

WING TAI PROPERTIES LIMITED

永泰地產有限公司

STOCK CODE 股份代號 369

20

15

ANNUAL REPORT
年報

The background is an abstract, textured composition of various colors including teal, green, purple, and yellow. The colors are applied in thick, expressive brushstrokes, creating a sense of depth and movement. The overall effect is reminiscent of a modern, artistic wall or a piece of contemporary art.

We don't just build,
we craft.



Our brands,
Wing Tai Asia and Lanson Place,
are synonymous with quality
craftsmanship, a result of
the close alignment of values
and seamless cooperation of
our committed professional teams.

We strive to deliver sophisticated
yet warm homes that turn our
customers' dreams into reality.

10 Brook Street



35 Berkeley Square



No.1 Savile Row



3 Cavendish Square







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CORPORATE INFORMATION

BOARD OF DIRECTORS**Executive Directors**

CHENG Wai Chee, Christopher *GBS OBE JP*
(Chairman)

CHENG Wai Sun, Edward *SBS JP*
(Deputy Chairman and Chief Executive)

CHENG Man Piu, Francis

CHOW Wai Wai, John

NG Kar Wai, Kenneth

Non-Executive Directors

KWOK Ping Luen, Raymond *JP*
(KWOK Ho Lai, Edward as his alternate)

HONG Pak Cheung, William

NG Tak Wai, Frederick

CHEN Chou Mei Mei, Vivien

Independent Non-Executive Directors

Simon MURRAY *CBE*

FANG Hung, Kenneth *GBS CBE JP*

YEUNG Kit Shing, Jackson

Haider Hatam Tyebjee *BARMA GBS CBE ISO JP*

CHENG Hoi Chuen, Vincent *GBS OBE JP*

AUDIT COMMITTEE MEMBERS

YEUNG Kit Shing, Jackson (Chairman)

FANG Hung, Kenneth *GBS CBE JP*

HONG Pak Cheung, William

REMUNERATION COMMITTEE MEMBERS

Simon MURRAY *CBE* (Chairman)

CHENG Wai Chee, Christopher *GBS OBE JP*

CHENG Wai Sun, Edward *SBS JP*

FANG Hung, Kenneth *GBS CBE JP*

YEUNG Kit Shing, Jackson

NOMINATION COMMITTEE MEMBERS

CHENG Hoi Chuen, Vincent *GBS OBE JP* (Chairman)

CHENG Wai Chee, Christopher *GBS OBE JP*

CHENG Wai Sun, Edward *SBS JP*

YEUNG Kit Shing, Jackson

Haider Hatam Tyebjee *BARMA GBS CBE ISO JP*

**COMPANY SECRETARY AND
GROUP LEGAL COUNSEL**

CHUNG Siu Wah, Henry

AUDITOR

PricewaterhouseCoopers

LEGAL ADVISERS TO THE COMPANY

Slaughter and May (as to Hong Kong Laws)

Appleby (as to Bermuda Laws)

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited

Bank of China (Hong Kong) Limited

Standard Chartered Bank (Hong Kong) Limited

**PRINCIPAL SHARE REGISTRAR AND
TRANSFER AGENT**

Appleby Management (Bermuda) Ltd.

Canon's Court, 22 Victoria Street

Hamilton HM 12, Bermuda

**HONG KONG BRANCH SHARE
REGISTRAR AND TRANSFER OFFICE**

Tricor Standard Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

REGISTERED OFFICE

Canon's Court, 22 Victoria Street

Hamilton HM 12, Bermuda

**HEAD OFFICE AND PRINCIPAL PLACE
OF BUSINESS**

27th Floor, AIA Kowloon Tower

Landmark East

100 How Ming Street

Kwun Tong, Kowloon

Hong Kong

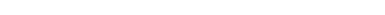
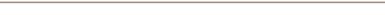
COMPANY WEBSITE

<http://www.wingtaiproperties.com>

**HONG KONG STOCK EXCHANGE
STOCK CODE**

369

GROUP'S MAJOR INVESTMENTS

	Group's Effective Interest	
Properties		
Property Development		
The Warren	100%	
The Pierre	100%	
Siu Sau, Tuen Mun (Tuen Mun Town Lot No. 435)	100%	
Shau Kei Wan (Shan Kei Wan Inland Lot No. 854)	100%	
Providence Bay	15%	
Providence Peak	15%	
The Graces • Providence Bay	15%	
Homantin Hillside	50%	
Kau To, Shatin (Sha Tin Town Lot No. 567)	35%	
Kau To, Shatin (Sha Tin Town Lot No. 565)	35%	
Property Investment and Management		
Landmark East	100%	
W Square	100%	
Shui Hing Centre	100%	
Winner Godown Building	100%	
No. 1 Savile Row/7 Vigo Street, London	100%	
8-12 (even) Brook Street, London	100%	
35 Berkeley Square, London	100%	
10 Fleet Place, London	25%	
Upper Riverside, Shanghai	50%	
Hospitality Investment and Management		
Lanson Place Hotel, Hong Kong	100%	
Lanson Place Central Park Serviced Residences, Beijing (33 units)	100%	
Lanson Place Bukit Ceylon Serviced Residences, Kuala Lumpur	50%	
Management Services		
Wing Tai Properties Development	100%	
Lanson Place Hospitality Management	100%	

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FINANCIAL HIGHLIGHTS

	Year ended 31 December		% Change
	2015 HK\$'M	2014 HK\$'M	
Revenue	1,009.2	1,783.5	↓ 43%
Gross profit	744.9	926.4	↓ 20%
Change in fair value of investment properties and financial instruments	704.7	1,539.2	↓ 54%
Profit before taxation	1,182.3	2,033.1	↓ 42%
Profit attributable to equity holders of the Company	1,099.1	1,943.6	↓ 43%

Earnings per share attributable to equity holders of the Company

Basic	HK\$0.82	HK\$1.45	↓ 43%
Diluted	HK\$0.82	HK\$1.45	↓ 43%

Dividends per ordinary share

Interim	HK4.2 cents	HK4.2 cents	-
Final	HK10.8 cents	HK9.3 cents	↑ 16%
Total	HK15.0 cents	HK13.5 cents	↑ 11%

	At 31 December		% Change
	2015 HK\$'M	2014 HK\$'M	
Total assets	28,220.9	27,527.8	↑ 3%
Total equity	23,347.3	22,680.2	↑ 3%

FIVE YEARS FINANCIAL SUMMARY

The following is a summary of the results and of the assets and liabilities of the Group for each of the five years ended 31 December 2015:

RESULTS	Year ended 31 December				
	2015 HK\$'M	2014 HK\$'M	2013 HK\$'M	2012 HK\$'M (Note a & b)	2011 HK\$'M (Note a & b)
Revenue	1,009.2	1,783.5	1,736.2	891.7	1,191.0
Profit before taxation from continuing operations	1,182.3	2,033.1	2,746.2	4,612.1	2,847.4
Taxation	(83.2)	(89.5)	(91.4)	(78.4)	(81.8)
Profit for the year from continuing operations	1,099.1	1,943.6	2,654.8	4,533.7	2,765.6
Profit/(loss) for the year from discontinued operations	–	–	6.4	260.1	(31.9)
Profit for the year	1,099.1	1,943.6	2,661.2	4,793.8	2,733.7
Attributable to:					
Equity holders of the Company					
– From continuing operations	1,099.1	1,943.6	2,654.6	4,476.6	2,242.6
– From discontinued operations	–	–	6.4	260.1	(31.9)
Non-controlling interests	1,099.1	1,943.6	2,661.0	4,736.7	2,210.7
– From continuing operations	–	–	0.2	57.1	523.0
	1,099.1	1,943.6	2,661.2	4,793.8	2,733.7
ASSETS AND LIABILITIES	At 31 December				
	2015 HK\$'M	2014 HK\$'M	2013 HK\$'M	2012 HK\$'M (Note b)	2011 HK\$'M (Note b)
Total assets	28,220.9	27,527.8	26,705.1	23,578.1	20,212.5
Total liabilities	(4,873.6)	(4,847.6)	(5,809.9)	(5,216.3)	(4,849.8)
Non-controlling interests	(1.0)	(1.2)	(1.5)	(2.0)	(2,435.0)
Equity attributable to the equity holders of the Company	23,346.3	22,679.0	20,893.7	18,359.8	12,927.7

Notes:

- (a) In 2013, the Group's garment manufacturing operations were ceased. In 2012, the Group's branded products distribution operations were disposed. Therefore, these operations are presented as discontinued operations according to HKFRS 5 "Non-current assets held for sale and discontinued operations". Prior years' results are re-presented.
- (b) The Group adopted HKFRS 11 "Joint arrangements" with effect from 1 January 2013, and applied retrospectively.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to report that the Group's consolidated net profit attributable to shareholders was HK\$1,099 million for 2015 and earnings per share was HK\$0.82. The Board of Directors has recommended a final dividend of HK10.8 cents per share. Together with the interim dividend of HK4.2 cents per share, total dividend for the full year will be HK15.0 cents per share, a 11% increase from 2014.

In 2015, we continued to strengthen the three strategic pillars of our business of property development, property investment and management, and hospitality investment and management. We endeavoured to maintain balanced sources of income, with emphases to increase the recurring income from our investment properties in Hong Kong and other key gateway cities through asset acquisitions and enhancements, and to expand our development pipeline for better scalability and cost efficiency, in order to neutralise the cyclical market volatility.

The Hong Kong residential property market showed much volatility in 2015. The primary sales transactions surged in terms of price and volume in the first half of the year, despite repeated attempts by the government to cool down the market. In the months that followed, market sentiment and buying confidence were weighed down by external factors including the stock market turbulence in Hong Kong and mainland China together with the prospect of a weakening local retail market and possible interest rate hikes. During the period, we were able to capture several favourable windows of opportunity to progressively sell the remaining units of The Warren, The Pierre, Providence Bay, Providence Peak and The Graces.

In June, we relaunched the pre-sale of Homantin Hillside, our premier residential development at 8 Wai Yin Path. It is the first Kowloon residence to introduce the exclusive lifestyle services by Lanson Place, along with our two luxury residential developments of The Warren and The Pierre on Hong Kong Island. Since then, Homantin Hillside has been generating encouraging market interest and sales responses from both end-users and investors. Revenue from the pre-sale of the project is expected to be recognised in the 2016 financial year, when respective units start to be handed over to purchasers.

In terms of the investment property business, our Hong Kong investment portfolio performed satisfactorily taking full advantage of the increased demands for expansion and relocation by corporations, especially those multinational corporations and insurance groups. We continued to achieve solid growth in recurring rental income from our quality Grade A offices and industrial buildings, driven mainly by upward rental reversions upon rent review and higher rents for new leases. Occupancy levels remained high. Kowloon East has been a location of choice for tenants seeking prime and large floor-plate office spaces outside of the traditional CBD area. This works to the full benefits of Landmark East, our flagship Grade A office towers in the centre of Kwun Tong.

With the aim of broadening and diversifying our investment avenues in key gateway cities, in September 2015, we acquired a boutique office building in Mayfair of Central London, bringing forth substantial rental reversion opportunities. In the same month, we also bought a 25% interest in a Grade A office building in the City of Central London, with the project achieving full occupancy. Both properties started to contribute to our recurring income from the outset. In January 2016, we completed another acquisition of a 33% interest in a West End office building. As at to date, we have built our presence with five commercial properties in London. This will begin to give us the benefit of economies of scale and enable us to leverage our management and development experiences to carry out enhancement initiatives at these assets.

Likewise, a selective and focused approach remained for new land acquisitions in Hong Kong. We expanded our land bank to include a premium residential site located in So Kwun Wat, Tuen Mun, through a public land sale tender last December. This will complement our residential offerings in the pipeline by the other site in Siu Sau in the same neighbourhood.

In 2015, our Lanson Place hospitality investment and management business delivered a mixed performance. Occupancy levels and rental rates of our managed and/or owned properties in Beijing, Shanghai, Kuala Lumpur and Singapore by and large remained stable. In Hong Kong, owing to a slowdown in tourist arrivals from major markets, mainland China in particular, Lanson Place Hotel encountered tougher conditions and was inevitably affected. During the year, we expanded Lanson Place

presence in Hong Kong and Shanghai. Lanson Place concluded a 10-year management contract to manage One Sunland Serviced Suites of 196 units in Waigaoqiao Free Trade Zone, Pudong, Shanghai. Scheduled for opening in the second quarter of 2016, the project denotes our 5th flag in Shanghai. In February 2016, another 10-year management contract to manage a serviced apartment project of 213 units at Two MacDonnell Road, Mid-Levels, Hong Kong was concluded. The management period will commence on 24 March 2016. This signifies the 12th addition to our Lanson Place portfolio. We also divested our equity interest in a property in Shanghai in 2015.

With a healthy and robust balance sheet and in face of a turbulent economic environment globally, we will adhere to our principles of prudent strategic planning and stringent execution to grow and diversify our asset portfolio in key gateway cities as, and when, the right opportunities emerge in the market. We believe this is how we can create sustainable value for our stakeholders.

Last but not least, I would like to take this opportunity to express my gratitude to all stakeholders, business partners, customers and our colleagues as a whole, whose continuous support throughout the years have made the Group an ongoing success.

Cheng Wai Chee, Christopher

Chairman

Hong Kong, 17 March 2016

BUSINESS REVIEW

For the year ended 31 December 2015, the Group's revenue was HK\$1,009 million compared with HK\$1,784 million in 2014. Consolidated profit attributable to equity holders was HK\$1,099 million, a decrease of HK\$845 million compared with HK\$1,944 million in 2014. The decrease was mainly attributable to (a) a lower fair value gain on investment properties and financial instruments of HK\$705 million in 2015 compared with HK\$1,539 million in 2014, as well as (b) lower development profits offset by (c) a one-off disposal gain on investment in an associate of HK\$58 million.

Property Development

The property development segment revenue was HK\$149 million in 2015 compared with HK\$944 million in 2014. Segment profit before taxation was HK\$44 million, a decrease of HK\$126 million compared with HK\$170 million in 2014, mainly attributable to fewer property sales from wholly-owned projects in 2015 than in 2014.

Wholly-owned projects

The Warren, located at 9 Warren Street, Causeway Bay, is a residential and commercial project with a saleable area of approximately 53,000 square feet for 103 residential units and 2 retail shops on the ground floor. In 2015, around 8% of the residential units were sold. Cumulatively, as at 31 December 2015, around 90% of the residential units were sold.

The Pierre, located at 1 Coronation Terrace, Mid-Levels West, is a residential project with a saleable area of approximately 29,000 square feet for 77 units. In 2015, around 3% of the residential units were sold. Cumulatively, as at 31 December 2015, around 95% of the residential units were sold.

The site in Shau Kei Wan, a prime harbour-front residential site, has a gross floor area of approximately 46,000 square feet. Foundation work has commenced and the project is scheduled for completion in 2018.

The site in Siu Sau, Castle Peak Road – Tai Lam, a low-density residential site, has a gross floor area of approximately 159,000 square feet. Foundation work and site formation work have commenced and the project is scheduled for completion by 2019.

In December 2015, the Group won a government tender for a residential site located at So Kwun Wat Road, Tuen Mun, with a gross floor area of approximately 264,000 square feet. The site has been in possession since January 2016 and the project is scheduled for completion in 2021.

Joint venture projects

The Group has a 15% interest in each of Providence Bay, Providence Peak and The Graces located at Pak Shek Kok, Tai Po. In 2015, around 21%, 10% and 12% of the residential units of Providence Bay, Providence Peak and The Graces were sold respectively. Cumulatively, as at 31 December 2015, around 85%, 91% and 95% of the residential units of Providence Bay, Providence Peak and The Graces were sold respectively.

The Group has a 30% interest in Seymour, located at Mid-Levels. In 2015, around 2% of the residential units were sold. Cumulatively, as at 31 December 2015, all of the residential units and carparks were sold.

The Group has a 50% interest in Homantin Hillside, located at Hung Hom, which is in close proximity to the future Ho Man Tin MTR station of the Kwun Tong Line Extension and the Shatin to Central Link. The project has a saleable area of approximately 128,000 square feet for 173 residential units. In 2015, around 40% of residential units were pre-sold. Cumulatively, as at 31 December 2015, around 45% of the residential units were pre-sold. The Group is the lead project manager and lead sales and marketing manager for this project. Superstructure work is in progress and the project is scheduled for completion in the second half of 2016.

The Group has two low-density residential projects in Kau To, Shatin. The Group has a 35% interest in both sites which offer a combined gross floor area of approximately 460,000 square feet. The Group is the joint project manager and lead sales and marketing manager for both projects. Superstructure work has commenced and the projects are scheduled for completion in 2017.

Property Investment and Management

The property investment and management segment revenue was HK\$691 million in 2015, an increase of HK\$22 million compared with HK\$669 million in 2014. Segment profit before taxation (including fair value changes) was HK\$1,215 million, a decrease of HK\$715 million compared with HK\$1,930 million in 2014. Excluding fair value changes in investment properties and financial instruments, segment profit before taxation was HK\$424 million in 2015, an increase of HK\$31 million compared with HK\$393 million in 2014 due to continued growth in rental rate and savings in finance costs due to bank loans repayment in the second half of 2014.

Wholly-owned properties in Hong Kong

As at 31 December 2015, the Group's portfolio of investment properties, comprising 1.5 million square feet of Grade A office buildings and 0.7 million square feet of industrial buildings, had an aggregate fair market valuation of around HK\$18,300 million.

Landmark East is the Group's flagship property located in Kowloon East. This property is a Grade A office complex comprising twin towers of 36 floors and 34 floors respectively with a total gross floor area of approximately 1,338,000 square feet and 454 car parking spaces. As at 31 December 2015, the property achieved an occupancy of approximately 97%. An average rental upward reversion of approximately 18% was achieved for the leases renewed or reviewed during the year. Around 48% of leases will expire in 2016 and will be subject to renewal on prevailing market terms.

Located at Hennessy Road in the heart of Wan Chai, W Square offers a gross floor area of approximately 129,000 square feet of office and retail space. As at 31 December 2015, the property achieved an occupancy of approximately 96%. An average rental upward reversion of approximately 9% was achieved for the leases renewed during the year. Around 21% of the leases will expire in 2016 and will be subject to renewal on prevailing market terms.

The Group has two industrial buildings, Winner Godown Building in Tsuen Wan and Shui Hing Centre in Kowloon Bay, with a combined gross floor area of approximately 684,000 square feet. As at 31 December 2015, the two properties achieved an average occupancy of approximately 97%. An average rental upward reversion of approximately 24% was achieved for the leases renewed during the year. Around 60% of the leases will expire in 2016 and will be subject to renewal on prevailing market terms.

Wholly-owned properties in London, the United Kingdom

The commercial property located at Savile Row/Vigo Street, West End, has a net internal area of approximately 14,000 square feet of Grade A office and retail space. As at 31 December 2015, the property achieved full occupancy.

The high-end commercial property located at Brook Street, West End, offers easy access to the upcoming Bond Street Station of London Crossrail and has a net internal area of approximately 19,000 square feet of Grade A office and retail space. As at 31 December 2015, the property achieved full occupancy.

In September 2015, the Group acquired a 6-storey commercial property located at 35 Berkeley Square, West End. The property has a net internal area of approximately 7,900 square feet of office space. As at 31 December 2015, the property achieved an occupancy of approximately 70%.

Joint venture properties in London, the United Kingdom

In September 2015, through a joint venture with an independent third party, the Group acquired a 25% interest in a 12-storey commercial property located at 10 Fleet Place, the City. The property has a net internal area of approximately 186,000 square feet of Grade A office and retail space. As at 31 December 2015, the property achieved full occupancy.

In January 2016, through a joint venture with two independent third parties, the Group acquired a 33% interest in a 6-storey property located at 3 Cavendish Square, West End. The property has a net internal area of approximately 11,000 square feet of office space.

MANAGEMENT DISCUSSION AND ANALYSIS

Joint venture project in China

The Group has a 50% interest in Upper Riverside, a luxury apartment building located at Lujiazui, Pudong, Shanghai. The project has a gross floor area of approximately 210,000 square feet for 97 units. The Group is the lead project manager and lead sales and marketing manager. The project was completed in August 2015 and is ready for leasing and sale.

Hospitality Investment and Management

The hospitality investment and management segment revenue was HK\$147 million in 2015, staying at the same level as in 2014. Segment loss before taxation (including fair value changes) was HK\$22 million in 2015, compared with segment profit of HK\$59 million in 2014. Excluding fair value changes in investment properties and financial instruments and the one-off disposal gain of HK\$58 million on investment in an associate in 2015, segment profit before taxation was HK\$20 million, compared with HK\$36 million in 2014.

Lanson Place Hotel in Hong Kong recorded a stable occupancy but average rental rates were under pressure in line with the continued softening hotel market.

The Group has a 50% interest in Lanson Place Bukit Ceylon Serviced Residences in Kuala Lumpur, which has continued to build up its occupancy since its full opening in December 2014.

Lanson Place Central Park Serviced Residences in Beijing maintained stable average rental rate and occupancy of over 90%.

In July 2015, a 10-year management contract was signed to manage One Sunland Serviced Suites in Waigaoqiao Free Trade Zone, Pudong, Shanghai. The project offers 196 units of studio and one to three-bedroom apartments and is targeted to open by June 2016.

In February 2016, another 10-year management contract to manage a serviced apartment project of 213 units at Two MacDonnell Road, Mid-Levels, Hong Kong was concluded. The management period will commence on 24 March 2016.

In October 2015, the Group disposed of its entire 23.4% interest in Lanson Place Jinlin Tiandi Serviced Residences in Shanghai and recorded a one-off disposal gain of HK\$58 million. Following the disposal of the equity interest, the property remains under Lanson Place management.

During the year, “Lanson Place Lifestyle Services” were rolled out in The Warren and The Pierre in Hong Kong, in addition to Upper Riverside in Shanghai.

Lanson Place Hospitality Management and its properties continue to be well-recognised by travellers. Lanson Place Hospitality Management Limited was named “The Best Serviced Apartment Operator of China” at the 10th China Hotel Starlight Awards. Moreover, Lanson Place Hotel in Hong Kong was awarded “Asia’s Leading Boutique Hotel 2015” and “Hong Kong’s Leading Boutique Hotel 2015” by the World Travel Awards, and also won the “Outstanding Customer Service Award” out of over 500 hotels at the Small Luxury Hotels of the World 2015 Hotel Awards. Lanson Place Bukit Ceylon Serviced Residences in Kuala Lumpur was declared the “Winner for the Hotel Suites in Asia Pacific category” by International Hotel & Property Awards 2015. In addition, Lanson Place Central Park Serviced Residences in Beijing was awarded the “Best Homes” by 2015 City Weekend Home & Office Design Luxury Homes of China Awards.

Others

The others segment represents investing activities and corporate expenses including central management and administrative function. Segment revenue was HK\$22 million in 2015 compared with HK\$23 million in 2014. Segment loss before taxation (including fair value changes) was HK\$54 million in 2015 compared with HK\$126 million in 2014. Excluding fair value change in financial instruments, segment loss before taxation was HK\$72 million in 2015, compared with HK\$92 million in 2014.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group's net assets totaled HK\$23,347 million as at 31 December 2015 (2014: HK\$22,680 million). The increase of HK\$667 million mainly resulted from the profit for the year of HK\$1,099 million, offset by the distribution of the 2014 final dividend and 2015 interim dividend of HK\$181 million, net fair value loss arising from revaluation of available-for-

sale financial assets of HK\$127 million and net exchange loss arising from translation of foreign operations of HK\$85 million.

As at 31 December 2015, the Group's bank and other borrowings totaled HK\$3,766 million (2014: HK\$3,879 million). The maturity profile of the Group's bank and other borrowings is set out below:

	31 December 2015		31 December 2014	
	HK\$ million	%	HK\$ million	%
Repayable:				
Within one year	440	12%	64	2%
Between one to two years	490	13%	459	12%
Between two to five years	983	26%	1,427	37%
After five years	1,853	49%	1,929	49%
	3,766	100%	3,879	100%

As at 31 December 2015, the Group's net borrowings (total bank borrowings and fixed rate bonds less bank balances and cash) were HK\$1,692 million (2014: HK\$2,286 million), representing 7.2% of the Group's net assets (2014: 10.1%). Interest for the Group's bank borrowings is mainly on a floating rate basis while interest for the Group's bonds is on a fixed rate basis.

