the managing Director;                                                                                                 |
| “Model Code”                                      | the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules; |
| “NLI”                                             | Nan Luen International Limited, an exempted company incorporated in Bermuda with limited liability;                    |
| “Nomination Committee”                            | the nomination committee of the Company;                                                                               |
| “Non-executive Director(s)”                       | the non-executive Director(s);                                                                                         |
| “NYH”                                             | NYH Limited, an exempted company incorporated in Bermuda with limited liability;                                       |
| “PRC” or “Mainland China”                         | The People’s Republic of China;                                                                                        |
| “Remuneration Committee”                          | the remuneration committee of the Company;                                                                             |
| “SEA Share Award Scheme”                          | the share award scheme of the Company;                                                                                 |
| “SFO”                                             | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);                                           |
| “SGM(s)”                                          | the special general meeting(s) of the Company;                                                                         |
| “Shareholders”                                    | the shareholders of the Company;                                                                                       |
| “Stock Exchange”                                  | The Stock Exchange of Hong Kong Limited;                                                                               |
| “Wetherby”                                        | Wetherby International Limited, a company incorporated in the BVI with limited liability; and                          |
| “2005 Share Option Scheme”                        | the share option scheme adopted by the Company on 25 August 2005;                                                      |
| “2015 Share Option Scheme”                        | the share option scheme adopted by the Company on 29 May 2015; and                                                     |
| “%”                                               | per cent.                                                                                                              |

26/F Dah Sing Financial Centre 108 Gloucester Road Wanchai Hong Kong

香港灣仔告士打道 108 號大新金融中心 26 樓

T 電話 +852 2828 6363 F 傳真 +852 2598 6861

[www.seagroup.com.hk](http://www.seagroup.com.hk)

**爪哇控股有限公司**

**S E A Holdings Limited**

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