The Group's bank balances and cash as well as unutilised revolving loan facilities are set out as follows:

	31 December 2015 HK\$ million	31 December 2014 HK\$ million
Bank balances and cash	2,074	1,593
Unutilised revolving loan facilities	2,194	2,210
	4,268	3,803

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign Currencies

The Group principally operates in Hong Kong, and as a result, has immaterial exposure to exchange rate fluctuation. The Group conducts its business mainly in Hong Kong dollars, and to a lesser extent Renminbi, UK pounds, Singapore dollars and Malaysia Ringgits. For transactions in foreign currencies, the Group will closely monitor the exposure, and if appropriate, hedge by local currency financing and other financial instruments to the extent desirable.

Contingent Liabilities

As at 31 December 2015, the Group had contingent liabilities of HK\$3,135 million (2014: HK\$2,858 million) in respect of guarantees given by the Company for banking facilities granted to certain joint ventures. The guarantees were given severally and in proportion to the Group's equity interests in the joint ventures.

Pledge of Assets

As at 31 December 2015, the Group's advances to joint ventures of HK\$1,693 million (2014: advances to associates/joint ventures of HK\$1,531 million) were subordinated to the loan facilities of joint ventures and assigned. The shares in these joint ventures beneficially owned by the Group are pledged to the financial institutions.

As at 31 December 2015, several of the Group's investment properties, properties for sale and other financial assets with carrying values of HK\$5,151 million, HK\$1,134 million and HK\$247 million respectively were pledged to secure credit facilities for the Group.

PROSPECTS

Global economy is likely to be challenging. There are also growing concerns about the outlook for the Hong Kong economy with inbound tourism as well as retail sales and exports showing signs of weakness. These add pressure to the property market, which will in turn dampen buyers' confidence. While we will stay vigilant in the light of the downside risks, we believe Hong Kong's economic fundamentals remain sound with interest rates and unemployment rate still at a low level. We are prudently positive that the pent-up demand will continue to support home prices for quality products in the longer run. Particularly, the high-end luxury residential segment is always subject to tight supply and prospective purchasers are generally equipped with stronger purchasing power. We will take a disciplined approach to property sales in order to optimise value.

We expect our investment portfolio of commercial properties to enjoy a stable rental rate and occupancy, and generate a sustainable growth in recurring rental income. Looking ahead, we believe that the supply of new and prime office spaces in core location of major business districts in Hong Kong, as well as in other key gateway cities, will remain limited. The continued expansion of Chinese-backed corporations into Hong Kong will support the trend of decentralisation, which is destined to turn Kowloon East into a new CBD area. Our Landmark East in Kowloon East is advantageously positioned to capitalise on the opportunities for rental growth while reinforcing its market leader position in this booming district.

By March 2016, our Lanson Place hospitality brand has managed eleven serviced apartment projects in Hong Kong, Beijing, Shanghai, Singapore and Kuala Lumpur, and a luxury boutique hotel in Hong Kong. We are committed to expanding the presence of Lanson Place in Hong Kong and Asia, through long-term third-party management contracts.

Going forward, while we stay prudently active in replenishing our land bank through public land tender programme and private treaty for development properties, we will also take advantage of market opportunities to acquire yield-enhancing investment properties in Hong Kong and other key gateway cities to grow our portfolio and recurring rental income.

With a strong financial position and robust capital structure, we will prudently exercise our financial management to achieve the strategy of the Group to expand our balanced asset portfolio and deliver long-term value creation for our stakeholders.

KEY RISKS AND UNCERTAINTIES

The Group's business, financial conditions or results of operations are affected by a number of key risks and uncertainties as outlined below. There may be other risks or uncertainties, including those which are not known to the Group or which the Group currently deems to be immaterial but may affect the Group in future.

Property development

A majority of the Group's assets are located in, and a majority of the Group's revenue is derived from Hong Kong. As a result, the general state of Hong Kong and the property market, the interest rate changes and the political and legal situation in Hong Kong may have a significant impact on the Group's operating results and financial condition.

The Group's activities on its development properties are also subject to various laws and regulations of Hong Kong. Developing properties, refurbishment and other re-development projects require government permits. The government may introduce property cooling measures from time to time which may have a significant impact on the property market and adversely affect the Group's property sales performance and financial condition.

Property investment and hospitality business

Financial performance may be materially and adversely affected in the event of a decline in rental or occupancy levels, or difficulties in securing lease renewals or obtaining new tenants. The Group cannot be assured that existing tenants will renew their leases upon expiration or that the Group will be able to find replacement tenants at rental rates equal to or above the current rental rates for tenancies.

CORPORATE SOCIAL RESPONSIBILITY

Employees

As at 31 December 2015, the Group had approximately 540 employees. The Group offers comprehensive remuneration and benefit packages to its employees, which are structured according to prevailing salary levels in the market, individual merit and performance. The Group has a mandatory provident fund scheme and an occupational retirement scheme to provide retirement benefits to all employees in Hong Kong.

Employees, including directors, are eligible for the Company's share incentive scheme and share option scheme where the incentive shares or options are generally exercisable by phases within ten years.

Vision, Mission and Value Programme in 2015

In 2015, the Group rolled out a Vision, Mission and Value Programme. The aim was to align employees with the vision and goals of the Group as it grows. A series of workshops were conducted, with a total of 261 employees participated in these workshops. Looking ahead, we will continue to roll out the Programme through another series of workshops and related activities.

MANAGEMENT DISCUSSION AND ANALYSIS

Communities

The Group takes pride in being an outstanding member of the communities in which it operates. As such, the Group has introduced a number of initiatives under the Corporate Social Responsibility framework and shall continue to seek innovative and meaningful ways to engage the employees and associates alike in building stronger and more vibrant communities.

The Group's 2015 activities have included the followings:

- Blood Donation Day
- Elderly Home Visit
- Skip a Meal Day
- Heifer Race to Feed

Environment

During the year, the Group signed up as a member of "Friends of the Earth". Being an Earth Partner, we are committed to supporting and contributing to environment protection by going "Green" at workplace.

Compliance with Laws and Regulations

The Group is committed to complying with all relevant rules and regulations issued by the Government of the Hong Kong Special Administrative Region in relation to construction of properties, sales of properties, property management and employees, etc. The Group also holds relevant required licences for the provision of hospitality services. Relevant employees are trained to any changes in the applicable laws, rules and regulations from time to time.

Relationship with Suppliers

The selection of major suppliers or contractors is conducted through tendering process in all the Group's segments. The Internal Audit Department of the Group regularly reviews the procurement and tendering procedures to ensure that the processes are conducted in an open and fair manner.

Relationship with Customers

For our residential development projects, the Group has comprehensive hand-over procedures to ensure delivery of quality products to our customers.

For our commercial and residential estate management and hospitality management, the Group obtains regular feedback from customers in order to enhance quality of services.

OTHERS

In respect of Code Provision C.1.4 of Corporate Governance Code under Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, discussion and analysis of the Group's performance during the year and corporate strategies are set out in "Chairman's Statement" on pages 12 and 13 and "Management Discussion and Analysis" on pages 14 to 20.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Dr. CHENG Wai Chee, Christopher *GBS OBE JP*, aged 67, was appointed Chairman of the Company in 1991. Dr. Cheng is a member of the Remuneration Committee and Nomination Committee of the Company. He is also a director of certain members of the Group. Dr. Cheng is an independent non-executive director of several listed companies in Hong Kong, including NWS Holdings Limited, New World China Land Limited and Kingboard Chemical Holdings Limited. He is also an independent non-executive director of The Hongkong and Shanghai Banking Corporation Limited. Dr. Cheng holds a Doctorate in Social Sciences *honoris causa* from The University of Hong Kong and a Doctorate in Business Administration *honoris causa* by The Hong Kong Polytechnic University. He graduated from the University of Notre Dame, Indiana with a BBA degree, and from Columbia University, New York with an MBA degree.

Dr. Cheng plays an active role in public service. He is a member of the Judicial Officers Recommendation Commission of the Government of the HKSAR. Dr. Cheng is also a member of the board of overseers of Columbia Business School and a steward of the board of The Hong Kong Jockey Club.

Dr. Cheng is a brother of Mr. Cheng Wai Sun, Edward and Mr. Cheng Man Piu, Francis. He is a director of Wing Tai Corporation Limited, Renowned Development Limited, Wing Tai (Cheng) Holdings Limited and Brave Dragon Limited which are substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO").

Mr. CHENG Wai Sun, Edward *SBS JP*, aged 60, was appointed executive director and Chief Executive in 1994 and Deputy Chairman of the Company in 2007. Mr. Cheng is a member of the Remuneration Committee and Nomination Committee of the Company and a director of certain members of the Group. He is also an independent non-executive director of Orient Overseas (International) Limited and Standard Chartered Bank (Hong Kong) Limited. Mr. Cheng has a master's degree from Oxford University. He was qualified as a solicitor in England and Wales as well as in Hong Kong.

Mr. Cheng has many years of public service experience in urban renewal, housing, finance, corruption prevention, technology and education. He is currently a board member of the Airport Authority Hong Kong and a member of the Commission on Strategic Development of the Government of the HKSAR. Mr. Cheng ceased to be a member and the Chairman of the University Grants Committee upon the expiry of term on 31 December 2015. He is a Justice of the Peace, and has been awarded the Silver Bauhinia Star by the Government of the HKSAR.

Mr. Cheng is a brother of Dr. Cheng Wai Chee, Christopher and Mr. Cheng Man Piu, Francis.

Mr. CHENG Man Piu, Francis, aged 63, was appointed executive director of the Company in 1991 and is also a director of two members of the Group. Mr. Cheng graduated from the University of Wisconsin with a Bachelor of Science degree in Industrial Engineering and an MBA degree. He is the Vice-Chairman of The Federation of Hong Kong Garment Manufacturers, a general committee member of The Chinese Manufacturers' Association of Hong Kong and Textile Council of Hong Kong and also a member of The Accountancy Training Board of the Vocational Training Council.

Mr. Cheng is a brother of Dr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward. He is the Assistant Managing Director of Wing Tai Corporation Limited and a director of Renowned Development Limited and Wing Tai (Cheng) Holdings Limited. The aforementioned companies are substantial shareholders of the Company within the meaning of Part XV of the SFO.

Mr. CHOW Wai Wai, John, aged 66, was appointed executive director of the Company in 2007. He is the Managing Director of the Group's Property Investment and Management Division and a director of certain members of the Group. Mr. Chow graduated with a Bachelor of Arts (Economics) degree from the University of British Columbia. He is also a non-executive director of Dah Sing Financial Holdings Limited and ARA Trust Management (Suntec) Limited (Manager of the Singapore listed Suntec Real Estate Investment Trust). Mr. Chow has over 30 years of experience in the property investment and management business.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. Chow is the son of Mr. Chow Chung Kai and Mrs. Chow Yu Yue Chen and a director of Farnham Group Limited (“Farnham”) and Gala Land Investment Company Limited (“Gala”). Mr. Chow Chung Kai, Mrs. Chow Yu Yue Chen, Farnham and Gala are the substantial shareholders of the Company within the meaning of Part XV of the SFO.

Mr. NG Kar Wai, Kenneth, aged 60, was appointed executive director of the Company in January 2015. He is the Managing Director of the Group’s Property Division and a director of a number of members of the Group. He is a seasoned Chartered Civil Engineer with considerable expertise in the development and construction of a variety of properties, ranging from commercial and residential to hospitality developments, in Hong Kong, Mainland China and other Asian cities. Prior to joining the Company, Mr. Ng has worked for various well-known property development and construction companies including Shangri-La Hotels and Resorts Group, CITIC Pacific Limited, Hsin Chong Construction Group and Swire Properties Limited.

A Registered Structural Engineer and Chartered Engineer, Mr. Ng is a member of the Hong Kong Institution of Engineers, Institution of Civil Engineers, UK and Institution of Structural Engineers, UK and an Adjunct Professor, Department of Real Estate and Construction, The University of Hong Kong.

NON-EXECUTIVE DIRECTORS

Mr. KWOK Ping Luen, Raymond JP, aged 62, was appointed non-executive director of the Company in 1991. He is the Chairman and Managing Director of Sun Hung Kai Properties Limited (“SHKP”) (a substantial shareholder of the Company within the meaning of Part XV of the SFO). Mr. Kwok holds a Master of Arts degree in Law from Cambridge University, a Master’s degree in Business Administration from Harvard University, an Honorary Doctorate degree in Business Administration from The Open University of Hong Kong and an Honorary Doctorate degree in Laws from The Chinese University of Hong Kong. Mr. Kwok is the Chairman and an executive director of SUNeVision Holdings Ltd. He is also the Chairman and a non-executive director of SmarTone Telecommunications Holdings Limited, and a non-executive director of Transport International Holdings Limited.

In civic activities, Mr. Kwok is a director of The Real Estate Developers Association of Hong Kong and a member of the Council of The Chinese University of Hong Kong.

Mr. Kwok is the father of Mr. Kwok Ho Lai, Edward.

Mr. KWOK Ho Lai, Edward, aged 35, was appointed as the alternate director to Mr. Kwok Ping Luen, Raymond (“Mr. Raymond Kwok”) of the Company since 2 April 2015. He holds a Bachelor of Arts degree from Yale University and a Postgraduate Diploma in Professional Accountancy from The Chinese University of Hong Kong. His professional qualifications include being both a member of the Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales. Mr. Kwok is the alternate director to Mr. Raymond Kwok of SHKP and is a sales and project manager of SHKP group responsible for feasibility study, marketing and planning of new residential projects of SHKP group in Hong Kong. SHKP is a substantial shareholder of the Company within the meaning of Part XV of the SFO. Before joining SHKP group, Mr. Kwok worked in a major international audit firm. He is a son of Mr. Raymond Kwok.

Mr. HONG Pak Cheung, William, aged 61, was appointed non-executive director of the Company in 2002. Mr. Hong is a member of the Audit Committee of the Company. He received a Bachelor of Science degree in Mathematics from the University of Saskatchewan in Canada and completed the Advanced Management Program at Harvard University Graduate School of Business. Mr. Hong currently holds the position of Manager at SHKP (a substantial shareholder of the Company within the meaning of Part XV of the SFO).

Mr. NG Tak Wai, Frederick, aged 58, acted as executive director from 1995 and was re-designated as a non-executive director of the Company in April 2011. He graduated from Georgetown University with a BSBA degree, and also graduated from Columbia University with an MBA degree. Mr. Ng has held senior management positions in various garment manufacturing and distribution companies affiliated with the Wing Tai Group in Hong Kong. His background is in manufacturing operations and management information systems.

Mr. Ng is a director of certain subsidiaries of Wing Tai Corporation Limited, which is a substantial shareholder of the Company within the meaning of Part XV of the SFO.

Mrs. CHEN Chou Mei Mei, Vivien, aged 66, was appointed non-executive director of the Company in 2012 and has been with the Group since 2007. She graduated with a Bachelor of Arts degree from the University of Colorado in the United States of America and has over 30 years' experience in investments, in particular, property related investments. Mrs. Chen is an independent non-executive director of Digiland International Limited (listed on the Singapore Stock Exchange). She resigned as a non-executive director of Agritrade Resources Limited with effect from 24 September 2015.

Mrs. Chen is a director of Farnham and Gala which are the substantial shareholders of the Company within the meaning of Part XV of the SFO.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Simon MURRAY CBE, aged 75, was appointed independent non-executive director of the Company in 1994. Mr. Murray is the Chairman of the Remuneration Committee of the Company. He is the Non-Executive Chairman of General Enterprise Management Services Limited, a private equity fund management company. Mr. Murray is an independent non-executive director of Orient Overseas (International) Limited, Spring Asset Management Limited (Manager of the listed Spring Real Estate Investment Trust) and Cheung Kong Property Holdings Limited. He is also a non-executive director of Greenheart Group Limited, IRC Limited, China LNG Group Limited and Compagnie Financière Richemont SA (listed on SWX Swiss Exchange). Mr. Murray has been the Executive Chairman of Asia Pacific for the Deutsche Bank Group.

Mr. FANG Hung, Kenneth GBS CBE JP, aged 77, was appointed independent non-executive director of the Company in 1997. Mr. Fang is a member of the Audit Committee and the Remuneration Committee of the Company. He is the Chairman of Fang Brothers Holdings Limited and Yeebo (International Holdings) Limited. He graduated from Massachusetts Institute of Technology, U.S.A. in 1961 with a Master's degree in Chemical Engineering. Mr. Fang was also conferred an Honorary Degree of Doctor of Business Administration by The Hong Kong Polytechnic University in 2005. He is an Honorary Chairman of the Hong Kong Textile Council and an Honorary President of the Hong Kong Woollen and Synthetic Knitting Manufacturers' Association.

Mr. YEUNG Kit Shing, Jackson, aged 66, was appointed independent non-executive director of the Company in 2004. He is the Chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee of the Company. Mr. Yeung has over 25 years of experience in finance and accounting. He is a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Yeung holds a Master of Professional Accounting degree from The Hong Kong Polytechnic University.

Mr. Haider Hatam Tyebjee BARMA GBS CBE ISO JP, aged 72, was appointed independent non-executive director of the Company in 2012 and has been with the Group since 2007. He is a member of the Nomination Committee of the Company. Mr. Barma graduated with a Bachelor of Arts degree from The University of Hong Kong and worked in the Hong Kong government for 30 years. After retiring from the civil service in 1996, he served as Chairman of the Public Service Commission from August 1996 to April 2005. Mr. Barma then served as Chief Executive Officer of the Hong Kong Research Institute of Textiles and Apparel from April 2006 to July 2012.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. CHENG Hoi Chuen, Vincent *GBS OBE JP*, aged 67, was appointed as independent non-executive director and Chairman of the Nomination Committee of the Company in February 2013. He graduated with a Bachelor of Social Science degree in Economics from The Chinese University of Hong Kong and a Master's degree of Philosophy in Economics from The University of Auckland. Mr. Cheng is an independent non-executive director of MTR Corporation Limited, Great Eagle Holdings Limited, CLP Holdings Limited, Hui Xian Asset Management Limited (Manager of the publicly listed Hui Xian Real Estate Investment Trust), China Minsheng Banking Corp., Ltd., Shanghai Industrial Holdings Limited and CK Hutchison Holdings Limited.

Mr. Cheng is the former chairman of The Hongkong and Shanghai Banking Corporation Limited and the former chairman of HSBC Bank (China) Limited.

Mr. Cheng is a member of the council of The Chinese University of Hong Kong. He was a member of the Executive Council, the Legislative Council of the Hong Kong government and Hong Kong Affairs Adviser to the People's Republic of China.

SENIOR MANAGEMENT

Ms. FUNG Ching Man, Janet, aged 53, joined the Group in 2007. She is the Chief Financial Officer and a director of a number of members of the Group. Ms. Fung is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia.

Mr. CHUNG Siu Wah, Henry, aged 61, joined the Group in 1993. He is the Group Legal Counsel, Company Secretary of the Company and a director of a number of members of the Group. Mr. Chung holds a Master's Degree in Electronic Commerce and Internet Computing from The University of Hong Kong, a Bachelor's Degree in Laws from University of London, a Bachelor's Degree and a Master's Degree in Business Administration from The Chinese University of Hong Kong and a Bachelor's Degree in Laws from Tsinghua University. He is a Barrister, a Certified Accountant and a Chartered Secretary.

Mr. LEUNG Chun Keung, Andrew, aged 59, joined the Group in 2005. He is the Executive Director of China Investment and also a director of a couple of members of the Group. Mr. Leung is responsible for overseeing the Group's investments in China. Prior to joining the Group, he was an executive director of Sunday Communications Limited. Mr. Leung graduated from The University of Hong Kong with an Honours Bachelor's degree in Laws and a Post Graduate Certificate in Laws and was qualified as a solicitor in New South Wales, Australia, the United Kingdom and Hong Kong.

Mrs. LI Kan Fung Ling, Karen, aged 54, is the Executive Director of Lanson Place, the hospitality management arm of the Group. She is also the Director of Corporate Development and a director of a few members of the Group. Joining the Group in 1994, Mrs. Li has helped found Lanson Place. She has been responsible for the Group's corporate branding and hospitality projects ever since. She has 30 years of international experience in strategic planning and operations relating to luxurious residential and hotel projects. Mrs. Li has previously helped Wharf Hotels Investment Limited (H.K.) and Hilton Hotels Corporation (Beverly Hills, U.S.A.) in setting up flagship projects. She holds a BBA degree with distinction in Hotels and Tourism Management from University of Hawaii and a MBA degree in Finance and International Business from George Washington University, Washington, D.C.

Mr. Marc Rudolf HEDIGER, aged 58, joined the Lanson Place Hospitality Management Limited, the hospitality management arm of the Group, as Chief Executive Officer in 2011. He is also a director of two members of the Group.

Mr. Hediger has over 30 years of experience in the hospitality industry covering operations, branding, as well as business & project development. He was with Hyatt International Hotels for 17 years before joining HPL Holdings in Singapore, Movenpick Hotels and Shangri-La Hotels Worldwide at senior level. Prior to joining the Group, Mr. Hediger was Senior Vice President of Product and Development at New World Hospitality. He graduated from Ecole Hoteliere de Lausanne, Switzerland and holds a degree in Hotel Management.

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was, and as of the date of this report is, investment holding. Its principal subsidiaries are engaged in property development, property investment and management and hospitality investment and management. The Company and its subsidiaries are hereinafter collectively referred to as the Group.

The Group's joint ventures and associates are principally engaged in property investment, property development and hospitality investment.

Details of the Company's principal subsidiaries, the Group's principal joint ventures and associates at 31 December 2015 are set out in notes 42 to 44 to the financial statements.

BUSINESS REVIEW

A review of the business of the Group during the year, a discussion on the Group's future business development, principal risks and uncertainties that the Group may be facing and particulars of important events affecting the Group that have occurred since the end of the financial year are provided in the Chairman's Statement on pages 12 to 13 and Management Discussion and Analysis on pages 14 to 20 of this annual report.

An analysis of the Group's performance during the year using financial key performance indicators is provided in the Financial Highlights on page 10 and Management Discussion and Analysis on pages 14 to 20 of this annual report.

Discussions on the Group's environmental policies and performance, an account of the Group's relationships with its key stakeholders that have a significant impact on the Group and on which the Group's success depends and compliance with relevant laws and regulations which have a significant impact on the Group are also provided in the Management Discussion and Analysis on pages 14 to 20 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated income statement on page 56.

An interim dividend of HK4.2 cents (2014: HK4.2 cents) per share, amounting to a total of about HK\$56.3 million, was paid to shareholders on 5 October 2015.

The Directors recommend the payment of a final dividend of HK10.8 cents per share for the year ended 31 December 2015 (2014: HK9.3 cents per share) to shareholders whose names appear on the register of members of the Company on 24 May 2016, which together with the interim dividend payment amounts to a total of approximately HK\$201.2 million. Subject to the passing of the relevant resolution at the forthcoming annual general meeting, such dividend will be payable to shareholders on or around 8 June 2016.

SHARES ISSUED IN THE YEAR

Details of the shares issued during the year as the result of exercise of incentive share awards are set out in notes 31 to 32 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2015, calculated under the Companies Act 1981 of Bermuda amounted to HK\$2,721.7 million (2014: HK\$2,919.1 million).

DIRECTORS' REPORT

PROPERTIES

Details of the properties held for development and/or sale and for investment purposes are set out on pages 129 to 132.

DONATIONS

During the year, the Group made charitable and other donations totaling HK\$0.1 million.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during the year were and up to the date of this report are, as follows:

Executive Directors:

Cheng Wai Chee, Christopher *GBS OBE JP (Chairman)*

Cheng Wai Sun, Edward *SBS JP (Deputy Chairman and Chief Executive)*

Cheng Man Piu, Francis

Chow Wai Wai, John

Ng Kar Wai, Kenneth *(appointed on 22 January 2015)*

Non-Executive Directors:

Kwok Ping Luen, Raymond *JP (Kwok Ho Lai, Edward appointed as his alternate in place of Yung Wing Chung on 2 April 2015)*

Hong Pak Cheung, William

Ng Tak Wai, Frederick

Chen Chou Mei Mei, Vivien

Independent Non-Executive Directors:

Simon Murray *CBE*

Fang Hung, Kenneth *GBS CBE JP*

Yeung Kit Shing, Jackson

Haider Hatam Tyebjee Barma *GBS CBE ISO JP*

Cheng Hoi Chuen, Vincent *GBS OBE JP*

In accordance with Bye-law 100(A) of the Company's Bye-laws and code provision A.4.2 of Corporate Governance Code ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), Cheng Wai Sun, Edward, Hong Pak Cheung, William, Chen Chou Mei Mei, Vivien, Haider Hatam Tyebjee Barma and Cheng Hoi Chuen, Vincent will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

PERMITTED INDEMNITY

A permitted indemnity provision (as defined in section 467 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) for the benefit of the directors of the Group is currently in force and was in force during the year.

A Directors and Officers Liability Insurance Policy against potential costs and liabilities arising from claims brought against the directors of the Group is in place.

PUBLIC FLOAT

As at the latest practical date prior to the issue of this annual report, the Company maintained the prescribed public float under the Listing Rules on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2015, the interests of the Directors and the Chief Executive of the Company in shares and underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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 for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules are as follows:

Interests in the Company

Director	Number of shares held				Number of underlying shares held under equity derivatives (Note f)	Aggregate interests	Approx. percentage of total issued shares (Note a)
	Personal interests	Family interests	Corporate interests	Other interests			
Cheng Wai Chee, Christopher	10,179,566	-	-	462,488,185 (Note b)	1,680,000	474,347,751	35.36%
Cheng Wai Sun, Edward	8,112,231	-	-	462,488,185 (Note b)	1,680,000	472,280,416	35.21%
Cheng Man Piu, Francis	-	-	-	462,488,185 (Note b)	-	462,488,185	34.48%
Chow Wai Wai, John	304,002	-	-	-	344,000	648,002	0.05%
Ng Kar Wai, Kenneth	-	-	-	-	1,272,000	1,272,000	0.09%
Kwok Ping Luen, Raymond	-	-	-	9,224,566 (Note d)	-	9,224,566	0.69%
Kwok Ho Lai, Edward (Alternate Director to Kwok Ping Luen, Raymond)	-	-	-	9,736,566 (Note c)	-	9,736,566	0.73%
Ng Tak Wai, Frederick	278,391	1,016,000	-	313,666 (Note e)	-	1,608,057	0.12%

DIRECTORS' REPORT

Notes:

- (a) The total number of issued shares of the Company (the "Shares") as at 31 December 2015 was 1,341,305,029.
- (b) Cheng Wai Chee, Christopher, Cheng Wai Sun, Edward and Cheng Man Piu, Francis, being beneficiaries of a family trust, were deemed to be interested in 462,488,185 Shares beneficially owned by Brave Dragon Limited, Wing Tai Retail Pte. Ltd. and Crossbrook Group Limited as set out under the section headed Substantial Shareholders' Interests below. The interests therein of the three directors as aforesaid represented the same interests and was therefore duplicated with each other.
- (c) Kwok Ho Lai, Edward was deemed to be interested in 9,736,566 Shares by virtue of being a beneficiary of certain discretionary trusts for the purpose of Part XV of the SFO.
- (d) Of the 9,736,566 Shares as stated in Note (c), Kwok Ping Luen, Raymond was deemed to be interested in 9,224,566 Shares by virtue of being a beneficiary of a trust for the purpose of Part XV of the SFO. The interests of the two directors in such 9,224,566 Shares represented the same interests and were therefore duplicated with each other.
- (e) 313,666 Shares were held by Ng Tak Wai, Frederick jointly with his spouse.
- (f) These interests represented the interests in underlying shares in respect of the incentive shares granted by the Company to these directors as beneficial owners. Details of which are set out in the section below headed Equity-linked Agreements.

Save as disclosed herein, as at 31 December 2015, none of the Directors or the Chief Executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company or 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.

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the year or subsisting at as 31 December 2015 are set out below:

Share Option Plan

Under the Share Option Plan of the Company adopted by the shareholders of the Company on 27 October 2015 ("Share Option Plan"), the Board of Directors of the Company or a duly authorised committee thereof may, in its absolute discretion, grant options to directors, employees, officers, consultants, former directors, former employees, former officers or former consultants of any members of the Group (the "Eligible Persons") to subscribe for shares of the Company. The purpose of the Share Option Plan is to enable the Company to grant share options to incentivise and retain such Eligible Persons.

None of the Eligible Persons have been granted any share options pursuant to the Share Option Plan up to the date of this annual report.

Details of the Share Option Plan are set out in note 32 to the financial statements.

Share Incentive Scheme

Under the Share Incentive Scheme approved by shareholders of the Company on 17 June 2005 ("Share Incentive Scheme"), the Board of Directors of the Company or a duly authorised committee thereof may, in its absolute discretion, make offer of awards to selected employees (including executive directors) of the Group to subscribe in cash at par value for shares of the Company.

The purpose of the Share Incentive Scheme is to recognise, motivate and provide incentives to those who make contributions to the Group, to help the Group retain its existing employees and recruit additional employees who will be valuable to the Group and to provide existing and future employees with direct economic interests in the long-term development and growth of the Group.

The Share Incentive Scheme expired on 16 June 2015, no further incentive shares can be granted under the Share Incentive Scheme but the provisions of the Share Incentive Scheme remain in full force and effect in all other respects in relation to the incentive shares granted. All outstanding incentive shares granted which are yet to be vested or exercised shall remain valid.

Details of the incentive shares granted and summary of the movements of the outstanding incentive shares for the year ended 31 December 2015 under the Share Incentive Scheme are as follows:

Director	Date of award	Number of incentive shares					As at 31.12.2015	Vesting date of the outstanding awards	Exercisable period
		As at 1.1.2015	Awards made during the year	Vested and exercised during the year	Cancelled/ lapsed during the year				
Cheng Wai Chee, Christopher	24.5.2012	550,000	-	550,000	-	-	N/A	N/A	
	6.5.2013	160,750	-	160,750	-	-	N/A	N/A	
	6.5.2013	321,500	-	-	-	321,500	23.1.2016	23.1.2016 to 6.5.2023	
	28.5.2014	196,500	-	196,500	-	-	N/A	N/A	
	28.5.2014	196,500	-	-	-	196,500	13.1.2016	13.1.2016 to 28.5.2024	
	28.5.2014	393,000	-	-	-	393,000	13.1.2017	13.1.2017 to 28.5.2024	
	28.5.2015	-	192,250	-	-	192,250	10.1.2016	10.1.2016 to 28.5.2025	
	28.5.2015	-	192,250	-	-	192,250	10.1.2017	10.1.2017 to 28.5.2025	
	28.5.2015	-	384,500	-	-	384,500	10.1.2018	10.1.2018 to 28.5.2025	

DIRECTORS' REPORT

Director	Date of award	Number of incentive shares					As at 31.12.2015	Vesting date of the outstanding awards	Exercisable period
		As at 1.1.2015	Awards made during the year	Vested and exercised during the year	Cancelled/ lapsed during the year	As at 31.12.2015			
Cheng Wai Sun, Edward	24.5.2012	550,000	-	550,000	-	-	N/A	N/A	
	6.5.2013	160,750	-	160,750	-	-	N/A	N/A	
	6.5.2013	321,500	-	-	-	321,500	23.1.2016	23.1.2016 to 6.5.2023	
	28.5.2014	196,500	-	196,500	-	-	N/A	N/A	
	28.5.2014	196,500	-	-	-	196,500	13.1.2016	13.1.2016 to 28.5.2024	
	28.5.2014	393,000	-	-	-	393,000	13.1.2017	13.1.2017 to 28.5.2024	
	28.5.2015	-	192,250	-	-	192,250	10.1.2016	10.1.2016 to 28.5.2025	
	28.5.2015	-	192,250	-	-	192,250	10.1.2017	10.1.2017 to 28.5.2025	
	28.5.2015	-	384,500	-	-	384,500	10.1.2018	10.1.2018 to 28.5.2025	

Director	Date of award	Number of incentive shares					As at 31.12.2015	Vesting date of the outstanding awards	Exercisable period
		As at 1.1.2015	Awards made during the year	Vested and exercised during the year	Cancelled/ lapsed during the year				
Chow Wai Wai, John	6.5.2013	32,250	-	32,250	-	-	N/A	N/A	
	6.5.2013	64,500	-	-	-	64,500	23.1.2016	23.1.2016 to 6.5.2023	
	28.5.2014	39,500	-	39,500	-	-	N/A	N/A	
	28.5.2014	39,500	-	-	-	39,500	13.1.2016	13.1.2016 to 28.5.2024	
	28.5.2014	79,000	-	-	-	79,000	13.1.2017	13.1.2017 to 28.5.2024	
	28.5.2015	-	40,250	-	-	40,250	10.1.2016	10.1.2016 to 28.5.2025	
	28.5.2015	-	40,250	-	-	40,250	10.1.2017	10.1.2017 to 28.5.2025	
	28.5.2015	-	80,500	-	-	80,500	10.1.2018	10.1.2018 to 28.5.2025	

DIRECTORS' REPORT

Director	Date of award	Number of incentive shares					As at 31.12.2015	Vesting date of the outstanding awards	Exercisable period
		As at 1.1.2015	Awards made during the year	Vested and exercised during the year	Cancelled/ lapsed during the year	As at 31.12.2015			
Ng Kar Wai, Kenneth <i>(appointed as director on 22 January 2015)</i>	15.6.2015	-	106,000	-	-	106,000	21.1.2017	21.1.2017 to 15.6.2025	
	15.6.2015	-	106,000	-	-	106,000	21.1.2018	21.1.2018 to 15.6.2025	
	15.6.2015	-	212,000	-	-	212,000	21.1.2019	21.1.2019 to 15.6.2025	
	15.6.2015	-	106,000	-	-	106,000	21.1.2018	21.1.2018 to 15.6.2025	
	15.6.2015	-	106,000	-	-	106,000	21.1.2019	21.1.2019 to 15.6.2025	
	15.6.2015	-	212,000	-	-	212,000	21.1.2020	21.1.2020 to 15.6.2025	
	15.6.2015	-	106,000	-	-	106,000	21.1.2019	21.1.2019 to 15.6.2025	
	15.6.2015	-	106,000	-	-	106,000	21.1.2020	21.1.2020 to 15.6.2025	
	15.6.2015	-	212,000	-	-	212,000	21.1.2021	21.2.2021 to 15.6.2025	

Employees	Date of award	Number of incentive shares				As at 31.12.2015	Vesting date of the outstanding awards	Exercisable period
		As at 1.1.2015	Awards made during the year	Vested and exercised during the year	Cancelled/ lapsed during the year			
Employees In aggregate	24.5.2012	540,000	-	540,000	-	-	N/A	N/A
	6.5.2013	126,000	-	126,000	-	-	N/A	N/A
	6.5.2013	252,000	-	-	-	252,000	23.1.2016	23.1.2016 to 6.5.2023
	28.5.2014	158,000	-	147,250	-	10,750	13.1.2015	13.1.2015 to 28.5.2024
	28.5.2014	158,000	-	-	-	158,000	13.1.2016	13.1.2016 to 28.5.2024
	28.5.2014	316,000	-	-	-	316,000	13.1.2017	13.1.2017 to 28.5.2024
	28.5.2015	-	185,750	-	-	185,750	10.1.2016	10.1.2016 to 28.5.2025
	28.5.2015	-	185,750	-	-	185,750	10.1.2017	10.1.2017 to 28.5.2025
	28.5.2015	-	371,500	-	-	371,500	10.1.2018	10.1.2018 to 28.5.2025
		5,441,250	3,714,000	2,699,500	-	6,455,750		

Note: Subscription price per share is the par value of one ordinary share of the Company. Funds for subscription of ordinary shares will be provided by the Company when the right to subscribe for ordinary shares of the Company is exercised.

Details of Share Incentive Scheme of the Company are set out in note 32 to the financial statements.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement that may enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2015, the following persons (other than the Directors and the Chief Executive of the Company) had interests in the shares of the Company as recorded in the register kept by the Company under section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares interested	Approx. percentage of total issued shares (Note 1)
1. Brave Dragon Limited	Beneficial owner	141,794,482	10.57%
2. Crossbrook Group Limited	Beneficial owner	270,411,036	20.16%
3. Wing Tai Holdings Limited	Interest of controlled corporation	462,488,185 (Notes 2(a) & 3)	34.48%
4. Deutsche Bank International Trust Co. Limited	Trustee	462,488,185 (Notes 2(b) & 4)	34.48%
5. Deutsche Bank International Trust Co. (Cayman) Limited	Trustee	462,488,185 (Notes 2(b) & 4)	34.48%
6. Wing Tai Corporation Limited	Interest of controlled corporation	182,560,826 (Note 5)	13.61%
7. Renowned Development Limited	Interest of controlled corporation	182,560,826 (Notes 2(c) & 5)	13.61%
8. Wing Tai (Cheng) Holdings Limited	Interest of controlled corporation	199,884,783 (Notes 2(c) & 6)	14.90%
9. Sun Hung Kai Properties Limited	Interest of controlled corporation	183,612,533 (Note 7)	13.69%
10. Gala Land Investment Company Limited	Beneficial owner	101,579,467	7.57%
11. Farnham Group Limited	Interest of controlled corporation	101,579,467 (Notes 2(d) & 8)	7.57%

Name of Shareholder	Capacity	Number of Shares interested	Approx. percentage of total issued shares (Note 1)
12. Chow Chung Kai	Beneficial owner, interest of spouse, controlled corporation and other	180,024,824 (Notes 2(d) & 9)	13.42%
13. Chow Yu Yue Chen	Beneficial owner, interest of spouse and controlled corporation	150,812,777 (Notes 2(d) & 10)	11.24%

Notes:

- 1 The total number of issued Shares as at 31 December 2015 was 1,341,305,029.
- 2 The interests disclosed duplicated in the following manners and to the following extent:
 - (a) the interests of parties 1 and 2 were included in the interests of party 3.
 - (b) the interests of party 3 duplicated with the interests of parties 4 and 5 entirely.
 - (c) the interests of party 6 duplicated with the interests of party 7 entirely and were included in the interests of party 8.
 - (d) the interests of party 10 duplicated with the interests of party 11 entirely and were included in the interests of parties 12 and 13.
- 3 Wing Tai Holdings Limited beneficially owned 89.4% of the issued shares of Brave Dragon Limited, 100% of the issued shares of Crossbrook Group Limited and 100% of the issued shares of Wing Tai Retail Pte. Ltd. Wing Tai Retail Pte. Ltd. owned 50,282,667 Shares.
- 4 Deutsche Bank International Trust Co. Limited was the trustee of a family trust (of which Cheng Wai Chee, Christopher, Cheng Wai Sun, Edward and Cheng Man Piu, Francis were beneficiaries) which held all units of a unit trust ("Unit Trust"). Deutsche Bank International Trust Co. (Cayman) Limited was the trustee of the Unit Trust which beneficially owned 100% of the issued shares of Wing Tai Asia Holdings Limited and 61.3% of the issued shares of Terebene Holdings Inc. Wing Tai Asia Holdings Limited, through its wholly-owned subsidiary, Wing Sun Development Private Limited, held 28.36% of the issued shares of Wing Tai Holdings Limited. Terebene Holdings Inc. held 59.3% of the issued shares of Winlyn Investment Pte Ltd. which in turn held 9.28% of the issued shares of Wing Tai Holdings Limited.
- 5 Wing Tai Corporation Limited beneficially owned 100% of the issued shares of Bestime Resources Limited ("Bestime") and Pofung Investments Limited ("Pofung") and, therefore, by virtue of its corporate interest in Bestime and Pofung, Wing Tai Corporation Limited was deemed to be interested in 93,629,998 Shares and 88,930,828 Shares held by Bestime and Pofung respectively.

By virtue of the corporate interest of Renowned Development Limited in Wing Tai Corporation Limited, the former was deemed to be interested in the latter's interest in the Shares.
- 6 By virtue of the corporate interest of Wing Tai (Cheng) Holdings Limited in Renowned Development Limited and Broxbourne Assets Limited, Wing Tai (Cheng) Holdings Limited was deemed to be interested in the interest of Renowned Development Limited and Broxbourne Assets Limited in the Shares. Broxbourne Assets Limited beneficially owned 17,323,957 Shares.

DIRECTORS' REPORT

- 7 Sun Hung Kai Properties Limited ("SHKP") beneficially owned 100% of the issued shares of Wesmore Limited ("Wesmore"), Fourseas Investments Limited ("Fourseas"), Junwall Holdings Ltd ("Junwall"), Sunrise Holdings Inc. ("Sunrise") and Country World Limited. ("Country World"). Wesmore held 111,928,210 Shares.

Fourseas beneficially owned 100% of the issued shares of Soundworld Limited ("Soundworld"), Units Key Limited ("Units Key") and Triple Surge Limited ("Triple Surge"). Soundworld, Units Key and Triple Surge were the beneficial owners of 20,869,323, 5,673,333 and 37,680,000 Shares respectively.

Junwall beneficially owned 100% of the issued shares of Techglory Ltd. ("Techglory"). Techglory was the beneficial owner of 192,000 Shares.

Sunrise beneficially owned 100% of the issued shares of Charmview International Limited ("Charmview"). Charmview was the beneficial owner of 7,141,600 Shares.

Country World beneficially owned 100% of the issued shares of Erax Strong Development Ltd ("Erax Strong"). Erax Strong was the beneficial owner of 128,067 Shares.

By virtue of the corporate interest of SHKP in the aforesaid companies, SHKP was deemed to be interested in the interest of Soundworld, Units Key, Triple Surge, Techglory, Charmview and Erax Strong in the Shares.

- 8 Farnham Group Limited ("Farnham") beneficially owned 100% of the issued shares of Gala Land Investment Company Limited ("Gala Land"), therefore, Farnham was deemed to be interested in the 101,579,467 Shares held by Gala Land by virtue of its corporate interest therein.

- 9 Chow Chung Kai and his wife, Chow Yu Yue Chen, held 48,532,744 and 700,566 Shares respectively.

The estate of the late Chou Wen Hsien, of which Chow Chung Kai was the executor, was interested in 29,212,047 Shares.

Chow Chung Kai beneficially owned 50% of the issued shares of Farnham and, therefore, Chow Chung Kai was deemed to be interested in the 101,579,467 Shares held by Gala Land by virtue of his corporate interest therein.

The estate of the late Chou Wen Hsien, of which Chow Chung Kai was the executor, was interested in 50% of the issued shares of Farnham.

- 10 Chow Yu Yue Chen and her husband, Chow Chung Kai, held 700,566 and 48,532,744 Shares respectively.

Chow Chung Kai beneficially owned 50% of the issued shares of Farnham and, therefore, Chow Yu Yue Chen was deemed to be interested in the 101,579,467 Shares held by Gala Land by virtue of Chow Chung Kai's corporate interest therein.

Save as disclosed above, as at 31 December 2015, the Company had not been notified of any interests or short positions held by any substantial shareholder in the shares or underlying shares of the Company which are required to be recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

INTERESTS OF ANY OTHER PERSONS

As at 31 December 2015, the Company had not been notified of any persons other than the substantial shareholders who had interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' AND CONTROLLING SHAREHOLDER'S MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

On 23 April 2008, a contract entered into between the Company, Wing Tai Malaysia Berhad (“WTMB”) and Kualiti Gold Sdn Bhd (the “JV Company”) relating to the formation of the JV Company for the purposes of acquiring a building in Kuala Lumpur (the “Development”), fitting out and operating the Development as serviced apartments.

Each of Cheng Wai Chee, Christopher, Cheng Wai Sun, Edward and Cheng Man Piu, Francis has an indirect interest in the issued share capital of WTMB and the JV Company.

WTMB is a subsidiary of Wing Tai Holdings Limited (“WTHL”), the controlling shareholder of the Company (as defined in the Listing Rules).

Save as disclosed above, there was no transaction, arrangement or contract to which the Company or any of its subsidiaries was a party and in which a Director or the 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

The interests of Directors of the Company in competing business required to be disclosed pursuant to Rule 8.10 of the Listing Rules are as follows:

Kwok Ping Luen, Raymond is a director of SHKP and Kwok Ho Lai, Edward is the alternate director to Kwok Ping Luen, Raymond of SHKP. Businesses of SHKP consist of development of and investment in properties for sale and rent, and hotel operation. Also, Kwok Ping Luen, Raymond and Kwok Ho Lai, Edward are the beneficiaries of certain discretionary trusts which maintain certain interests in businesses consisting of property development and investment, and hospitality investment and management. Only in this respect they are regarded to be interested in the relevant competing business with the Group.

Kwok Ping Luen, Raymond is also a director of Transport International Holdings Limited (“TIH”). Businesses of TIH consist of property holdings and development. Only in these respects he is regarded to be interested in the relevant competing business with the Group.

Other than certain interests in businesses maintained by the discretionary trusts, the aforesaid competing businesses, in which Kwok Ping Luen, Raymond and Kwok Ho Lai, Edward are regarded to be interested, are managed by separate publicly listed companies with independent management and administration. In this respect, coupled with the diligence of its independent non-executive directors and the Audit Committee, the Group is capable of carrying on its business independently of, and at arm's length from the said competing businesses.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS

Set out below is information in relation to connected transactions which were disclosed in the Company's announcements and are required under Chapter 14A of the Listing Rules to be included in this annual report:

1. Continuing Connected Transactions

- (i) The following agreements (the "2009 Operating Agreements") were entered into on 8 January 2009:-
- (a) an agreement between Lanson Place Hospitality Management (Singapore) Pte Limited ("LP Singapore") with Winshine Investment Pte Ltd ("Winshine") whereby LP Singapore has agreed to provide serviced apartment management services to Winshine;
 - (b) an agreement between Lanson Place Hospitality Management (Malaysia) Limited ("LP Malaysia") with Seniharta Sdn Bhd ("Seniharta") whereby LP Malaysia has agreed to provide hotel apartment management services;
 - (c) an agreement between LP Malaysia with Seniharta whereby LP Malaysia has agreed to provide serviced apartment management consulting services to Seniharta (such agreement was assigned by Seniharta (in exercise its right thereunder) to DNP Jaya Sdn Bhd ("DNP") subsequently); and
 - (d) an agreement between LP Malaysia with Kualiti Gold Sdn Bhd ("Kualiti Gold") whereby LP Malaysia has agreed to provide serviced apartment management consulting services to Kualiti Gold.

The following agreements (the "2009 Licence Agreements") were entered into on 8 January 2009:-

- (a) an agreement between Lanson Place Hotels & Residences (Bermuda) Limited ("LP Bermuda") with Winshine whereby LP Bermuda has agreed to grant to Winshine the rights to use certain trademarks and tradenames in relation to a serviced apartment block located in Singapore;
- (b) an agreement between LP Bermuda with Seniharta whereby LP Bermuda has agreed to grant to Seniharta the rights to use certain trademarks and tradenames in relation to a hotel apartment block located in Malaysia;
- (c) an agreement between LP Bermuda with Seniharta whereby LP Bermuda has agreed to grant Seniharta the rights to use certain trademarks and tradenames in relation to a serviced apartment block located in Malaysia (such agreement was assigned by Seniharta (in exercise of its right thereunder) to DNP subsequently); and
- (d) an agreement between LP Bermuda with Kualiti Gold whereby LP Bermuda has agreed to grant to Kualiti Gold the rights to use certain trademarks and tradenames in relation to a serviced apartment block located in Malaysia.

Each of the 2009 Operating Agreements and the 2009 Licence Agreements is for a term of 10 years.

Each of LP Singapore, LP Malaysia and LP Bermuda (collectively the “LP Group Companies”) is a wholly-owned subsidiary of the Company.

Each of Winshine, Seniharta, DNP and Kualiti Gold (collectively the “WT Associates”) is an associate (as defined in the Listing Rules) of WTHL.

As WTHL is a substantial and the controlling shareholder of the Company, each of the WT Associates is a connected person of the Company under Chapter 14A of the Listing Rules and the transactions with the WT Associates contemplated under the 2009 Operating Agreements and the 2009 Licence Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The total fees of HK\$5.5 million received by the LP Group Companies under the 2009 Operating Agreements and the 2009 Licence Agreements for the year ended 31 December 2015 is within the annual cap of HK\$17 million for 2015 as set out in the Company’s announcement dated 8 January 2009.

- (ii) On 15 May 2014, Begin Land Limited (“Begin Land”), a subsidiary of the Company, accepted the offer made by Wing Tai Corporation Limited (“WTC”) in relation to the leasing of the premises located at Suites 1502-5, AXA Tower, Landmark East, 100 How Ming Street, Kwun Tong, Kowloon, Hong Kong for a fixed term of three years commencing from 16 May 2014 and ending on 15 May 2017 (both days inclusive) (the “Offer”).

As WTC is a substantial shareholder of the Company and hence a connected person of the Company, the transactions contemplated under the Offer constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The consideration received by Begin Land from WTC under the Offer for the period from 1 January 2015 to 31 December 2015 totaled HK\$4,900,000 which is within the 2015 annual cap of HK\$5,500,000 as set out in the Company’s announcement dated 15 May 2014.

DIRECTORS' REPORT

2. Annual Review of Continuing Connected Transactions

The independent non-executive directors of the Company have reviewed and confirmed that the aforesaid continuing connected transactions for the year ended 31 December 2015 have been entered into:

- (a) in the ordinary and usual course of business of the Group;
- (b) on normal commercial terms or better; and
- (c) according to the agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 38 to 40 of this annual report in accordance with paragraph 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

MANAGEMENT CONTRACT

No contract for the management and administration of the whole or any substantial part of any business of the Company was entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2015, the aggregate amount of revenue attributable to the Group's five largest customers was less than 30% of the total value of the Group's revenue. The aggregate amount of purchase attributable to the Group's five largest suppliers was less than 30% of the total value of the Group's purchases.

DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

As at 31 December 2015, the aggregate amount of financial assistance to and guarantees given for facilities granted to affiliated companies by the Group amounted to HK\$5,735 million in aggregate which exceeded 8% of the assets ratio as defined in Rule 14.07(1) of the Listing Rules.

A pro-forma combined balance sheet of these affiliated companies and the Group's attributable interest in these affiliated companies as at 31 December 2015 are presented below:

	Pro-forma combined balance sheet	Group's attributable interest
	HK\$'M	HK\$'M
Non-current assets	4,755.6	1,672.3
Current assets	12,255.6	3,978.4
Current liabilities	(2,536.8)	(1,039.5)
Non-current liabilities	(5,370.5)	(1,841.4)
Amounts and loans due from shareholders	261.3	40.0
Amounts and loans due to shareholders	(5,733.6)	(2,314.7)
Net assets	3,631.6	495.1

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws although there is no restriction against such rights under the laws in Bermuda.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 11 of this annual report.

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Messrs. PricewaterhouseCoopers as the auditor of the Company.

On behalf of the Board

Cheng Wai Chee, Christopher
Chairman

Hong Kong, 17 March 2016

The Company is committed to achieving and maintaining high standards of corporate governance and has established policies and procedures for compliance with regulatory requirements, including the requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all the applicable code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the “CG Code”) throughout the year ended 31 December 2015, except that the Chairman of the Board was unable to attend the Company’s annual general meeting held on 21 May 2015 due to an important engagement.

CODES FOR DEALING IN THE COMPANY’S SECURITIES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as its code of conduct for securities transactions by directors of the Company.

The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year ended 31 December 2015, and received confirmations from all the directors that they had fully complied with the required standard set out in the Model Code throughout the year.

The Company has also adopted a code for dealing in the Company’s securities by relevant employees, who are likely to be in possession of unpublished price-sensitive information in relation to the securities of the Company, on no less exacting terms than the Model Code.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises five executive directors (namely Cheng Wai Chee, Christopher, Cheng Wai Sun, Edward, Cheng Man Piu, Francis, Chow Wai Wai, John and Ng Kar Wai, Kenneth), four non-executive directors (namely Kwok Ping Luen, Raymond (Kwok Ho Lai, Edward as his alternate), Hong Pak Cheung, William, Ng Tak Wai, Frederick and Chen Chou Mei Mei, Vivien) and five independent non-executive directors (namely Simon Murray, Fang Hung, Kenneth, Yeung Kit Shing, Jackson, Haider Hatam Tyebjee Barma and Cheng Hoi Chuen, Vincent). Biographies of all the directors are set out on pages 21 to 24 of this annual report.

Cheng Wai Chee, Christopher, Cheng Wai Sun, Edward and Cheng Man Piu, Francis are brothers. Chow Wai Wai, John is the cousin of Chen Chou Mei Mei, Vivien. Kwok Ping Luen, Raymond is the father of Kwok Ho Lai, Edward. Save as disclosed above, there are no financial, business, family or other material/relevant relationships among members of the Board.

The Company has arranged Directors’ and Officers’ liability Insurance for the directors and officers of the Company.

Chairman and Chief Executive

Cheng Wai Chee, Christopher is the Chairman and Cheng Wai Sun, Edward is the Deputy Chairman and Chief Executive. While the Chairman of the Board is responsible for providing leadership for the Board, ensuring that all directors are properly briefed on issues arising at Board meetings and receive complete, reliable and timely information, the Chief Executive is responsible for the day-to-day management of the Group’s business.

Retirement by Rotation and Specific Term of Office

The non-executive directors (including independent non-executive directors) were appointed for a fixed term of three years and all directors of the Company are subject to retirement by rotation at the annual general meetings of the Company in accordance with the Bye-laws of the Company or code provision A.4.2 of the CG Code.

Independent Non-Executive Directors

The Company has received annual confirmations from all independent non-executive directors that, save as disclosed in the annual report, they did not have any business or financial interest with the Company and its subsidiaries (the “Group”) and were independent as at 31 December 2015 in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the existing independent non-executive directors of the Company are independent.

Functions and Responsibilities of the Board

The Board is accountable to the shareholders for leading the Group in a responsible and effective manner. Directors of the Company are collectively and individually responsible to the shareholders for the manner in which the affairs of the Group are managed and for promoting the success of the Group by directing and supervising its affairs.

On 12 July 2005, the Company formalised in writing the functions and responsibilities reserved to the Board and the functions and responsibilities delegated to management as follows:

- (i) the Board shall approve the yearly budgets of the Company and its subsidiaries;
- (ii) the Board shall monitor the operating and financial performance of the Group;
- (iii) the Board shall oversee the processes for evaluation of the adequacy of internal controls, risk management, financial reporting and compliance;
- (iv) the Board shall assume responsibility for corporate governance; and
- (v) the day-to-day operations of the Group is delegated to the management led by the Chief Executive.

Four Board meetings had been held during the year. The attendance record of each member at the Board and general meetings is set out in the table under the section headed “Attendance at Meetings” of this report.

Directors’ Induction and Continuous Professional Development

On appointment to the Board, each newly appointed director receives a comprehensive induction package covering policies and procedures of the Company as well as the general, statutory and regulatory obligations of being a director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

CORPORATE GOVERNANCE REPORT

The directors are briefed, or provided with written materials, on the amendments to, or updates on, the relevant laws, rules and regulations. The directors are also provided with commentary on the Group's business, operations and financial matters on a monthly basis. In addition, the Company has been encouraging the directors and senior executives to enrol in a wide range of professional development courses and seminars relating to the Listing Rules, companies ordinance/act and corporate governance practices organised by professional bodies, independent auditors and/or law firms in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills.

During the year under review, the directors participated in the following trainings and each director provided a record of training to the Company.

Directors	Types of Training
Executive Directors	
Cheng Wai Chee, Christopher	A, B
Cheng Wai Sun, Edward	A, B
Cheng Man Piu, Francis	B
Chow Wai Wai, John	A, B
Ng Kar Wai, Kenneth	B, C
Non-Executive Directors	
Kwok Ping Luen, Raymond	A, B, C
Kwok Ho Lai, Edward <i>(alternate to Kwok Ping Luen, Raymond)</i>	A, B
Hong Pak Cheung, William	B
Chen Chou Mei Mei, Vivien	B
Ng Tak Wai, Frederick	B
Independent Non-Executive Directors	
Simon Murray	B
Fang Hung, Kenneth	B
Yeung Kit Shing, Jackson	B
Haider Hatam Tyebjee Barma	B
Cheng Hoi Chuen, Vincent	B

A: attending training sessions/seminars/briefings/forums workshops/conference

B: reading materials/viewing CD in relation to regulatory updates, the duties and responsibility of the directors and the business of the Group

C: giving talks/briefings

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policies for the corporate governance of the Company and performing the corporate governance duties as below:

- (i) To develop and review the Group's policies and practices on corporate governance and make recommendations;
- (ii) To review and monitor the training and continuous professional development of directors and senior management;
- (iii) To review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements;
- (iv) To develop, review and monitor the code of conduct and compliance manual (if any) applicable to the employees and directors of the Group; and
- (v) To review the Group's compliance with the code of corporate governance and disclosure requirements in the Corporate Governance Report.

The following works on corporate governance functions were performed by the Board during 2015:

- (a) strategy discussion by the Board on the strategy direction of the Group;
- (b) approval of the revised terms of reference of the Audit Committee; and
- (c) approval of the 2014 Corporate Governance Report.

REMUNERATION COMMITTEE

The Remuneration Committee was formed on 12 July 2005. The Remuneration Committee's terms of reference specify its duties and functions and that the committee must comprise at least three members and the majority of whom are independent non-executive directors. The terms of reference are available on the Company's website under the Corporate Governance Section.

During the year and up to the date of this report, the members of the Remuneration Committee are:

Simon Murray *(Committee Chairman)*
Cheng Wai Chee, Christopher
Cheng Wai Sun, Edward
Fang Hung, Kenneth
Yeung Kit Shing, Jackson

The Remuneration Committee met once in 2015. The attendance record of each member at the Remuneration Committee meeting is set out in the table under the section headed "Attendance at Meetings" of this report.

CORPORATE GOVERNANCE REPORT

The following works were performed by the Remuneration Committee during 2015:

- (a) review and approval of the remuneration packages of certain executive directors including bonuses for the year ended 31 December 2014 and the annual base salaries for the year ended 31 December 2015;
- (b) review and approval of the grant of incentive shares to the senior management pool and management staff pool under the Share Incentive Scheme; and
- (c) review and approval of the proposal of directors' fees for the year ended 31 December 2015, with a recommendation to the shareholders for approval.

Remuneration Policy for Executive Directors and Senior Management

The principal elements of the executive directors' and senior management's remuneration packages include basic salaries and discretionary bonus which includes both cash and incentive shares or share options. The remuneration packages of the executive directors and senior management will be proposed jointly by the Chairman and the Chief Executive annually for the review and approval by the Remuneration Committee based on the following factors:

- (i) the executive director's and senior management's individual responsibilities;
- (ii) the executive director's and senior management's individual performance;
- (iii) performance of the business unit(s) headed by the executive director or senior management concerned; and
- (iv) performance of the Group as a whole.

Remuneration Policy for Non-Executive Directors

The non-executive directors' remuneration, comprising directors' fee, is subject to assessment on a regular basis and recommended by the Remuneration Committee for shareholders' approval at the annual general meetings.

DIRECTORS' REMUNERATION

The directors' remuneration is set out in note 9 to the financial statements on pages 93 to 95 of this annual report.

SENIOR MANAGEMENT'S REMUNERATION

The emoluments of the senior management whose profiles are included in Senior Management Profile section of this annual report fell within the following bands:

	Number of individuals 2015
Emoluments bands	
HK\$2,000,001 – HK\$3,000,000	2
HK\$3,000,001 – HK\$4,000,000	1
HK\$4,000,001 – HK\$5,000,000	1
HK\$5,000,001 and above	1
	<hr/> 5

NOMINATION COMMITTEE

The Nomination Committee was established on 1 February 2013. The terms of reference of the Nomination Committee explaining its role and the authority delegated to it by the Board are available on the Company's website under the Corporate Governance Section. According to its terms of reference, the Nomination Committee shall consist of not less than three members and the majority of them shall be independent non-executive directors. The following directors have been the members of the Nomination Committee since its establishment:

Cheng Hoi Chuen, Vincent (Committee Chairman)
Cheng Wai Chee, Christopher
Cheng Wai Sun, Edward
Yeung Kit Shing, Jackson
Haider Hatam Tyebjee Barma

The Nomination Committee met once in 2015. The attendance record of each member at the Nomination Committee meeting is set out in the table under the section headed "Attendance at Meetings" of this report.

The following works were performed by the Nomination Committee during 2015:

- (a) review of the structure, size and composition of the Board;
- (b) review of the independence of the independent non-executive directors;
- (c) making recommendations on the re-election of directors at the 2015 annual general meeting;
- (d) review of the measurable objectives set for implementing the Board Diversity Policy and approval of the disclosure of the review in the Corporate Governance Report; and
- (e) consideration of the educational background, professional qualification and work experience of Kwok Ho Lai, Edward according to the Board Diversity Policy and the measurable objectives in relation thereto and making recommendation to the Board on his appointment as the alternate director to Kwok Ping Luen, Raymond.

CORPORATE GOVERNANCE REPORT

Board Diversity Policy

A summary of the Board Diversity Policy adopted by the Board on 29 August 2013 is shown below:

The Company recognizes that a diverse Board will enhance the performance of the Company and that an increasing diversity at the Board level is inductive to the attainment of the Company's strategic objectives and the Company's sustainable development. Hence the purpose of the Board Diversity Policy aims to achieve diversity on the Board (including but not limited to genders, age, cultural and educational backgrounds, ethnicities, professional experience, skills, knowledge and length of service).

Measurable Objectives

The Nomination Committee agreed the measurable objectives shown below for implementing the Board Diversity Policy.

Gender

Maintain equal opportunity culture for both male and female representation on the Board, subject to identification of candidate with appropriate skills and experience

Age

Maintain equal opportunity culture for different age groups (ideally younger candidates) to join the Board, subject to identification of candidate with appropriate skills and experience

Type of Directors

- (i) Maintain a balanced composition of executive, non-executive and independent non-executive directors
- (ii) Comply with the relevant requirements of the Listing Rules

Professional Qualifications

- (i) Maintain the Board with balanced professional qualifications in order to carry out the directors' duties
- (ii) Comply with the Listing Rules requirements

Areas of Experience

Maintain the Board with balanced experience from various industries in order to widen the views of the Board and assist in setting up and developing the strategies of the Group

All the measurable objectives had been taken into account when the Nomination Committee considered and recommended to the Board on the appointment of Kwok Ho Lai, Edward as the alternate director to Kwok Ping Luen, Raymond. The measurable objectives concerning types of directors and professional qualifications of directors have been and will be reviewed on an annual basis.

AUDIT COMMITTEE

The Audit Committee was formed on 9 March 1999. The terms of reference of the Audit Committee specify its duties and functions and that the committee must comprise of at least three members and the majority of whom are independent non-executive directors. The terms of reference are available on the Company's website under the Corporate Governance Section. During the year and up to the date of this report, the members of the Audit Committee are:

Yeung Kit Shing, Jackson (*Committee Chairman*)
Fang Hung, Kenneth
Hong Pak Cheung, William

The Audit Committee met three times in 2015. The attendance record of each member at the Audit Committee meetings is set out in the table under the section headed "Attendance at Meetings" of this report.

The following works were performed by the Audit Committee during 2015:

- (a) review of the external auditor's audit plan for the year ended 31 December 2015;
- (b) review of the 2016 internal audit plan;
- (c) review of the 2015 work progress reports and the works performed by internal audit in 2015;
- (d) review of the annual report and results announcement for the year ended 31 December 2014, with a recommendation to the Board for approval;
- (e) review of the external auditor's report on the audit of the financial statements for the year ended 31 December 2014;
- (f) review of the interim report and interim results announcement for the six months ended 30 June 2015, with a recommendation to the Board for approval;
- (g) review of the external auditor's report on the review of interim financial statements for the six months ended 30 June 2015;
- (h) approval of the 2016 annual budget for audit and non-audit services;
- (i) meeting with external auditors without executive directors' presence; and
- (j) discussion on the new requirements on the risk management under the CG Code.

CORPORATE GOVERNANCE REPORT

ATTENDANCE AT MEETINGS

The attendance record of individual members at the Board and Committees meetings and general meetings in 2015 are detailed in the following table:

	Meetings attended/Eligible to attend				
	General Meetings	Board	Remuneration Committee	Audit Committee	Nomination Committee
<i>Executive directors</i>					
Cheng Wai Chee, Christopher	1/2	4/4	1/1	N/A	1/1
Cheng Wai Sun, Edward	2/2	4/4	1/1	N/A	1/1
Cheng Man Piu, Francis	1/2	4/4	N/A	N/A	N/A
Chow Wai Wai, John	2/2	3/4	N/A	N/A	N/A
Ng Kar Wai, Kenneth	2/2	4/4	N/A	N/A	N/A
<i>Non-executive directors</i>					
Kwok Ping Luen, Raymond (attended by his alternate, (i) Kwok Ho Lai, Edward* or (ii) Yung Wing Chung#)	0/2 2/2 -	0/4 3/3 1/1	N/A N/A N/A	N/A N/A N/A	N/A N/A N/A
Hong Pak Cheung, William	2/2	4/4	N/A	3/3	N/A
Ng Tak Wai, Frederick	2/2	4/4	N/A	N/A	N/A
Chen Chou Mei Mei, Vivien	1/2	4/4	N/A	N/A	N/A
<i>Independent non-executive directors</i>					
Simon Murray	0/2	4/4	1/1	N/A	N/A
Fang Hung, Kenneth	1/2	4/4	1/1	3/3	N/A
Yeung Kit Shing, Jackson	2/2	4/4	1/1	3/3	1/1
Haider Hatam Tyebjee Barma	2/2	3/4	N/A	N/A	1/1
Cheng Hoi Chuen, Vincent	2/2	4/4	N/A	N/A	1/1

* Kwok Ho Lai, Edward was appointed on 2 April 2015.

Yung Wing Chung resigned on 2 April 2015.

INTERNAL CONTROLS

The Board has the overall responsibility for the operations of the Group's internal control system and review of its effectiveness under the governance of the Audit Committee. In this respect, procedures have been established to safeguard the Group's assets against any possible unauthorised use or disposition with the task to ensure the proper maintenance of accounting records for the provision of reliable financial information for internal use or for publication as well as their respective compliance with laws, rules and regulations. The system is established to manage and minimise, rather than eliminate the risk of failure to achieve business objectives and provide reasonable assurance against misstatements or losses.

The Board assesses the effectiveness of the overall internal control system regularly in considering reviews performed by the Audit Committee, executive management as well as both of the internal and external auditors with the understanding that such system is an ongoing process to identify, evaluate and manage significant risks faced by the Group. The Group's internal control system has been in place and was functioning effectively for the year under review.

The Group's internal audit department reports to the Audit Committee on a regular basis. The Audit Committee endorses the annual internal audit plan that is practically linked to the Group's areas of focuses. The audit plan is prepared under a risk based approach and covers the Group's significant areas of operations, which are reviewed on an annual basis.

The works of the Group's internal audit department focus on the internal control and are carried out appropriately and functioning as intended. The scope of the works performed covers all material controls including financial, operational and compliance controls as well as risk management policies and procedures. Major operational, financial and risk management controls of the Group are continuously reviewed and aim to cover all major business units and operations of the Group on a rotational basis. Audit findings and recommendations are presented at the Audit Committee meetings. The implementation of agreed recommendation(s) is to be followed up on a quarterly basis.

For the financial year ended 31 December 2015, the Board through the Audit Committee had conducted a review of the effectiveness of the Group's internal control system as reported by the Group's internal audit department.

Whistleblowing Policy

A Whistleblowing Policy was formulated on 28 March 2012 to encourage employees to raise concerns in confidence about misconducts, malpractice or impropriety relating to the Group.

The purpose of formulating this policy is to increase the awareness of maintaining internal corporate justice and regard this as a kind of internal control mechanism. In accordance with this policy employees are provided with reporting channels and guidance on whistleblowing. During the year, there were no reports received from employees under this policy.

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

The remuneration in respect of audit and non-audit services provided by auditors of the Group for the financial year ended 31 December 2015 are HK\$4,782,000 (2014: HK\$4,843,000) and HK\$729,000 (2014: HK\$1,873,000) respectively.

The remuneration in respect of significant non-audit services in 2015 includes the following:

Nature of services	Fee paid HK\$
Tax services	389,000
Special projects	340,000
Total	729,000

COMPANY SECRETARY

Chung Siu Wah, Henry was appointed as the Company Secretary on 12 December 2015 in place of Fung Ching Man, Janet. The Company Secretary is responsible for facilitating the Board process, as well as communications among Board members, communications with shareholders and management. During the year, both Chung Siu Wah, Henry and Fung Ching Man, Janet undertook more than 15 hours of professional training to update his/her skills and knowledge.

FINANCIAL REPORTING

The directors of the Company acknowledged that they are responsible for the preparation of the financial statements which give a true and fair view and that appropriate accounting policies have been selected and applied consistently. The statement of the auditor of the Group relating to their reporting and responsibilities on the financial statements of the Group and the Company is set out in the Independent Auditor's Report on page 55 of this annual report.

CONSTITUTIONAL DOCUMENTS

There was no change to the Company's Memorandum of Association and Bye-laws during the financial year 2015. A copy of the latest consolidated version of the Memorandum of Association and Bye-laws is posted on the websites of the Company under the Corporate Governance Section and the Stock Exchange.

CORPORATE COMMUNICATION

On 28 March 2012, the Board adopted a shareholders' Communication Policy reflecting mostly the current practices of the Company for communications with its shareholders. Such policy aims at providing the shareholders and potential investors with ready and timely access to balanced and understandable information of the Company. This policy will be reviewed regularly to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

The annual general meeting provides a forum for the shareholders to exchange views with the Board. The Chairman of the Board, Chairman of Audit Committee, Chairman of the Remuneration Committee and Chairman of the Nomination Committee will be available to answer the shareholders' questions at the meeting.

An explanation of the detailed procedures of conducting a poll will be provided to the shareholders at the commencement of the annual general meeting, to ensure that the shareholders attending such meeting are familiar with such procedures.

All the publications of the Company, including annual reports, interim reports, circulars, notices of general meetings, results of the poll of general meetings are available on the Stock Exchange's website at www.hkexnews.hk.

The Company's website at www.wingtaiproperties.com offers timely access to investors regarding the Company's financial, corporate and other information.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene a Special General Meeting ("SGM")

Pursuant to the Company's bye-laws and the Companies Act 1981 of Bermuda (the "Companies Act"), registered shareholders holding not less than one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company (the "SGM Requisitionists") may deposit a written request to convene a SGM at the registered office of the Company (the "Registered Office"), which is presently situated at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The SGM Requisitionists must state in their request(s) the objects of the SGM and such request(s) must be signed by all the SGM Requisitionists and may consist of several documents in like form, each signed by one or more of the SGM Requisitionists.

The Share Registrars will verify the SGM Requisitionists' particulars stated in the SGM Requisitionists' request. Promptly after confirmation from the Share Registrars that the SGM Requisitionists' request is in order, the Company Secretary will arrange with the Board to convene a SGM by serving sufficient notice to all the registered shareholders in accordance with all the relevant statutory and regulatory requirements. On the contrary, if the SGM Requisitionists' request is verified not in order, the SGM Requisitionists will be advised of the outcome and a SGM will not be convened as requested.

The SGM Requisitionists, or any of them holding more than one-half of the total voting rights held by all of them, may themselves convene a SGM if the Board does not proceed duly to convene a SGM within twenty-one (21) days of the deposit of the SGM Requisitionists' request, provided that any SGM so convened is held within three (3) months from the date of the original SGM Requisitionists' request. A SGM so convened by the SGM Requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Board.

Procedures for Shareholders to Put Forward Proposals at a General Meeting

Pursuant to the Companies Act, either any number of the registered shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company (the "Requisitionists"), or not less than 100 of such registered shareholders, may request the Company in writing to (a) give to the shareholders entitled to receive notice of the next general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to the shareholders entitled to receive notice of the next general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition signed by all the Requisitionists may consist of several documents in like form, each signed by one or more of the Requisitionists; and such requisition must be deposited at the Registered Office with a sum reasonably sufficient to meet the Company's relevant expenses, not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in the case of any other requisition. Provided that if an AGM is called for a date six weeks or less after the requisition has been deposited, the requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

CORPORATE GOVERNANCE REPORT

Procedures for Shareholders to Propose a Person for Election as a Director

The procedures for proposing a person for election as a director are at the Company's website at www.wingtaiproperties.com under the Corporate Governance Section.

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary, whose contact details are as follows:

27th Floor, AIA Kowloon Tower,
Landmark East, 100 How Ming Street,
Kwun Tong, Kowloon, Hong Kong
Fax: (852) 2801 4302

Shareholders may also make enquiries with the Board at the general meetings of the Company.

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

TO THE SHAREHOLDERS OF WING TAI PROPERTIES LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Wing Tai Properties Limited (the "Company") and its subsidiaries set out on pages 56 to 128, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 March 2016

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CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

	Note	2015 HK\$'M	2014 HK\$'M
Revenue	5	1,009.2	1,783.5
Cost of sales		(264.3)	(857.1)
Gross profit		744.9	926.4
Other gains, net	7	71.2	8.0
Selling and distribution costs		(37.0)	(75.9)
Administrative expenses		(280.1)	(250.0)
Change in fair value of investment properties and financial instruments	14	704.7	1,539.2
Profit from operations	8	1,203.7	2,147.7
Finance costs	10	(106.5)	(130.1)
Finance income	10	14.7	13.9
Share of results of joint ventures	17(a)	72.4	(0.6)
Share of results of associates	18(a)	(2.0)	2.2
Profit before taxation		1,182.3	2,033.1
Taxation	11	(83.2)	(89.5)
Profit for the year attributable to equity holders of the Company		1,099.1	1,943.6
Earnings per share attributable to equity holders of the Company	12		
– Basic		HK\$0.82	HK\$1.45
– Diluted		HK\$0.82	HK\$1.45

The notes on pages 64 to 128 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	2015 HK\$'M	2014 HK\$'M
Profit for the year		1,099.1	1,943.6
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(84.5)	(44.8)
Exchange gain realised to profit or loss upon disposal of an associate		(8.5)	–
Net fair value (loss)/gain arising from revaluation of available-for-sale financial assets		(127.3)	87.8
Net gain on net investment hedge		9.8	0.6
Net (loss)/gain on cash flow hedge			
– Fair value losses		(51.5)	(53.1)
– Realised upon settlement		(0.4)	26.9
– Release to profit or loss		–	(5.1)
		(262.4)	12.3
Other comprehensive income for the year, net of tax	11	(262.4)	12.3
Total comprehensive income for the year attributable to equity holders of the Company		836.7	1,955.9

The notes on pages 64 to 128 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December 2015

	Note	2015 HK\$'M	2014 HK\$'M
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	15	21,448.8	20,586.1
Other properties, plant and equipment	16	55.9	58.4
Investments in joint ventures	17(a)	490.0	482.3
Loans to joint ventures	17(a)	1,649.7	1,905.8
Investments in associates	18(a)	5.1	100.0
Loans to associates	18(a)	14.8	21.8
Deposits and loan receivables	19	15.1	17.5
Other financial assets	20	358.3	487.0
Deferred tax assets	29	6.5	4.5
Derivative financial instruments	23	3.4	–
		24,047.6	23,663.4
Current assets			
Properties for sale	21	1,295.6	1,322.2
Trade and other receivables, deposits and prepayments	22	776.3	777.0
Other financial assets	20	–	38.9
Derivative financial instruments	23	11.2	0.4
Sales proceeds held in stakeholders' accounts	24	–	79.1
Tax recoverable		1.4	40.7
Restricted bank deposits	25	14.6	13.5
Bank balances and cash	26	2,074.2	1,592.6
		4,173.3	3,864.4
Current liabilities			
Trade and other payables and accruals	27	435.7	404.4
Derivative financial instruments	23	19.0	18.9
Tax payable		48.6	46.2
Bank and other borrowings	28	439.6	63.8
		942.9	533.3

	Note	2015 HK\$'M	2014 HK\$'M
Non-current liabilities			
Bank and other borrowings	28	3,326.7	3,815.0
Other long-term liability	30	73.7	91.5
Derivative financial instruments	23	239.5	136.6
Deferred tax liabilities	29	290.8	271.2
		3,930.7	4,314.3
NET ASSETS		23,347.3	22,680.2
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	31	670.6	669.3
Reserves	33	22,675.7	22,009.7
		23,346.3	22,679.0
Non-controlling interests		1.0	1.2
TOTAL EQUITY		23,347.3	22,680.2

The financial statements on pages 56 to 128 were approved and authorised for issue by the Board of Directors on 17 March 2016 and are signed on its behalf by:

Cheng Wai Chee, Christopher
DIRECTOR

Cheng Wai Sun, Edward
DIRECTOR

The notes on pages 64 to 128 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to equity holders of the Company											Total equity HK\$'M
	Share capital HK\$'M	Share premium HK\$'M	Hedging reserve HK\$'M	Investment revaluation reserve HK\$'M	Employee share-based compensation reserve HK\$'M	Other property revaluation reserve HK\$'M	Translation reserve HK\$'M	Contributed surplus HK\$'M	Retained profits HK\$'M	Total HK\$'M	Non-controlling interests HK\$'M	
At 1 January 2015	669.3	3,283.8	(61.3)	265.9	13.7	64.1	31.7	751.0	17,660.8	22,679.0	1.2	22,680.2
Comprehensive income												
Profit for the year	-	-	-	-	-	-	-	-	1,099.1	1,099.1	-	1,099.1
Other comprehensive income												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(84.5)	-	-	(84.5)	-	(84.5)
Exchange gain realised to profit or loss upon disposal of an associate	-	-	-	-	-	-	(8.5)	-	-	(8.5)	-	(8.5)
Net fair value loss arising from revaluation of available-for-sale financial assets	-	-	-	(127.3)	-	-	-	-	-	(127.3)	-	(127.3)
Net gain on net investment hedge	-	-	9.8	-	-	-	-	-	-	9.8	-	9.8
Net loss on cash flow hedge	-	-	(51.9)	-	-	-	-	-	-	(51.9)	-	(51.9)
Total comprehensive income	-	-	(42.1)	(127.3)	-	-	(93.0)	-	1,099.1	836.7	-	836.7
Transactions with owners												
Value of employee services relating to grants of incentive shares	-	-	-	-	10.4	-	-	-	-	10.4	-	10.4
Incentive shares exercised	1.3	9.5	-	-	(9.5)	-	-	-	-	1.3	-	1.3
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(0.2)	(0.2)
2014 final dividend paid	-	-	-	-	-	-	-	-	(124.8)	(124.8)	-	(124.8)
2015 interim dividend paid	-	-	-	-	-	-	-	-	(56.3)	(56.3)	-	(56.3)
Total transactions with owners	1.3	9.5	-	-	0.9	-	-	-	(181.1)	(169.4)	(0.2)	(169.6)
At 31 December 2015	670.6	3,293.3	(103.4)	138.6	14.6	64.1	(61.3)	751.0	18,578.8	23,346.3	1.0	23,347.3

	Attributable to equity holders of the Company											
	Share capital HK\$'M	Share premium HK\$'M	Hedging reserve HK\$'M	Investment revaluation reserve HK\$'M	Employee share-based compensation reserve HK\$'M	Other property revaluation reserve HK\$'M	Translation reserve HK\$'M	Contributed surplus HK\$'M	Retained profits HK\$'M	Total HK\$'M	Non-controlling interests HK\$'M	Total equity HK\$'M
At 1 January 2014	667.6	3,273.6	(30.6)	178.1	15.5	64.1	76.5	751.0	15,897.9	20,893.7	1.5	20,895.2
Comprehensive income												
Profit for the year	-	-	-	-	-	-	-	-	1,943.6	1,943.6	-	1,943.6
Other comprehensive income												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(44.8)	-	-	(44.8)	-	(44.8)
Net fair value gain arising from revaluation of available-for-sale financial assets	-	-	-	87.8	-	-	-	-	-	87.8	-	87.8
Net gain on net investment hedge	-	-	0.6	-	-	-	-	-	-	0.6	-	0.6
Net loss on cash flow hedge	-	-	(31.3)	-	-	-	-	-	-	(31.3)	-	(31.3)
Total comprehensive income	-	-	(30.7)	87.8	-	-	(44.8)	-	1,943.6	1,955.9	-	1,955.9
Transactions with owners												
Value of employee services relating to grants of incentive shares	-	-	-	-	9.4	-	-	-	-	9.4	-	9.4
Value of employee services relating to lapse of incentive shares	-	-	-	-	(1.0)	-	-	-	-	(1.0)	-	(1.0)
Incentive shares exercised	1.7	10.2	-	-	(10.2)	-	-	-	-	1.7	-	1.7
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(0.3)	(0.3)
2013 final dividend paid	-	-	-	-	-	-	-	-	(124.5)	(124.5)	-	(124.5)
2014 interim dividend paid	-	-	-	-	-	-	-	-	(56.2)	(56.2)	-	(56.2)
Total transactions with owners	1.7	10.2	-	-	(1.8)	-	-	-	(180.7)	(170.6)	(0.3)	(170.9)
At 31 December 2014	669.3	3,283.8	(61.3)	265.9	13.7	64.1	31.7	751.0	17,660.8	22,679.0	1.2	22,680.2

The notes on pages 64 to 128 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2015

	Note	2015 HK\$'M	2014 HK\$'M
Cash flows from operating activities			
Profit from operations		1,203.7	2,147.7
Adjustments for:			
Change in fair value of investment properties	14	(680.3)	(1,593.0)
Net fair value (gain)/loss on derivative financial instruments	14	(6.8)	20.4
(Gain)/loss on financial liabilities at fair value through profit or loss classified under other long-term liability	14	(17.6)	33.4
Net loss on disposal of other properties, plant and equipment		–	3.5
Gain on disposal of an associate		(58.4)	–
Depreciation of other properties, plant and equipment		5.0	10.8
Write-off of deposits and loan receivables		1.6	1.5
Share-based compensation expenses		11.7	10.1
Provision for impairment on loans to an associate		0.3	2.9
Amortisation of interest income on held-to-maturity investments		(0.4)	(1.6)
Operating cash flows before movements in working capital		458.8	635.7
Decrease in properties for sale		57.4	139.1
Decrease in trade and other receivables, deposits and prepayments		547.7	1,101.2
Decrease in sales proceeds held in stakeholders' accounts		79.1	113.3
Increase/(decrease) in trade and other payables and accruals		24.3	(321.6)
Increase in restricted bank deposits		(1.1)	(2.9)
Net cash generated from operations		1,166.2	1,664.8
Interest income received		14.7	13.9
Coupon received from held-to-maturity investments		1.6	2.1
Interest paid on bank and other borrowings		(114.5)	(125.0)
Hong Kong profits tax paid		(8.8)	(88.7)
Tax paid in other jurisdictions		(0.3)	–
Net cash generated from operating activities		1,058.9	1,467.1

	Note	2015 HK\$'M	2014 HK\$'M
Cash flows from investing activities			
Additions of investment properties		(255.9)	(4.3)
Purchase of other properties, plant and equipment		(2.5)	(5.6)
Net advances of loans to joint ventures		(320.5)	(180.1)
Proceeds from disposal of other properties, plant and equipment		–	0.9
Proceeds from disposal of an associate		135.4	–
Proceeds from return on capital of available-for-sale financial asset		1.1	–
Dividend income from joint ventures and associates		50.9	20.0
Purchase of a held-to-maturity investment		–	(39.5)
Cash received from a held-to-maturity investment upon maturity		37.7	51.4
Release of deposits with bank with original maturity of more than three months		3.3	3.9
Net cash used in investing activities		(350.5)	(153.3)
Cash flows from financing activities			
Issue of fixed rate bonds		–	300.0
Direct issue costs incurred on fixed rate bonds		–	(4.6)
Cash settlement on derivative financial instruments		(20.1)	(35.9)
Bank and other borrowings raised		41.5	709.4
Repayments of bank and other borrowings		(63.6)	(1,747.4)
Dividends paid by the Company		(181.1)	(180.7)
Dividends paid to non-controlling shareholders		(0.2)	(0.3)
Net cash used in financing activities		(223.5)	(959.5)
Increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		1,538.1	1,183.8
Cash and cash equivalents at the end of the year	26	2,023.0	1,538.1

The notes on pages 64 to 128 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL INFORMATION

Wing Tai Properties Limited (the "Company") is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

The Company is an investment holding company. Its principal subsidiaries are engaged in property development, property investment and management and hospitality investment and management. The Company and its subsidiaries are hereinafter collectively referred to as the Group.

The Group's joint ventures and associates are principally engaged in property investment, property development and hospitality investment.

These consolidated financial statements are presented in millions of Hong Kong dollars (HK\$'M), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 17 March 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(i) *New standards, revised standards, amendments and improvements to standards effective for the current accounting period beginning on 1 January 2015 and relevant to the Group*

HKAS 19 (2011) (Amendment)	Defined benefit plans – employee contributions
Annual improvements 2012	
Annual improvements 2013	

The adoption of the above new or revised standards, amendments and improvements to standards stated above did not have any significant impact to the Group's financial statements in the current and prior year.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(iii) *New standards, revised standards, amendments and improvements to standards that are not yet effective in 2015 and have not been early adopted by the Group*

The following new standards, revised standards, amendments and improvements to standards that have been issued but are not yet effective for the year ended 31 December 2015:

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Disclosure initiative	1 January 2016
HKAS 16 (Amendment) and HKAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKAS 27 (Amendment)	Equity method in separate financial statements	1 January 2016
HKAS 16 (Amendment) and HKAS 41 (Amendment)	Agriculture: Bearer Plants	1 January 2016
HKFRS 10 (Amendment), HKFRS 12 (Amendment) and HKAS 28 (2011) (Amendment)	Investment entities: applying the consolidation exception	1 January 2016
HKFRS 10 (Amendment) and HKAS 28 (Amendment)	Sales or contribution of asset between an investor and its associate or joint venture	1 January 2016
HKFRS 11 (Amendment)	Acquisitions of interests in joint operations	1 January 2016
HKFRS 14	Regulatory deferral accounts	1 January 2016
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
Annual improvements 2014		1 January 2016

The Group is in the process of making assessment of the impact of these new standards, revised standards, amendments and improvements to standards and is not yet in a position to state whether they would have a significant impact on the Group's results and financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation

(i) *Subsidiaries*

A subsidiary is an entity (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(i) *Subsidiaries (Continued)*

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(ii) *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

(c) Joint ventures and associates

Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

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

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit of investments accounted for using equity method" in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Joint ventures and associates (Continued)

Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Directors who are responsible for allocating resources and assessing performance of the operating segments. The identification of operating segments is set out in Note 6.

(e) Foreign currency translation

(i) *Functional and presentation currency*

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

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in hedging reserve as qualifying cash flow hedges or qualifying net investment hedges.

All foreign exchange gains and losses are presented in the income statement within "other gains, net".

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Foreign currency translation (Continued)

(iii) *Group companies*

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at rates on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

(iv) *Disposal of foreign operation and partial disposal*

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

(f) Other properties, plant and equipment

Land and buildings comprise offices occupied by the Group. Leasehold land classified as finance lease and all other properties, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

On the transfer of owner occupied property to investment property, increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and increases other property revaluation reserve directly in equity; all other decreases are charged to the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Other properties, plant and equipment (Continued)

Freehold land with unlimited useful life is not depreciated. Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation of other properties, plant and equipment, other than construction in progress is calculated using the straight-line method to allocate the cost to their residual values over their estimated useful lives at the following annual rates calculated from the acquisition cost:

Leasehold land classified as finance lease	Shorter of remaining lease term or useful life
Buildings	2% – 4%
Furniture, fixtures and equipment	10% – 33 1/3%
Motor vehicles	20% – 33 1/3%
Plant and machinery	5% – 10%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains or losses arising on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

(g) Investment properties

Investment property, principally comprising leasehold land and office buildings, is held for long-term rental yields and is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs. After initial recognition at cost investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets, income capitalisation valuation techniques or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of a valuation gain or loss.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

If any investment property becomes owner-occupied, it is reclassified as other property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purpose. Property that is being constructed or developed for future use as investment property is classified as investment property and is carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until its fair value becomes reliably determinable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Properties for sale

Properties for sale comprising properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Development cost of properties comprises cost of land use rights, construction costs and borrowing costs incurred during the construction period. Upon completion, the properties under development are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Properties for sale are classified as current assets unless the construction period of the relevant property development project is expected to be completed beyond normal operating cycle.

(i) Impairment of investments in subsidiaries, joint ventures, associates and non-financial assets

Investments in subsidiaries, joint ventures, associates and other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable; in addition, other non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

(j) Financial assets

Classification

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

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets, if expected to be settled within 12 months; otherwise, they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise loans to associates and joint ventures, deposits and loan receivables, trade and other receivables, sales proceeds held in stakeholders' accounts, restricted bank deposits and bank balances and cash in the balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial assets (Continued)

(iii) *Held-to-maturity financial assets*

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the balance sheet date.

Recognition and measurement

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

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement when the Group's right to receive payments is established.

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

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments previously recognised in investment revaluation reserve are included in the income statement.

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

(k) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment of financial assets

(i) *Assets carried at amortised cost*

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivable category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

(ii) *Assets classified as available-for-sale financial assets*

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

(m) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- (i) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transactions (cash flow hedge); or
- (ii) hedges of a net investment in a foreign operation (net investment hedge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 23. Movements on the hedging reserve in shareholders' equity are shown in the consolidated statement of comprehensive income. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedge item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) *Cash flow hedge*

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

Amounts accumulated in hedging reserve are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or other properties, plant and equipment), the gains and losses previously deferred in hedging reserve are transferred from hedging reserve and included in the initial measurement of the cost of the asset or liability. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory, or in depreciation in the case of other properties, plant and equipment.

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

(ii) *Net investment hedge*

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the income statement.

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

(iii) Certain derivative instruments do not qualify for hedge accounting. They are classified as current or non-current assets or liabilities according to the settlement dates of the derivative instruments. Changes in the fair value of these derivative instruments are recognised in the income statement.

(n) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities. Restricted bank deposits are excluded from the cash and cash equivalents of the consolidated cash flow statement.

(p) Share capital

Ordinary shares are classified as share capital. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(q) Trade payables

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

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

(r) Borrowings

Borrowings (including the fixed rate bonds as disclosed in Note 28) are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees are capitalised as prepayments for liquidity services and amortised over the period of the facility to which it relates.

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

(s) Other financial liabilities

The Group classifies and measures its financial liabilities in accordance with the purpose for which the financial liabilities are incurred and managed. The management classifies financial liabilities at fair value through profit or loss if they are managed and their performance measured on fair value basis. A financial liability is derecognised from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

Financial liabilities at fair value through profit or loss include other long-term liability disclosed in Note 30. They are initially recognised at fair value and transaction costs are expensed off immediately. Realised or unrealised gains or losses on financial liabilities are charged to the income statement in the period in which they arise. The fair value is estimated by discounting the estimated future contractual cash flows at the current market discount rate which considers the Group's credit risk. Where applicable, a pricing adjustment is applied to arrive at the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Borrowing costs

General and specific 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

(u) Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) *Deferred income tax*

Inside basis differences

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

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

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

Outside basis differences

Deferred income tax is provided on taxable temporary differences arising on investments in subsidiaries, joint ventures and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Current and deferred taxation (Continued)

(iii) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is no intention to settle the balances on a net basis.

(v) Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(iii) *Bonus plans*

The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iv) *Retirement benefits cost*

Payments to the Group's defined contribution retirement schemes and the Mandatory Provident Fund Scheme are charged as expenses as they fall due. The Group has no legal or constructive obligations to pay further contributions for post-retirement benefits beyond its fixed contributions.

(v) *Share-based payments*

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (incentive shares) of the Group. The fair value of the employee services received in exchange for the grant of the incentive shares is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the incentive shares granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

Non-market vesting conditions are included in assumptions about the number of incentive shares that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the Group revises its estimates of the number of incentive shares that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to employee share-based compensation reserve.

When the incentive shares and share options are exercised (Note 32), the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the incentive shares are exercised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

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

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

(x) Revenue recognition

Revenue represents sale of properties, rental income, project and property management income and dividend income from available-for-sale financial assets. Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

- (i) Income from properties developed for sale is recognised when the significant risks and rewards of the properties are transferred to the buyers and the collectability of related receivables is reasonably assured. Payments received from purchasers prior to this stage are recorded as deposits received, which are included in current liabilities.
- (ii) Rental income from investment property is recognised on a straight-line basis over the period of the leases.
- (iii) Property management income is recognised when the services are rendered.
- (iv) Dividend income from investments is recognised when the Group's right to receive payment has been established.

(y) Operating leases

(i) *Group as the lessee to operating leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(ii) *Group as the lessor to operating leases*

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Finance leases

Leases that transfer to the Group substantially all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the lease's commencement date at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in liabilities, as trade and other payables. The finance charges are charged to the income statement over the lease periods so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets held under finance leases are depreciated in the basis described in Note 2(f) above.

(aa) Contingent liabilities and contingent assets

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

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

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

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

(bb) Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value. Subsequently, such contracts are measured at the higher of the best estimate of the amount required to settle the guarantee and the amount initially recognise less, where appropriate, cumulative amortisation over the life of the guarantee on a straight-line basis.

(cc) Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's equity holders or directors, where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (including currency risk, fair value interest rate risk and cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to UK pounds, Renminbi and Singapore dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group has certain investments in foreign operations in UK, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings, forward exchange contracts and cross currency swap contracts denominated in UK pounds.

At 31 December 2015, if HK dollars had weakened/strengthened by 5% against Renminbi with all other variables held constant, equity would have been HK\$26.2M (2014: HK\$33.6M) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Renminbi-denominated operations.

The Group has entered into cross currency swap contracts to hedge against foreign exchange exposure arising from fixed rate bonds denominated in Singapore dollars. The fixed rate bonds are fully swapped into Hong Kong dollar so as to eliminate foreign exchange fluctuation from Singapore dollar when interest payments and principal repayment of the fixed rate bonds are made in future.

At 31 December 2015, if HK dollars had weakened/strengthened by 5% against Singapore dollars with all other variables held constant, equity would have been HK\$17.9M (2014: HK\$24.4M) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Singapore dollar-denominated available-for-sale financial assets.

The Group does not have significant foreign exchange risks that affect the profit or loss.

(ii) Interest rate risk

As the Group has no significant interest-bearing assets (other than bank deposits), the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group is exposed to changes in interest rates due to its bank borrowings which are disclosed in Note 28 below. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose to the Group to fair value interest rate risk. The Group manages its interest rate exposure based on interest rate level and outlook as well as potential impact on the Group's financial position arising from volatility. Interest rate swap contract is the hedging instrument most commonly used by the Group to manage the interest rate exposure.

If interest rates on borrowings had been 50 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been HK\$5.8M (2014: HK\$6.1M) lower/higher and capitalised interest on "properties for sale" would have been HK\$2.8M (2014: HK\$2.6M) higher/lower, mainly as a result of higher/lower interest expenses on floating rate borrowings.

In addition, if interest rates on borrowings had been 50 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been HK\$12.0M (2014: HK\$16.1M) higher or HK\$12.4M (2014: HK\$17.0M) lower, mainly as a result of gain/loss relating to the portion of changes in the fair value of interest rate swap contracts not qualified for hedge accounting.

3. FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) Price risk

The Group is exposed to equity securities price risk because certain financial assets of the Group are classified in the consolidated balance sheet as available-for-sale financial assets. The Group is not exposed to commodity price risk.

At 31 December 2015, if market value of the Group's listed available-for-sale financial assets had increased/decreased by 10% (2014: 10%), with all other variables held constant, equity would have been HK\$35.8M (2014: HK\$48.5M) higher/lower before any further impairment. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months.

(iv) Credit risk

The Group's credit risks are primarily attributable to the Group's cash at banks (Note 26), deposits and loan receivables (Note 19), other financial assets (Note 20), trade receivables from sale of properties and rent receivables from tenants (Note 22).

The Group has limited its credit exposure by ensuring the Group's cash deposits are placed with reputable banks and financial institutions with high credit rating.

The Group primarily chooses to invest in reputable companies with sound financial conditions as held-to-maturity investments. In addition, the Group has closely reviewed published financial information on these investments.

In respect of credit exposures to customers for sale of properties, the Group normally receives deposits or progress payments from individual customers prior to the completion of sale transactions. If a customer defaults on the payment of the sale of properties, the Group is able to forfeit the customer's deposit and re-sell the property to another customer. Therefore, the Group's credit risk is significantly reduced. For rent receivables from tenants, credit checks are part of the normal leasing process. The Group normally receives deposits for leases to tenants. Regular review is carried out and stringent monitoring procedures are in place to deal with overdue debts. At each balance sheet date, the Group reviews the recoverable amount of each individual trade receivables to ensure that adequate provisions for impairment are made for irrecoverable amounts, if any.

The Group has no significant concentrations of credit risk on trade receivable.

(v) Liquidity risk

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

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Corporate and managed by the Group Treasury Department, which invests surplus cash in time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(v) Liquidity risk (Continued)

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the tables are the contractual undiscounted cash flows and may not reconcile to the amounts in the balance sheets.

	Less than 1 year HK\$'M	Between 1 and 2 years HK\$'M	Between 2 and 5 years HK\$'M	Over 5 years HK\$'M
At 31 December 2015				
Bank and other borrowings	551.0	596.0	1,244.3	2,028.4
Derivative financial instruments	18.8	14.2	36.8	167.9
Trade and other payables and accruals	251.5	1.0	0.2	–
Other long-term liability	–	–	–	73.7
Financial guarantees (Note)	471.9	925.9	500.8	–
Total	1,293.2	1,537.1	1,782.1	2,270.0
At 31 December 2014				
Bank and other borrowings	182.5	574.8	1,726.9	2,289.3
Derivative financial instruments	18.8	14.1	29.8	109.0
Trade and other payables and accruals	220.0	10.1	–	–
Other long-term liability	–	–	–	91.5
Financial guarantees (Note)	–	571.4	965.0	–
Total	421.3	1,170.4	2,721.7	2,489.8

Note:

These amounts are financial guarantees from the Group to its joint ventures and associates representing the hypothetical payments should the guarantees be crystallised, however based on the operating results, the Group does not expect them to be crystallised.

3. FINANCIAL RISK MANAGEMENT (Continued)

(b) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowings divided by total equity which is the Group's capital. Net borrowings are calculated as bank and other borrowings less bank balances and cash.

The gearing ratios at 31 December 2015 and 2014 were as follows:

	2015 HK\$'M	2014 HK\$'M
Bank and other borrowings	3,766.3	3,878.8
Less: Bank balances and cash	(2,074.2)	(1,592.6)
Net borrowings	1,692.1	2,286.2
Total equity	23,347.3	22,680.2
Gearing ratio	7.2%	10.1%

(c) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

The following tables present the Group's financial assets and liabilities that are measured at fair value at 31 December 2015 and 2014 (see Note 15 for disclosures of the investment properties that are measured at fair value).

	Level 1 HK\$'M	Level 2 HK\$'M	Level 3 HK\$'M	Total HK\$'M
At 31 December 2015				
Assets				
Other financial assets				
Available-for-sale financial assets				
– listed securities	358.3	–	–	358.3
Derivative financial instruments				
– cross currency swap contracts	–	3.6	–	3.6
– forward exchange contracts	–	11.0	–	11.0
	358.3	14.6	–	372.9
Liabilities				
Derivative financial instruments				
– interest rate swap contracts	–	9.0	–	9.0
– cross currency swap contracts	–	249.5	–	249.5
Other long-term liability	–	–	73.7	73.7
	–	258.5	73.7	332.2
At 31 December 2014				
Assets				
Other financial assets				
Available-for-sale financial assets				
– listed securities	485.9	–	–	485.9
– unlisted securities	–	1.1	–	1.1
Derivative financial instruments				
– forward exchange contract	–	0.4	–	0.4
	485.9	1.5	–	487.4
Liabilities				
Derivative financial instruments				
– interest rate swap contracts	–	16.6	–	16.6
– cross currency swap contracts	–	138.9	–	138.9
Other long-term liability	–	–	91.5	91.5
	–	155.5	91.5	247.0

There is no transfer between the different levels of fair value measurement hierarchy of financial instruments for the years ended 31 December 2015 and 2014.

3. FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

(i) Financial instruments in Level 1:

Listed securities are stated at market prices. The quoted market price used for financial assets held by the Group is the bid price at the end of the reporting period. They are included in Level 1.

(ii) Financial instruments in Level 2:

Unlisted securities are stated at fair values which are estimated using other prices observed in recent transactions or valuation techniques when the market price is not readily available.

The fair value of forward exchange contracts and cross currency swap contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

The fair value of interest rate swap contracts is calculated as the present value of the estimated future cash flows based on observable yield curves.

If all significant inputs required to estimate the fair value of an instrument are observable, the instrument is included in Level 2. If one or more of significant inputs is not based on observable market data, the instrument is included in Level 3.

(iii) Financial instruments in Level 3:

Other long-term liability represents provisions of liabilities in relation to indemnifying a third party against the cost of winding up the pension scheme of the disposed business in 2012.

Valuation processes of the Group

The Group engaged Barnett Waddingham, an independent valuer, to value its long-term liability. Discussion of valuation processes and results are held between the Group's management and valuer at least once every six months, in line with the Group's interim and annual reporting dates. At each reporting date the Group's management:

- verifies all major inputs to the independent valuation report;
- assesses the liability valuation movements when compared to the prior period valuation report;
- holds discussions with the independent valuer.

The fair value of the long-term liability is determined using a solvency valuation model and the significant unobservable inputs used in the fair value measurement are the forecast price inflation and investment return. The fair value measurement of the liability is positively correlated to the forecast price inflation and negatively correlated to the forecast investment return. As at 31 December 2015, it is estimated that with all other variables held constant, an increase in both the above unobservable inputs by 0.1% (2014: 0.1%) would have increased the Group's profit by HK\$1.7M (2014: HK\$1.6M).

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	Other long-term liability	
	2015	2014
	HK\$'M	HK\$'M
Opening balance	(91.5)	(58.9)
Company's contributions	0.2	0.8
Fair value gain/(loss) recognised in the consolidated income statement (Note 14)	17.6	(33.4)
Closing balance	(73.7)	(91.5)

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For the year ended 31 December 2015

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Fair value of investment properties

The Group's investment properties are revalued at the balance sheet date on the open market value basis by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement on whether such valuations and assumptions made by the valuers are reasonable, the Group considers information from comparable current prices in an active market for similar properties, capitalisation rates, terminal yield, rental income from current leases and assumptions about rental from future leases and the reversionary income potential and uses assumptions that are mainly based on market conditions existing at each balance sheet date. The main assumptions have been disclosed in Note 15.

(b) Fair value of derivative financial instruments

If information on current or recent prices of derivative financial instruments is not available, the fair values of derivative financial instruments are determined using valuation techniques (including discounted cash flow model or price/earnings multiple model). The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

(c) Fair value of financial liabilities at fair value through profit or loss classified under other long-term liability

If information on current or recent prices of financial liabilities at fair value through profit or loss is not available, the fair values of financial liabilities at fair value through profit or loss are determined using valuation techniques (including discounted cash flow model). The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date. The main assumptions have been disclosed in Note 30.

(d) Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 to determine when an available-for-sale financial asset is impaired. The determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(e) Net realisable values of properties for sale

The Group assesses the carrying amounts of properties for sale according to their recoverable amounts based on the realisability of these properties, taking into account estimated costs to completion based on past experience, committed contracts and estimated net sales/rental value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

(f) Impairment of trade receivables

The Group reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment is made for the irrecoverable amounts. The Group assesses the recoverable amount of each individual trade receivables whether there is objective evidence that the trade receivables are impaired. This evidence may include observable data indicating that there has been an adverse change in the payment status of the debtors and the local economic conditions.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(g) Impairment of assets

The Group tests annually whether tangible and intangible assets not subject to amortisation have suffered any impairment. For the purposes of impairment tests, the recoverable amounts of cash-generating units are determined based on the higher of the asset's fair value less cost to sell and its value-in-use require the use of estimates.

(h) Taxation

The Group is subject to income taxes, capital gains tax, land appreciation tax and withholding tax in several jurisdictions as applicable. There are certain transactions and calculations for which the ultimate tax determination may be uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the financial period in which such determination is made.

The Group has used presumption that the carrying amount of all investment properties except for certain PRC investment properties using fair value model will be recovered through sale. Accordingly, no provision for deferred tax is made on revaluation of investment properties if there is no capital gains tax. The PRC investment properties would be recovered through use which is held within a business model to hold for rental, provision for deferred tax is made on revaluation of investment properties using income tax rate.

Recognition of deferred tax asset, which principally relates to tax losses of certain subsidiaries, depends on the management's expectation of future taxable profit that will be available against which the tax losses can be utilised. The outcome of their actual utilisation may be different.

(i) Accrual of construction costs

It usually takes more than a year after completion of the relevant constructions to finalise and agree with the contractors on overall construction costs (including initial contract sum, variation orders, liquidation damages, if any) for property development. The Group has accrued for construction costs based on the latest information available and directors' best estimate on the likely outcome of negotiation with contractors. If the final construction costs differ from the accruals made, there will be effects on the results of the Group in the year in which construction costs are concluded.

5. REVENUE

Revenue represents the amounts received and receivable from third parties net of value-added tax and discounts in connection with the following activities:

	2015 HK\$'M	2014 HK\$'M
Sale of properties and project management income	149.2	944.0
Rental income and property management income	838.1	816.1
Dividend income from available-for-sale financial assets	21.9	23.4
	1,009.2	1,783.5

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6. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by Executive Directors in order to allocate resources to the segment and to assess its performance.

Segment information are analysed on the basis of the Group's operating divisions. They are (i) Property Development, (ii) Property Investment and Management, (iii) Hospitality Investment and Management and (iv) Others. Others represent mainly investing activities and corporate activities including central management and administrative function.

	Property development HK\$'M	Property investment and management HK\$'M	Hospitality investment and management HK\$'M	Others HK\$'M	Elimination HK\$'M	Total HK\$'M
For the year ended 31 December 2015						
REVENUE						
External sales	149.2	690.9	147.2	21.9	-	1,009.2
Inter-segment sales	-	8.1	0.6	-	(8.7)	-
Total	149.2	699.0	147.8	21.9	(8.7)	1,009.2
RESULTS						
Profit/(loss) before change in fair value of investment properties and financial instruments, and gain on disposal of an associate	(43.0)	480.0	47.4	(43.8)	-	440.6
Change in fair value of investment properties and financial instruments	(3.0)	791.2	(100.7)	17.2	-	704.7
Gain on disposal of an associate	-	-	58.4	-	-	58.4
Profit/(loss) from operations	(46.0)	1,271.2	5.1	(26.6)	-	1,203.7
Finance costs	-	(56.0)	(18.5)	(68.3)	36.3	(106.5)
Finance income	-	4.5	5.9	40.6	(36.3)	14.7
Share of results of joint ventures	90.0	(5.2)	(12.4)	-	-	72.4
Share of results of associates	0.2	-	(2.2)	-	-	(2.0)
Profit/(loss) before taxation	44.2	1,214.5	(22.1)	(54.3)	-	1,182.3
Taxation						(83.2)
Profit for the year						1,099.1
Other items						
Depreciation and amortisation	-	2.0	0.1	2.9	-	5.0

6. SEGMENT INFORMATION (Continued)

	Property development HK\$'M	Property investment and management HK\$'M	Hospitality investment and management HK\$'M	Others HK\$'M	Elimination HK\$'M	Total HK\$'M
For the year ended 31 December 2014						
REVENUE						
External sales	944.0	669.0	147.1	23.4	–	1,783.5
Inter-segment sales	–	11.5	–	–	(11.5)	–
Total	944.0	680.5	147.1	23.4	(11.5)	1,783.5
RESULTS						
Profit/(loss) before change in fair value of investment properties and financial instruments	137.9	493.1	53.6	(75.5)	(0.6)	608.5
Change in fair value of investment properties and financial instruments	13.0	1,536.6	23.0	(33.4)	–	1,539.2
Profit/(loss) from operations	150.9	2,029.7	76.6	(108.9)	(0.6)	2,147.7
Finance costs	(3.3)	(89.6)	(17.8)	(57.8)	38.4	(130.1)
Finance income	1.4	2.1	7.1	41.1	(37.8)	13.9
Share of results of joint ventures	20.4	(12.1)	(8.9)	–	–	(0.6)
Share of results of associates	0.3	–	1.9	–	–	2.2
Profit/(loss) before taxation	169.7	1,930.1	58.9	(125.6)	–	2,033.1
Taxation						(89.5)
Profit for the year						1,943.6
Other items						
Depreciation and amortisation	4.4	2.0	–	4.4	–	10.8
Loss/(gain) on disposals of other properties, plant and equipment, net	3.4	0.4	–	(0.3)	–	3.5

Inter-segment transactions are entered into under the normal commercial terms and conditions mutually agreed among group companies.

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6. SEGMENT INFORMATION (Continued)

The segment assets and liabilities at 31 December 2015 and 2014 and additions to non-current assets for the years then ended are as follows:

	Property development HK\$'M	Property investment and management HK\$'M	Hospitality investment and management HK\$'M	Others HK\$'M	Total HK\$'M
At 31 December 2015					
ASSETS					
Segment assets (Note a)	2,028.2	20,109.9	2,058.0	1,842.7	26,038.8
Investments in joint ventures and loans to joint ventures	1,412.6	630.5	96.6	–	2,139.7
Investments in associates and loans to associates	5.4	14.5	–	–	19.9
Other assets	3,446.2	20,754.9	2,154.6	1,842.7	28,198.4 22.5
Consolidated total assets					28,220.9
LIABILITIES					
Segment liabilities (Note b)	(141.5)	(240.0)	(25.3)	(102.6)	(509.4)
Other liabilities					(4,364.2)
Consolidated total liabilities					(4,873.6)
Additions to non-current assets (Note c)	–	252.7	4.5	1.2	258.4
At 31 December 2014					
ASSETS					
Segment assets (Note a)	2,267.5	19,344.5	2,212.3	1,148.0	24,972.3
Investments in joint ventures and loans to joint ventures	1,852.8	432.9	102.4	–	2,388.1
Investments in associates and loans to associates	10.9	14.4	96.5	–	121.8
Other assets	4,131.2	19,791.8	2,411.2	1,148.0	27,482.2 45.6
Consolidated total assets					27,527.8
LIABILITIES					
Segment liabilities (Note b)	(134.0)	(206.1)	(26.8)	(129.0)	(495.9)
Other liabilities					(4,351.7)
Consolidated total liabilities					(4,847.6)
Additions to non-current assets (Note c)	–	2.5	3.6	3.8	9.9

6. SEGMENT INFORMATION (Continued)

Notes:

- (a) Segment assets consist primarily of investment properties, other properties, plant and equipment, other financial assets, deposits and loan receivables, properties for sale, trade and other receivables, deposits and prepayments, sales proceeds held in stakeholders' accounts, restricted bank deposits and bank balances and cash. Other assets comprise mainly derivative financial instruments, tax recoverable and deferred tax assets.
- (b) Segment liabilities comprise operating liabilities. Other liabilities include tax payable, borrowings, deferred tax liabilities and derivative financial instruments.
- (c) Additions to non-current assets comprise additions to investment properties and other properties, plant and equipment.

The Group's operations are principally located in Hong Kong, the People's Republic of China other than Hong Kong (the "PRC") and the United Kingdom.

The following is an analysis of the Group's revenue by geographical areas in which the customers are located, irrespective of the origin of the goods/services:

	Year ended 31 December	
	2015 HK\$'M	2014 HK\$'M
Hong Kong	917.8	1,702.7
The PRC	37.7	31.4
United Kingdom	26.3	21.4
Singapore	24.1	25.1
Others	3.3	2.9
	1,009.2	1,783.5

The followings are analysis of the Group's total assets, non-current assets other than financial instruments and deferred tax assets, namely investment properties and other properties, plant and equipment, and additions to non-current assets by geographical areas in which the assets are located.

	Total assets At 31 December		Non-current assets other than financial instruments and deferred tax assets At 31 December		Additions to non-current assets (Note c) Year ended 31 December	
	2015 HK\$'M	2014 HK\$'M	2015 HK\$'M	2014 HK\$'M	2015 HK\$'M	2014 HK\$'M
Hong Kong	25,488.4	25,011.3	20,025.3	19,403.1	15.2	9.6
United Kingdom	1,291.5	780.4	996.7	740.3	243.2	–
The PRC	976.0	1,073.9	482.7	501.1	–	0.3
Singapore	365.3	537.5	–	–	–	–
Others	99.7	124.7	–	–	–	–
	28,220.9	27,527.8	21,504.7	20,644.5	258.4	9.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

7. OTHER GAINS, NET

	2015 HK\$'M	2014 HK\$'M
Amortisation of interest income on held-to-maturity investments	0.4	1.6
Compensation income from a shareholder of an associate	11.2	–
Compensation income arising from termination of a serviced residences operating agreement	–	8.1
Exchange losses, net	(0.3)	(4.1)
Gain on disposal of an associate (Note 18(d))	58.4	–
Gain on disposal of other assets	–	4.4
Loss on disposals of other properties, plant and equipment	–	(3.5)
Provision for impairment on loans to an associate	(0.3)	(2.9)
Write back of provisions for claims	1.0	1.0
Write-off of deposits and loan receivables	(1.6)	(1.5)
Others	2.4	4.9
	71.2	8.0

8. PROFIT FROM OPERATIONS

	2015 HK\$'M	2014 HK\$'M
Profit from operations has been arrived at after charging/(crediting) the following:		
Staff costs including directors' remuneration	227.9	200.4
Retirement benefits costs, net of negligible forfeited contributions	7.9	8.2
Total staff costs (Note)	235.8	208.6
Share-based compensation expenses (Note)	11.7	10.1
Auditor's remuneration		
– Audit services	4.9	4.4
– Non-audit services	0.7	1.8
Cost of sales of properties included in cost of sales	80.9	680.1
Depreciation of other properties, plant and equipment (Note 16)	5.0	10.8
Direct operating expenses arising from investment properties generating rental income	155.1	147.1
Gain on disposal of an associate (Note 18(d))	(58.4)	–
Loss on disposal of other properties, plant and equipment	–	3.5

Note:

Share-based compensation expenses recognised in the consolidated income statement in respect of incentive shares granted to certain directors and employees are not included in the total staff costs above.

9. BENEFITS AND INTERESTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

	2015 HK\$'M	2014 HK\$'M
Directors' fees	1.9	1.7
Other directors' emoluments		
– Salaries and allowances	24.7	20.7
– Discretionary bonus	6.5	4.6
– Retirement benefits costs (defined contribution plan)	1.1	0.9
Directors' emoluments	34.2	27.9
Value of incentive shares	7.7	5.9
	41.9	33.8

Details of the remuneration of every director for the year ended 31 December 2015 are set out below:

Name	As director (note (i))		As management (note (ii))			Sub-total HK\$'000	Fair value of incentive shares amortised in 2015 HK\$'000 (Note 32)	Total HK\$'000
	Directors' fee HK\$'000	Salaries and allowances HK\$'000	Discretionary bonus HK\$'000	Retirement benefit costs - defined contribution plan HK\$'000				
Executive directors								
CHENG Wai Chee, Christopher (Chairman)	25	6,543	–	313	6,856	3,134	9,990	
CHENG Wai Sun, Edward (Deputy Chairman and Chief Executive)	25	10,010	4,429	486	14,925	3,134	18,059	
CHENG Man Piu, Francis	25	–	–	–	–	–	–	
CHOW Wai Wai, John	25	3,690	827	184	4,701	636	5,337	
NG Kar Wai, Kenneth (appointed on 22 January 2015)	23	4,416	1,300	114	5,830	773	6,603	
Non-executive directors								
KWOK Ping Luen, Raymond	60	–	–	–	–	–	–	
HONG Pak Cheung, William	60	–	–	–	–	–	–	
NG Tak Wai, Frederick	60	–	–	–	–	–	–	
CHEN CHOU Mei Mei, Vivien	60	–	–	–	–	–	–	
Independent non-executive directors								
Simon MURRAY	310	–	–	–	–	–	–	
FANG Hung, Kenneth	260	–	–	–	–	–	–	
YEUNG Kit Shing, Jackson	360	–	–	–	–	–	–	
Haider Hatam Tyebjee BARMA	260	–	–	–	–	–	–	
CHENG Hoi Chuen, Vincent	310	–	–	–	–	–	–	
Total	1,863	24,659	6,556	1,097	32,312	7,677	39,989	

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9. BENEFITS AND INTERESTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' remuneration (Continued)

Details of the remuneration of every director for the year ended 31 December 2014 are set out below:

Name	As director (note (i))		As management (note (ii))			Sub-total HK\$'000	Fair value of incentive shares amortised in 2014 HK\$'000 (Note 32)	Total HK\$'000
	Directors' fee HK\$'000	Salaries and allowances HK\$'000	Discretionary bonus HK\$'000	Retirement benefit costs - defined contribution plan HK\$'000				
Executive directors								
CHENG Wai Chee, Christopher (Chairman)	25	6,053	–	298	6,351	3,051	9,402	
CHENG Wai Sun, Edward (Deputy Chairman and Chief Executive)	25	9,354	3,772	463	13,589	3,051	16,640	
CHENG Man Piu, Francis	25	–	–	–	–	–	–	
CHOW Wai Wai, John	25	3,505	788	175	4,468	473	4,941	
AU Hing Lun, Dennis (resigned on 6 May 2014)	8	1,777	–	–	1,777	(669)	1,108	
Non-executive directors								
KWOK Ping Luen, Raymond	60	–	–	–	–	–	–	
HONG Pak Cheung, William	60	–	–	–	–	–	–	
NG Tak Wai, Frederick	60	–	–	–	–	–	–	
CHEN CHOU Mei Mei, Vivien	60	–	–	–	–	–	–	
Independent non-executive directors								
Simon MURRAY	286	–	–	–	–	–	–	
FANG Hung, Kenneth	237	–	–	–	–	–	–	
YEUNG Kit Shing, Jackson	337	–	–	–	–	–	–	
Haider Hatam Tyebjee BARMA	237	–	–	–	–	–	–	
CHENG Hoi Chuen, Vincent	286	–	–	–	–	–	–	
Total	1,731	20,689	4,560	936	26,185	5,906	32,091	

Notes:

- (i) The amounts represented emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings.
- (ii) The amounts represented emoluments paid or receivable in respect of a person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings.
- (iii) During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2014: nil).
- (iv) None of the directors has waived any emoluments during the year (2014: Nil).

9. BENEFITS AND INTERESTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director 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 according to section 22 of Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G).

(c) Five highest paid individuals

The aggregate emoluments of the five highest paid individuals of the Group in 2015 included four (2014: three) executive directors of the Company whose emoluments are included above. The emoluments of the remaining one (2014: two) highest paid individual are as follows:

	2015 HK\$'M	2014 HK\$'M
Salaries and allowances	3.9	7.3
Discretionary bonus	1.7	2.0
Retirement benefits costs – defined contribution plan	0.2	0.3
	5.8	9.6

The emoluments fell within the following bands:

	Number of individual	
	2015	2014
Emoluments bands		
HK\$4,000,001 – HK\$4,500,000	–	1
HK\$5,000,001 and above	1	1

10. FINANCE COSTS AND FINANCE INCOME

	2015 HK\$'M	2014 HK\$'M
Finance costs		
Interest expenses on:		
– bank borrowings	47.6	79.1
– fixed rate bonds	89.4	79.5
Total borrowing costs	137.0	158.6
Less: interest capitalised in properties for sale (Note)	(30.5)	(28.5)
	106.5	130.1
Finance income		
– bank interest income	(9.1)	(6.3)
– other interest income	(5.6)	(7.6)
	(14.7)	(13.9)

Note:

Interest capitalised at rates range from 1.7% to 4.2% per annum (2014: 1.0% to 4.2% per annum).

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11. TAXATION

Hong Kong profits tax has been calculated at 16.5% (2014: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged/(credited) to the consolidated income statement represents:

	2015 HK\$'M	2014 HK\$'M
Current taxation		
– Current tax on profits for the year	53.5	51.3
– Over-provision in prior years	(1.2)	(26.4)
	52.3	24.9
Deferred taxation (Note 29)		
– Change in fair value of investment properties	7.5	11.0
– Temporary differences on tax depreciation	16.4	23.7
– Utilisation of tax losses	7.2	29.7
– Withholding tax	(0.2)	0.2
	30.9	64.6
Income tax expenses	83.2	89.5

The tax on the Group's profit before taxation differs from the theoretical amount that would arise using the profits tax rate of Hong Kong, where majority of the Group's operations were carried out, as follows:

	2015 HK\$'M	2014 HK\$'M
Profit before taxation	1,182.3	2,033.1
Tax calculated at Hong Kong profits tax rate of 16.5% (2014: 16.5%)	195.1	335.5
Expenses not deductible for tax purpose	30.3	13.2
Income not subject to tax	(152.6)	(266.8)
Net increase in unrecognised tax losses and other temporary differences	19.9	25.2
Effect of different tax rates of subsidiaries operating in other jurisdictions	1.0	3.1
Over-provision in prior years	(1.2)	(26.4)
Tax effect of share of results of joint ventures	(11.9)	–
Tax effect of share of results of associates	0.4	(0.4)
PRC land appreciation tax on change in fair value of investment properties (Note)	0.1	4.2
PRC land appreciation tax and other taxes deductible for calculation of income tax purpose	2.3	1.7
Withholding tax on undistributed earnings	(0.2)	0.2
Taxation for the year	83.2	89.5

Note:

PRC land appreciation tax ("LAT") is provided at progressive rates ranging from 30% to 60% (2014: 30% to 60%) on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including costs of land use rights and property development expenditures.

There was no tax charge in relation to components of other comprehensive income during the year (2014: Nil).

12. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2015	2014
Profit attributable to equity holders of the Company (expressed in HK\$'M)	1,099.1	1,943.6
Weighted average number of ordinary shares in issue	1,340,696,082	1,337,922,241
Basic earnings per share	HK\$0.82	HK\$1.45

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares at the beginning of the year. The Company has incentive shares outstanding during the year which are dilutive potential ordinary shares. Calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding incentive shares.

	2015	2014
Profit attributable to equity holders of the Company (expressed in HK\$'M)	1,099.1	1,943.6
Weighted average number of ordinary shares in issue	1,340,696,082	1,337,922,241
Effect of dilutive potential shares issuable under the Company's share incentive scheme	4,933,361	4,776,819
Weighted average number of shares for the purpose of calculating diluted earnings per share	1,345,629,443	1,342,699,060
Diluted earnings per share	HK\$0.82	HK\$1.45

13. DIVIDENDS

	2015 HK\$'M	2014 HK\$'M
Interim dividend paid on 5 October 2015 of HK4.2 cents (2014: HK4.2 cents) per ordinary share	56.3	56.2
Proposed final dividend of HK10.8 cents (2014: HK9.3 cents) per ordinary share	144.9	124.5
	201.2	180.7

The final dividend is not accounted for as a dividend payable in these financial statements until it has been approved at the forthcoming annual general meeting of the Company.

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14. CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES AND FINANCIAL INSTRUMENTS

	2015 HK\$'M	2014 HK\$'M
Change in fair value of investment properties (Note 15)	680.3	1,593.0
Net change in fair value of financial instruments		
– net fair value gain/(loss) on derivative financial instruments	6.8	(20.4)
– gain/(loss) on financial liabilities at fair value through profit or loss classified under other long-term liability (Note 30)	17.6	(33.4)
	24.4	(53.8)
	704.7	1,539.2

15. INVESTMENT PROPERTIES

	2015 HK\$'M	2014 HK\$'M
At 1 January	20,586.1	19,002.7
Exchange differences	(73.5)	(55.4)
Additions	255.9	4.3
Transfer from properties for sale	–	41.5
Net gain arising from change in fair value	680.3	1,593.0
At 31 December	21,448.8	20,586.1
Investment properties comprise:		
Properties in Hong Kong held on:		
Leases of over 50 years	1,840.6	1,819.6
Leases of between 10 to 50 years	18,128.8	17,525.2
Properties outside Hong Kong held on:		
Leases of over 50 years	609.2	382.8
Leases of between 10 to 50 years	109.9	118.2
Freehold properties outside Hong Kong	760.3	740.3
	21,448.8	20,586.1

(a) Valuation processes of the Group

The Group measures its investment properties at fair value. The fair value of the Group's investment properties at 31 December 2015 and 2014 has been determined on the basis of valuations carried out by independent valuers not related to the Group. The Group engaged Savills Valuation and Professional Services Limited, Jones Long LaSalle Limited, Cushman & Wakefield and B.I. Appraisals Limited to value its investment properties. Discussion of valuation processes and results are held between the Group's management and valuers at least once every six months, in line with the Group's interim and annual reporting dates. At each reporting date the Group's management:

- verifies all major inputs to the independent valuation report;
- assesses property valuations movements when compared to the prior period valuation report;
- holds discussions with the independent valuers.

Changes in Level 2 and 3 fair values are also analysed at each reporting date during the bi-annual valuations discussions date between the Group's management.

15. INVESTMENT PROPERTIES (Continued)

(b) Fair value hierarchy

The following tables analyses the fair value of investment properties at different levels defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

	Quoted prices in active market for identical assets (Level 1) HK\$'M	Significant other observable inputs (Level 2) HK\$'M	Significant unobservable inputs (Level 3) HK\$'M
Recurring fair value measurements			
At 31 December 2015	–	6.2	21,442.6
At 31 December 2014	–	5.8	20,580.3

There were no transfers between Levels 1, 2 and 3 fair value hierarchy during the year.

Fair value measurements using significant other observable inputs (Level 2)

Investment properties within Level 2 fair value hierarchy represent an industrial property where fair value was derived using the direct comparison method. This valuation method is based on comparing the properties to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

Fair value measurements using significant unobservable inputs (Level 3)

Investment properties within Level 3 fair value hierarchy represent commercial properties, serviced apartments and industrial properties where fair values were generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to valuers' view of recent lettings, within the subject properties and other comparable properties.

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15. INVESTMENT PROPERTIES (Continued)

(b) Fair value hierarchy (Continued)

Movements of investment properties under Level 3 measurements:

	Commercial properties HK\$'M	Serviced apartments HK\$'M	Industrial properties HK\$'M	Others HK\$'M	Total HK\$'M
At 1 January 2015	16,138.2	2,092.8	2,162.0	187.3	20,580.3
Exchange differences	(45.8)	(21.1)	–	(6.6)	(73.5)
Change in fair value	531.3	(103.3)	256.0	(4.1)	679.9
Additions	251.4	4.5	–	–	255.9
At 31 December 2015	16,875.1	1,972.9	2,418.0	176.6	21,442.6
At 1 January 2014	14,887.7	2,070.6	1,908.0	131.6	18,997.9
Exchange differences	(43.7)	(8.8)	–	(2.9)	(55.4)
Change in fair value	1,293.7	27.4	253.8	17.1	1,592.0
Additions	0.5	3.6	0.2	–	4.3
Transfer from properties for sale	–	–	–	41.5	41.5
At 31 December 2014	16,138.2	2,092.8	2,162.0	187.3	20,580.3

Significant inputs used to determine fair value of investment properties at 31 December 2015 and 2014:

		Range of significant unobservable inputs		
		Valuation method	Monthly market rents HK\$/sq.ft.	Capitalisation rate %
At 31 December 2015				
Commercial properties	Income capitalisation and direct comparison		31 to 116	3.1 to 4.1
Serviced apartments	Income capitalisation and direct comparison		29 to 117	3.5 to 6.0
Industrial properties	Income capitalisation and direct comparison		10 to 13	3.2 to 4.2
At 31 December 2014				
Commercial properties	Income capitalisation and direct comparison		30 to 87	3.2 to 3.9
Serviced apartments	Income capitalisation and direct comparison		30 to 108	3.7 to 6.0
Industrial properties	Income capitalisation and direct comparison		9 to 12	3.2 to 4.4

Market rents are estimated based on valuers' view of recent lettings, within the subject properties and other comparable properties. The higher the rents, the higher the fair value.

Capitalisation rates are estimated by valuers based on the risk profile of the properties being valued. The lower the rates, the higher the fair value.

16. OTHER PROPERTIES, PLANT AND EQUIPMENT

	Land and buildings HK\$'M	Furniture, fixtures and equipment HK\$'M	Motor vehicles HK\$'M	Plant and machinery HK\$'M	Total HK\$'M
At cost					
At 1 January 2015	49.1	33.6	11.9	1.0	95.6
Additions	–	1.5	0.9	0.1	2.5
Disposals	–	(2.4)	–	(0.1)	(2.5)
At 31 December 2015	49.1	32.7	12.8	1.0	95.6
Accumulated depreciation and impairment					
At 1 January 2015	3.3	26.0	6.9	1.0	37.2
Provided for the year	0.5	2.7	1.7	0.1	5.0
Disposals	–	(2.4)	–	(0.1)	(2.5)
At 31 December 2015	3.8	26.3	8.6	1.0	39.7
Net book value					
At 31 December 2015	45.3	6.4	4.2	–	55.9
At cost					
At 1 January 2014	49.1	87.0	12.0	37.0	185.1
Additions	–	2.5	3.1	–	5.6
Disposals	–	(23.8)	(3.2)	–	(27.0)
Write-off	–	(32.1)	–	(36.0)	(68.1)
At 31 December 2014	49.1	33.6	11.9	1.0	95.6
Accumulated depreciation and impairment					
At 1 January 2014	2.8	69.3	8.0	37.0	117.1
Provided for the year	0.5	8.6	1.7	–	10.8
Disposals	–	(19.8)	(2.8)	–	(22.6)
Write-off	–	(32.1)	–	(36.0)	(68.1)
At 31 December 2014	3.3	26.0	6.9	1.0	37.2
Net book value					
At 31 December 2014	45.8	7.6	5.0	–	58.4

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17. JOINT VENTURES

	2015 HK\$'M	2014 HK\$'M
Share of net assets (Notes a & b)	490.0	482.3
Loans to joint ventures (Notes a & c)	1,649.7	1,905.8
	2,139.7	2,388.1

Details of the principal joint ventures at 31 December 2015 are set out in Note 43. Contingent liabilities relating to the Group's interest in the joint ventures are set out in Note 36.

(a) Movements of investments in joint ventures and loans to joint ventures are as follows:

	2015 HK\$'M	2014 HK\$'M
Investments in joint ventures:		
At 1 January	482.3	511.5
Exchange differences	(18.6)	(8.6)
Share of results	72.4	(0.6)
Dividend income from joint ventures	(46.1)	(20.0)
At 31 December	490.0	482.3
Loans to joint ventures:		
At 1 January	1,905.8	1,726.7
Exchange differences	(30.1)	(1.0)
Interest income on loans to joint ventures	5.6	6.4
Net advances to joint ventures	320.5	180.1
Reclassification to trade and other receivables, deposits and prepayments grouped under current assets	(552.1)	(6.4)
At 31 December	1,649.7	1,905.8

17. JOINT VENTURES (Continued)

(b) Aggregate information of the Group's share of revenue and results, assets and liabilities of its joint ventures that are not individually material to the Group:

	2015 HK\$'M	2014 HK\$'M
Revenue	576.0	283.6
Profit from operations	114.3	4.8
Finance costs	(21.8)	(10.4)
Finance income	2.5	2.8
Profit/(loss) before taxation	95.0	(2.8)
Taxation	(22.6)	2.2
Profit/(loss) for the year	72.4	(0.6)
Other comprehensive income	(18.6)	(8.6)
Total comprehensive income	53.8	(9.2)
Assets		
– Investment properties	1,602.8	1,166.4
– Properties for sale	3,345.4	3,391.9
– Bank balances and cash	169.0	203.3
– Other assets	516.5	253.3
Total assets	5,633.7	5,014.9
Liabilities		
– Amounts due to shareholders	(637.2)	(589.9)
– Bank and other borrowings	(476.2)	(3.1)
– Loans to shareholders	(1,649.7)	(1,905.8)
– Bank and other borrowings	(1,700.1)	(1,698.5)
– Other liabilities	(680.5)	(335.3)
Total Liabilities	(5,143.7)	(4,532.6)
Net assets	490.0	482.3

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17. JOINT VENTURES (Continued)

- (c) Loans to joint ventures are unsecured, not repayable within one year and approximate their fair value. Other than loans of HK\$123.3M (2014: HK\$120.7M) which bear interest at a fixed rate of 5% per annum (2014: 5%), the remaining balances are interest free.

They are denominated in the following currencies:

	2015 HK\$'M	2014 HK\$'M
HK dollars	1,411.7	1,775.9
Malaysian Ringgits	123.3	120.7
UK pounds	114.7	9.2
	1,649.7	1,905.8

18. ASSOCIATES

	2015 HK\$'M	2014 HK\$'M
Share of net assets (Notes a & b)	5.1	100.0
Loans to associates (Notes a & c)	14.8	21.8
	19.9	121.8

Details of the principal associates at 31 December 2015 are set out in Note 44. Contingent liabilities relating to the Group's interest in the associates are set out in Note 36.

- (a) Movements of investments in associates and loans to associates are as follows:

	2015 HK\$'M	2014 HK\$'M
Investments in associates:		
At 1 January	100.0	100.5
Exchange differences	(2.4)	(2.7)
Share of results	(2.0)	2.2
Disposal of an associate (Note d)	(85.7)	–
Dividends from associates	(4.8)	–
At 31 December	5.1	100.0
Loans to associates:		
At 1 January	21.8	24.7
Impairment on loans to an associate	(0.3)	(2.9)
Disposal of an associate (Note d)	(6.7)	–
At 31 December	14.8	21.8

18. ASSOCIATES (Continued)

- (b) Aggregate information of the Group's share of revenue, results, and net assets of its associates that are not individually material to the Group:

	2015 HK\$'M	2014 HK\$'M
Revenue	12.6	15.0
(Loss)/profit for the year	(2.0)	2.2
Other comprehensive income	(2.4)	(2.7)
Total comprehensive income	(4.4)	(0.5)
Net assets	5.1	100.0

- (c) Loans to associates are unsecured and not repayable within one year. All balances as at 31 December 2015 and 2014 are interest free.

They are denominated in the following currencies:

	2015 HK\$'M	2014 HK\$'M
Renminbi	14.5	14.4
US dollars	–	6.7
HK dollars	0.3	0.7
	14.8	21.8

Impairment of HK\$0.3M (2014: HK\$2.9M) has been made during the year in respect of an aggregate loan amount of HK\$0.7M (2014: HK\$22.4M). As at 31 December 2015, an aggregate loan amount of HK\$27.7M (2014: HK\$27.0M) has been impaired.

- (d) During the year, a wholly owned subsidiary of the Company entered into an agreement with a third party to dispose of its entire 23.4% interest in Jinlin Tiandi Holding Company ("LPJT"), an associate of the Group. The associate indirectly owned a property in PRC for the hospitality business. The Group recorded a gain on disposal of HK\$58.4M during the year (Note 7).

19. DEPOSITS AND LOAN RECEIVABLES

	2015 HK\$'M	2014 HK\$'M
Consideration receivables (Note a)	14.8	17.2
Others	0.3	0.3
	15.1	17.5
Analysed as		
Non-current	15.1	17.5

Note:

- (a) Consideration receivables represent estimated subsequent purchase price receivable from the purchaser for 18 years on disposal of a business in 2012. They are denominated in UK pounds. During the year, HK\$1.6M (2014:HK\$1.5M) has been written off.

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For the year ended 31 December 2015

20. OTHER FINANCIAL ASSETS

	2015 HK\$'M	2014 HK\$'M
Held-to-maturity investments		
Unlisted debt and other investments (Note a)	–	38.9
Available-for-sale financial assets		
Equity securities listed overseas (Note b)	358.3	485.9
Unlisted other investment	–	1.1
	358.3	487.0
Total	358.3	525.9
Analysed as		
Non-current	358.3	487.0
Current	–	38.9
	358.3	525.9

Notes:

(a) Movement in held-to-maturity investments is as follows:

	2015 HK\$'M	2014 HK\$'M
At 1 January	38.9	51.3
Additions	–	39.5
Amortised to the consolidated income statement (Note 7)	0.4	1.6
Cash received upon maturity	(37.7)	(51.4)
Coupon received	(1.6)	(2.1)
	–	38.9

The held-to-maturity investments were denominated in Renminbi and carried at amortised cost, which approximated its fair value.

20. OTHER FINANCIAL ASSETS (Continued)

Notes (Continued):

(b) The equity securities are listed and denominated in the following currencies:

	2015 HK\$'M	2014 HK\$'M
The equity securities are listed in:		
– Singapore	358.1	485.4
– United Kingdom	0.2	0.5
	358.3	485.9
They are denominated in the following currencies:		
– Singapore dollars	358.1	485.4
– UK pounds	0.2	0.5
	358.3	485.9
Market value of equity securities listed overseas	358.3	485.9

21. PROPERTIES FOR SALE

	2015 HK\$'M	2014 HK\$'M
Properties under development held for sale (Note)	1,134.0	1,056.7
Completed properties	161.6	265.5
	1,295.6	1,322.2

Note:

The amount of properties under development held for sale expected to be recovered more than one year is HK\$1,134.0M (2014: HK\$1,056.7M).

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22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2015 HK\$'M	2014 HK\$'M
Trade receivables	14.1	99.4
Deferred rent receivables	12.2	12.5
Amounts due from and loans to joint ventures	637.2	589.9
Amounts due from and loans to associates	–	1.2
Other receivables, deposits and prepayments	87.8	74.0
Deposit paid for acquisition of land (Note 40(a))	25.0	–
	776.3	777.0

- (a) The fair values of trade and other receivables, deposits and prepayments approximate their carrying amounts.
- (b) The Group allows different credit periods to its customers. Credit periods vary from 30 to 90 days in accordance with industry practice. Sales proceeds receivable from sale of properties are settled in accordance with the terms of respective contracts. The following is an ageing analysis of the Group's trade receivables (net of provision) at 31 December, based on the invoice dates:

	2015 HK\$'M	2014 HK\$'M
0 – 30 days	8.3	90.5
31 – 90 days	5.1	7.0
Over 90 days	0.7	1.9
	14.1	99.4

- (c) As of 31 December 2015, trade receivables of HK\$6.2M (2014: HK\$11.7M) were past due but not impaired. These trade receivables relate to a number of independent customers for whom there is no recent history of default and certain of the debts are covered by rental deposits received. The ageing analysis of these trade receivables is as follows:

	2015 HK\$'M	2014 HK\$'M
1 – 30 days	2.4	3.1
31 – 90 days	3.3	5.8
Over 90 days	0.5	2.8
	6.2	11.7

- (d) As of 31 December 2015, all trade receivables were not impaired (2014: Nil).

22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

(e) The trade receivables (net of provision) are denominated in the following currencies:

	2015 HK\$'M	2014 HK\$'M
HK dollars	8.3	93.1
Other currencies	5.8	6.3
	14.1	99.4

(f) The maximum exposure to credit risk at the balance sheet date is the fair value of each class of receivables mentioned above. At 31 December 2015, none of trade receivables were related to property sales (2014: HK\$80.6M). In 2014, to mitigate majority of its credit risk, the Group possessed the properties as collaterals.

(g) Amounts due from and loans to joint ventures and associates are unsecured, interest-free and repayable on demand.

(h) At 31 December 2015, none of the other receivables and deposits was past due nor contain impaired assets (2014: Nil).

23. DERIVATIVE FINANCIAL INSTRUMENTS

	2015		2014	
	Assets HK\$'M	Liabilities HK\$'M	Assets HK\$'M	Liabilities HK\$'M
Interest rate swap contracts (Note a)				
– not qualifying as hedges	–	(9.0)	–	(16.6)
Cross currency swap contracts (Note a)				
– cash flow hedges	–	(249.5)	–	(131.3)
– net investment hedges	3.6	–	–	(7.6)
	3.6	(249.5)	–	(138.9)
Forward exchange contracts (Note a)				
– cash flow hedges	–	–	0.4	–
– net investment hedges	11.0	–	–	–
	11.0	–	0.4	–
	14.6	(258.5)	0.4	(155.5)
Analysed as				
Non-current	3.4	(239.5)	–	(136.6)
Current	11.2	(19.0)	0.4	(18.9)
	14.6	(258.5)	0.4	(155.5)

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23. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Note:

(a) The notional amounts of derivative financial instruments outstanding at 31 December were as follows:

	2015 HK\$'M	2014 HK\$'M
Interest rate swap contracts	613.1	830.2
Cross currency swap contracts	1,031.1	1,098.2
Forward exchange contracts	459.5	37.4

The portion of changes in fair value of derivative financial instruments not qualify as hedges are recognised in the income statement and amounted to gain of HK\$6.8M (2014: loss of HK\$20.4M).

At 31 December 2015, the fixed interest rates under interest rate swap contracts ranges from 1.7% to 1.9% per annum (2014: 1.7% to 4.6% per annum). The effective portion of gains and losses on interest rate swap contracts qualifying for hedge accounting as at 31 December 2014 are recognised in the hedging reserve in equity and are released to the income statement to match relevant interest payments which are mainly calculated using Hong Kong Interbank Offered Rate (HIBOR) upon maturity in 2015.

24. SALES PROCEEDS HELD IN STAKEHOLDERS' ACCOUNTS

The balances represent property sale proceeds received, monitored by external solicitors and are restricted in use. They are denominated in HK dollars. The carrying amounts of the balances approximate their fair values.

25. RESTRICTED BANK DEPOSITS

As at 31 December 2015, the Group held deposits of HK\$14.6M (2014: HK\$13.5M) received from owners of certain properties which are used exclusively for the purpose of management of the respective properties. The amounts are unsecured. The deposits with the same amount are held by the Group in a separate bank account as restricted bank deposit. They are denominated in HK dollars.

The carrying amounts of the balances approximate their fair values.

26. BANK BALANCES AND CASH

Cash and cash equivalents for the purpose of the cash flow statement include the following:

	2015 HK\$'M	2014 HK\$'M
Bank balances and cash	2,074.2	1,592.6
Less: Deposits with maturity of more than three months	(51.2)	(54.5)
Cash and cash equivalents in consolidated cash flow statement	2,023.0	1,538.1

Bank balances and cash include short-term bank time deposits of HK\$1,691.0M (2014: HK\$1,172.2M) with an average interest rate of 0.5% (2014: 1.0%) per annum.

Cash and short-term deposits of HK\$32.2M (2014: HK\$29.7M) are held in the PRC and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividend.

26. BANK BALANCES AND CASH (Continued)

The Group's bank balances and cash are denominated in the following currencies:

	2015 HK\$'M	2014 HK\$'M
HK dollars	1,870.6	1,539.7
Renminbi	31.7	35.4
UK pounds	11.9	12.5
US dollars	147.8	2.6
Singapore dollars	12.2	2.4
	2,074.2	1,592.6
Maximum exposure to credit risk	2,073.7	1,591.6

27. TRADE AND OTHER PAYABLES AND ACCRUALS

	2015 HK\$'M	2014 HK\$'M
Trade payables	8.2	5.7
Properties sale deposits received	3.5	6.2
Rental deposits received	175.4	162.2
Construction costs payable	64.1	64.6
Amounts due to joint ventures	40.0	1.2
Amounts due to associates	–	0.2
Provision for other costs arising from disposal of subsidiaries	4.0	6.0
Other creditors and accruals	140.5	158.3
	435.7	404.4

The ageing analysis of the Group's trade payables based on invoice date at 31 December is as follows:

	2015 HK\$'M	2014 HK\$'M
0 – 30 days	7.0	4.0
31 – 90 days	1.1	0.4
Over 90 days	0.1	1.3
	8.2	5.7

The carrying values of the Group's trade and other payables approximate their fair values.

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27. TRADE AND OTHER PAYABLES AND ACCRUALS (Continued)

Trade payables are denominated in the following currencies:

	2015 HK\$'M	2014 HK\$'M
HK dollars	7.7	5.2
Renminbi	0.5	0.5
	8.2	5.7

Included in other payables and accruals are balances of HK\$36.1M (2014: HK\$31.6M) and HK\$13.3M (2014: HK\$14.0M) which are denominated in UK pounds and Renminbi respectively. The remaining balances are mainly denominated in HK dollars.

Amounts due to joint ventures and associates are unsecured, interest-free and repayable on demand.

28. BANK AND OTHER BORROWINGS

	2015 HK\$'M	2014 HK\$'M
Bank borrowings (Note a)	1,967.9	2,016.2
Fixed rate bonds (Note b)	1,798.4	1,862.6
	3,766.3	3,878.8

The maturity of the bank and other borrowings are as follows:

	2015 HK\$'M	2014 HK\$'M
Within one year	439.6	63.8
Between one to two years	490.5	459.1
Between two to five years	983.5	1,427.3
After five years	1,852.7	1,928.6
	3,766.3	3,878.8
Less: Amounts due within one year shown under current liabilities	(439.6)	(63.8)
Amounts due after one year	3,326.7	3,815.0
	2015 HK\$'M	2014 HK\$'M
Analysed as		
Secured	1,967.9	2,016.2
Unsecured	1,798.4	1,862.6
	3,766.3	3,878.8

28. BANK AND OTHER BORROWINGS (Continued)

The carrying amount of the bank and other borrowings are denominated in the following currencies:

	2015 HK\$'M	2014 HK\$'M
HK dollars	2,350.6	2,359.4
Singapore dollars	926.7	992.8
UK pounds	405.3	433.1
Renminbi	83.7	93.5
	3,766.3	3,878.8

Notes:

- (a) Bank borrowings are secured by certain properties and other financial assets of the Group amounting to HK\$6,532.1M (2014: HK\$6,425.4M) (Note 37). The bank borrowings bear interests at floating interest rates.
- (b) Details of the Group's fixed rate bonds at 31 December 2015 are as follows:

Principal amount	Coupon rate per annum	Coupon payment term	Issue date	Maturity date	Note
SGD170 million *	4.25%	semi-annual basis	29 November 2012	29 November 2022	(d)
HK\$480 million	3.95%	quarterly basis	25 January 2013	25 January 2023	–
HK\$100 million	3.80%	quarterly basis	24 May 2013	24 May 2023	(e)
HK\$100 million	4.30%	quarterly basis	8 August 2014	8 August 2021	–
HK\$100 million	4.10%	quarterly basis	6 October 2014	6 October 2021	–
HK\$100 million	4.50%	quarterly basis	27 November 2014	27 November 2024	–

* Listed on Singapore Exchange Limited (SGD represents Singapore dollars)

All the above fixed rate bonds are guaranteed by the Company.

- (c) The bank and other borrowings have an average effective interest rate of 3.0% (2014: 3.0%) per annum.
- (d) As at 31 December 2015 and 2014, the Group had cross currency swap arrangements with banks to swap the fixed rate bonds of principal SGD170 million and the relevant interest payments to Hong Kong dollar to match the currency exposures of the fixed rate bonds.
- (e) As at 31 December 2015 and 2014, the Group had cross currency swap arrangements with a bank to swap the fixed rate bonds of principal HK\$100 million and the relevant interest payments to UK pounds to match the currency exposures of one of the Group's UK investments.
- (f) The carrying amounts of fixed rate bonds approximate their fair values.

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29. DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and where the deferred taxation relates to the same fiscal authority. The amounts shown on the consolidated balance sheet are as follows:

	2015 HK\$'M	2014 HK\$'M
Deferred tax liabilities	290.8	271.2
Deferred tax assets	(6.5)	(4.5)
	284.3	266.7

The gross movements of the deferred tax liabilities/(assets) recognised are as follows:

	Tax depreciation HK\$'M	Revaluation of properties HK\$'M	Tax losses HK\$'M	Undistributed earnings HK\$'M	Total HK\$'M
At 1 January 2015	177.9	95.3	(13.6)	7.1	266.7
Exchange adjustments	–	(6.4)	–	–	(6.4)
Charge/(credit) to the consolidated income statement for the year (Note 11)	16.4	7.5	7.2	(0.2)	30.9
Write back upon disposal of an associate	–	–	–	(6.9)	(6.9)
At 31 December 2015	194.3	96.4	(6.4)	–	284.3
At 1 January 2014	154.2	86.7	(43.3)	6.9	204.5
Exchange adjustments	–	(2.4)	–	–	(2.4)
Charge to the consolidated income statement for the year (Note 11)	23.7	11.0	29.7	0.2	64.6
At 31 December 2014	177.9	95.3	(13.6)	7.1	266.7

At 31 December 2015, the Group has unused tax losses and other temporary differences of approximately HK\$1,126.4M (2014: HK\$1,078.6M) available for offset against future profits. Deferred tax asset has been recognised in respect of HK\$35.9M (2014: HK\$82.0M) of such unused tax losses for which the realisation of the related tax benefit through the future taxable profits is probable. No deferred tax asset has been recognised in respect of the remaining tax losses and other temporary differences of HK\$1,090.4M (2014: HK\$996.6M) due to the unpredictability of future profit streams of some of the subsidiaries. Included in unrecognised tax losses are losses of HK\$77.8M (2014: HK\$69.1M) that will expire in the next five years. Other losses may be carried forward indefinitely.

Deferred taxation at the balance sheet date is mainly expected to be realised or settled after more than 12 months.

30. OTHER LONG-TERM LIABILITY

Other long-term liability represents provision for liabilities in relation to indemnifying the purchaser against the cost of winding up the pension scheme of Gieves & Hawkes Group in the disposal of Gieves & Hawkes Group in 2012. The amount is measured at fair value and the key assumptions include investment return of 2.20% (2014: 1.83%), price inflation of 3.45% (2014: 3.30%), pension increases of 2.45% to 3.40% (2014: 2.40% to 3.25%) and numerous demographic assumptions have been used in the fair value estimates. There is unconditional right to defer payment for more than 12 months.

31. SHARE CAPITAL

	Number of ordinary shares of HK\$0.50 each	Amount HK\$'M
Authorised:		
At 1 January 2014, 31 December 2014 and 31 December 2015	2,000,000,000	1,000.0
Issued and fully paid:		
At 1 January 2014	1,335,297,529	667.6
Issue of shares on exercise of incentive shares (Note 32)	3,308,000	1.7
At 31 December 2014	1,338,605,529	669.3
At 1 January 2015	1,338,605,529	669.3
Issue of shares on exercise of incentive shares (Note 32)	2,699,500	1.3
At 31 December 2015	1,341,305,029	670.6

32. SHARE INCENTIVE SCHEME AND SHARE OPTION PLAN

- (a) Under a Share Incentive Scheme approved by shareholders of the Company on 17 June 2005 ("Share Incentive Scheme"), the Board of Directors of the Company or a duly authorised committee thereof may in its absolute discretion make offer of awards to selected employees (including executive directors) of the Group ("Eligible Employees") to subscribe in cash at par for shares of the Company. The maximum number of shares of the Company which may be issued pursuant to the Share Incentive Scheme of the Company (excluding lapsed awards) shall not in aggregate exceed 52,625,533 representing 10% of the issued share capital of the Company as at 17 June 2005.

A consideration of HK\$1 is payable on the acceptances of the offer of awards. Offer of awards must be accepted within 28 days from the date of offer. The subscription price for each share which is the subject of an award shall be an amount equal to its nominal value. Each subscription under the Share Incentive Scheme shall be in cash at the subscription price. The Company will provide to the Eligible Employees the funds required to subscribe for the shares issued under the Share Incentive Scheme.

The Share Incentive Scheme expired on 16 June 2015 and no further incentive shares can be granted under the Share Incentive Scheme but the provisions of the Share Incentive Scheme remain in full force and effect in all other respects in relation to the incentive shares granted. All outstanding incentive shares granted and yet to be vested and exercised shall remain valid.

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32. SHARE INCENTIVE SCHEME AND SHARE OPTION PLAN (Continued)

Details of the incentive shares awarded pursuant to the Share Incentive Scheme during the year are as follows:

	Date of award	Number of incentive shares			As at 31.12.2015	Fair value of incentive shares amortised in 2015 HK\$
		As at 1.1.2015	Awarded during the year	Vested and exercised during the year		
Director						
CHENG Wai Chee, Christopher	24.5.2012	550,000	–	(550,000)	–	30,000
	6.5.2013	482,250	–	(160,750)	321,500	562,000
	28.5.2014	786,000	–	(196,500)	589,500	1,081,000
	28.5.2015	–	769,000	–	769,000	1,461,000
CHENG Wai Sun, Edward	24.5.2012	550,000	–	(550,000)	–	30,000
	6.5.2013	482,250	–	(160,750)	321,500	562,000
	28.5.2014	786,000	–	(196,500)	589,500	1,081,000
	28.5.2015	–	769,000	–	769,000	1,461,000
CHOW Wai Wai, John	6.5.2013	96,750	–	(32,250)	64,500	113,000
	28.5.2014	158,000	–	(39,500)	118,500	217,000
	28.5.2015	–	161,000	–	161,000	306,000
Ng Kar Wai, Kenneth (appointed as director on 22 January 2015)	15.6.2015	–	1,272,000	–	1,272,000	773,000
		3,891,250	2,971,000	(1,886,250)	4,976,000	7,677,000
Employees						
	24.5.2012	540,000	–	(540,000)	–	30,000
	6.5.2013	378,000	–	(126,000)	252,000	432,000
	28.5.2014	632,000	–	(147,250)	484,750	866,000
	28.5.2015	–	743,000	–	743,000	1,407,000
		1,550,000	743,000	(813,250)	1,479,750	2,735,000
Total		5,441,250	3,714,000	(2,699,500)	6,455,750	10,412,000

The incentive shares awarded are subject to a vesting scale of 25%, 25% and 50% starting respectively from the first anniversary, the second anniversary and the third anniversary of the provisional date of award. All the incentive shares awarded shall be valid for ten years until the day before the tenth anniversary of the date of award. During the year ended 31 December 2015, 3,714,000 (2014: 2,362,000) incentive shares were awarded and 2,699,500 (2014: 3,308,000) incentive shares were vested and exercised.

The weighted average closing price of the shares immediately before the dates on which incentive shares were exercised HK\$4.84 (2014: HK\$4.75).

At 28 May 2015 and 15 June 2015 (2014: 28 May 2014), being the dates of awards, the closing prices of the shares of the Company as quoted on the Stock Exchange were HK\$5.24 and HK\$5.01 (2014: HK\$4.66) per share respectively.

32. SHARE INCENTIVE SCHEME AND SHARE OPTION PLAN (Continued)

(b) Fair values of incentive shares awarded

The fair values of incentive shares awarded during the year ended 31 December 2015 are determined using the Binominal Option Pricing Model (the "Model"). Key assumptions of the Model are:

Risk-free rate	1.57% – 1.80%
Expected dividend yield	3.38%
Expected volatility of the market price of the Company's shares	27.0% – 27.28%
Expected life	10 years from the date of grant

The Model requires the input of subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of incentive shares.

The fair value of the incentive shares awarded during the year ended 31 December 2015 were HK\$15.2M (2014: HK\$9.1M).

- (c) On 27 October 2015, the Company adopted a Share Option Plan ("Share Option Plan"). Under the Share Option Plan, the Board of Directors of the Company or a duly authorised committee thereof, may in its absolute discretion, grant options to directors, employees, officers, consultants, former directors, former employees, former officers or former consultants of any member of the Group (the "Eligible Persons") to subscribe for shares of the Company. The maximum number of shares of the Company which may be issued pursuant to the Share Option Plan (excluding lapsed awards and options) shall not in aggregate exceed 134,130,502 representing approximately 9.99% of the issued shares of the Company as at the date of this report. The maximum number of options granted to any one individual in any 12-month period shall not exceed 1% of the shares of the Company in issue. The period within which an option may be exercised under the Share Option Plan will be determined by the Board at its absolute discretion, save that no option may be exercised later than 10 years from the date of grant of the option.

The purpose of the Share Option Plan is to enable the Company to grant options to the Eligible Persons as incentives for their contributions to the Group. A consideration of HK\$1 is payable on acceptance of the grant of options. Options granted must be taken up within 28 days from the date of grant. The exercise price for an option to subscribe for a share is determined by the Board of the Company or a duly authorised committee thereof, and shall be at least the higher of: (i) the closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange for the five trading days immediately preceding the date of grant. The Share Option Plan shall be valid and effective for a period of 10 years commencing from its date of adoption.

No options were granted during the period from the date of adoption of the Share Option Plan up to the financial year end.

33. RESERVES

Movements in the reserves of the Group are disclosed in the consolidated statement of changes in equity.

Nature and purpose of reserves

(a) Share premium

The application of the share premium account is governed by Section 40 of the Companies Act 1981 of Bermuda.

(b) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in Note 2(m).

(c) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period and is dealt with in accordance with the accounting policies in Note 2(j).

(d) Employee share-based compensation reserve

The employee share-based compensation reserve comprises the cumulative value of employee services received for the grant of incentive shares, which is transferred to share premium upon exercise of incentive shares.

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For the year ended 31 December 2015

33. RESERVES (Continued)

(e) Other property revaluation reserve

Other property revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for land and buildings held for own use in Note 2(f).

(f) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 2(e).

(g) Contributed surplus

The balance of contributed surplus of the Group arose as a result of gains on bargain purchases arising from changes in ownership interests in subsidiaries that do not result in a change of control, which is dealt with in accordance with the accounting policy in Note 2(b).

34. OPERATING LEASES

As lessee

	2015 HK\$'M	2014 HK\$'M
Minimum lease payments charged to the consolidated income statement during the year		
– land and buildings	0.8	1.0

Under the leases entered into by the Group, the lease payments are fixed and predetermined. At 31 December 2015, the future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	2015 HK\$'M	2014 HK\$'M
For buildings		
– Within one year	0.4	0.6
– After one year and not later than five years	–	0.1
	0.4	0.7

As lessor

	2015 HK\$'M	2014 HK\$'M
Gross rental income from tenancies credited to the consolidated income statement during the year	802.0	786.2
Less: Outgoings	(132.8)	(102.4)
	669.2	683.8

The Group's investment properties are held for rental purposes. Rental income is fixed and predetermined. The majority of the relevant tenancy periods range from 2 to 3 years. At 31 December 2015, the amount of future rental receivable by the Group is analysed as follows:

	2015 HK\$'M	2014 HK\$'M
Within one year	528.6	586.5
After one year and not later than five years	514.6	609.3
Over five years	88.7	38.2
	1,131.9	1,234.0

35. COMMITMENTS

	2015 HK\$'M	2014 HK\$'M
Expenditure in respect of investment properties		
– contracted but not provided for	3.9	1.6
Capital injection to joint ventures		
– contracted but not provided for	777.1	393.2
	781.0	394.8

36. CONTINGENT LIABILITIES AND FINANCIAL GUARANTEES

	2015 HK\$'M	2014 HK\$'M
Guarantees given to banks in respect of bank facilities extend to		
– joint ventures	3,135.1	2,745.1
– an associate	–	112.5
	3,135.1	2,857.6

At 31 December 2015, bank loans of HK\$1,898.6M being guaranteed by the Group to joint ventures have been drawn down; while at 31 December 2014, bank loans of HK\$1,423.9M and HK\$112.5M being guaranteed by the Group to joint ventures and an associate respectively have been drawn down.

37. PLEDGE OF ASSETS

- (a) At 31 December 2015, the Group's advances to joint ventures of HK\$1,692.7M (2014: advances to associates/joint ventures of HK\$1,530.8M) which were subordinated to loans facilities of joint ventures and assigned. The joint ventures are engaged in property development and property investment and management. The shares in these joint ventures beneficially owned by the Group are pledged to financial institutions.
- (b) At 31 December 2015, several of the Group's assets were pledged to secure credit facilities for the Group:

	2015 HK\$'M	2014 HK\$'M
Investment properties	5,151.2	4,995.1
Properties for sale	1,134.0	1,056.7
Other financial assets	246.9	373.6
	6,532.1	6,425.4

The credit facilities were utilised to the extent of HK\$1,967.9M (2014: HK\$2,016.2M)

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38. SIGNIFICANT RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions disclosed elsewhere in these financial statements, the Group had the following significant transactions with related parties during the year:

	2015 HK\$'M	2014 HK\$'M
Key management compensation (Note)		
Salaries and other benefits	(33.1)	(27.0)
Retirement benefits costs	(1.1)	(0.9)
Value of incentive shares	(7.7)	(5.9)
	(41.9)	(33.8)
Interest income from loans to joint ventures	5.6	6.4
Project management fee income from joint ventures	9.2	19.5
Serviced apartment management fee income from an associate	2.0	2.4
Serviced apartment management and license fee income from a joint venture of the Company	1.8	1.0
Serviced apartment management and license fee income from a substantial shareholder of the Company	3.7	3.9
Property rental income from a joint venture	8.8	8.4
Property rental income from a substantial shareholder of the Company	4.9	4.3

These transactions were carried out on terms mutually agreed between the parties involved.

The related party transactions in respect of serviced apartment management and license fee income from a joint venture and a substantial shareholder of the Company and property rental income from a substantial shareholder of the Company as stated above constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules. These related party transactions that constituted continuing connected transactions have complied with the disclosure requirements under Chapter 14A of the Listing Rules and details of which are provided in the section headed "Connected Transactions" in the Directors' Report.

Note:

Key management personnel represents the directors of the Group and their remunerations are set out in Note 9(a).

- (b) Outstanding balances with these related parties at the balance sheet dates are:

	2015 HK\$'M	2014 HK\$'M
Loans to joint ventures (Note 17)	1,649.7	1,905.8
Amounts due from and loans to joint ventures (Note 22)	637.2	589.9
Amounts due to joint ventures (Note 27)	40.0	1.2
Loans to associates (Note 18)	14.8	21.8
Amounts due from and loans to associates (Note 22)	–	1.2
Amounts due to associates (Note 27)	–	0.2

Details of loans repaid during the year are disclosed in the consolidated cash flow statement.

39. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	At 31 December	
	2015 HK\$'M	2014 HK\$'M
ASSETS AND LIABILITIES		
Non-current assets		
Interests in subsidiaries	6,695.7	6,883.8
Current assets		
Other receivables and prepayments	0.6	0.7
Bank balances and cash	0.3	0.2
	0.9	0.9
Current liabilities		
Other payables	11.0	12.5
NET ASSETS	6,685.6	6,872.2
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	670.6	669.3
Reserves	Note 6,015.0	6,202.9
TOTAL EQUITY	6,685.6	6,872.2

The balance sheet of the Company was approved by the Board of Directors on 17 March 2016 and was signed on its behalf by:

Cheng Wai Chee, Christopher
DIRECTOR

Cheng Wai Sun, Edward
DIRECTOR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

39. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note:

Reserve movement of the Company

	Share premium HK\$'M	Employee share-based compensation reserve HK\$'M	Retained profits HK\$'M	Total HK\$'M
At 1 January 2015	3,283.8	13.7	2,905.4	6,202.9
Value of employee services relating to grants of incentive shares	–	10.4	–	10.4
Incentive shares exercised	9.5	(9.5)	–	–
2014 final dividend paid	–	–	(124.8)	(124.8)
2015 interim dividend paid	–	–	(56.3)	(56.3)
Loss for the year	–	–	(17.2)	(17.2)
At 31 December 2015	3,293.3	14.6	2,707.1	6,015.0
At 1 January 2014	3,273.6	15.5	3,101.4	6,390.5
Value of employee services relating to grants of incentive shares	–	9.4	–	9.4
Value of employee services relating to lapse of incentive shares	–	(1.0)	–	(1.0)
Incentive shares exercised	10.2	(10.2)	–	–
2013 final dividend paid	–	–	(124.5)	(124.5)
2014 interim dividend paid	–	–	(56.2)	(56.2)
Loss for the year	–	–	(15.3)	(15.3)
At 31 December 2014	3,283.8	13.7	2,905.4	6,202.9

40. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

- (a) In January 2016, the Group acquired 100% interest of a site at Tuen Mun Town Lot No. 497, So Kwun Wat Road, Area 56, Tuen Mun from the Government of the Hong Kong Special Administrative Region with a total attributable floor area of approximately 264,000 square feet for residential development. Land premium is approximately HK\$1,056M.
- (b) In January 2016, the Group acquired a commercial property in 3 Cavendish Square in London, which is held for long-term investment, through a 33.3% owned joint venture. Total consideration attributable to the Group is approximately HK\$130M.

41. COMPARATIVE FIGURES

Certain comparative figures in disclosure notes have been adjusted to conform with current year's presentation as a result of the application of The Listing Rules Appendix 16.

42. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2015 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued share capital/registered capital and issued debt securities	Attributable proportion of issued/registered capital held by the Company	Principal activities
Adam Knitters Limited	Hong Kong	Ordinary shares HK\$1,000 Non-voting deferred shares HK\$200,000	100%	Property investment
Baudinet Investment Limited	Hong Kong	Ordinary shares HK\$18 Non-voting deferred shares HK\$2	100%	Property investment
Begin Land Limited	Hong Kong	Ordinary shares HK\$90,000 Non-voting deferred shares HK\$10,000	100%	Property investment
Cheong Ka Limited	British Virgin Islands/ People's Republic of China	US\$1	98%	Property investment
Chung Fook Limited	British Virgin Islands/ People's Republic of China	US\$1	100%	Property investment
Creation Empire Limited	Hong Kong	HK\$1	100%	Property investment
East Sun Estate Management Company Limited	Hong Kong	HK\$200	100%	Property management
Fore Prosper Limited	Hong Kong	HK\$10	100%	Hospitality investment
Glory Charm Development Limited	Hong Kong	HK\$2	100%	Property holding

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42. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Issued share capital/registered capital and issued debt securities	Attributable proportion of issued/registered capital held by the Company	Principal activities
Grandeur Investments Limited	British Virgin Islands/ Hong Kong	US\$1	100%	Property investment
Green Lotus Limited	Hong Kong	HK\$1	100%	Property development
Hilwin Properties Limited	Hong Kong	Ordinary shares HK\$450,000 Non-voting deferred shares HK\$50,000	100%	Investment holding and treasury investment
Honest Bond Limited	Hong Kong	HK\$1	100%	Property investment
Lanson Place Hospitality Management Limited	Hong Kong	HK\$2	100%	Provision of hospitality management services
Lanson Place Hospitality Management (Malaysia) Limited	British Virgin Islands	US\$1	100%	Investment holding and provision of hospitality management services
Lanson Place Hospitality Management (Singapore) Pte Limited	Singapore	S\$100	100%	Provision of hospitality management services
Lanson Place Hotels & Residences (Bermuda) Limited	Bermuda	US\$12,000	100%	Licensing
Lanson Place Hotels & Residences (Holdings) Limited	British Virgin Islands	US\$1	100%	Investment holding
Nation Smart Limited	British Virgin Islands/ United Kingdom	US\$10	100%	Property investment
New Ego Limited	British Virgin Islands/ United Kingdom	US\$1	100%	Property investment
Noble Castle Investments Limited	Hong Kong	HK\$1	100%	Property investment
Oasis Rainbow Limited	Hong Kong	HK\$1	100%	Property development
Oberto Holdings Limited	British Virgin Islands/ Hong Kong	US\$1	100%	Property development
Shang Tai Property Management Limited	Hong Kong	HK\$1	100%	Provision of property management services

42. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Issued share capital/registered capital and issued debt securities	Attributable proportion of issued/registered capital held by the Company	Principal activities	Note
Success First Development Limited	Hong Kong	HK\$2	100%	Property investment	
Topworth Enterprises Limited	British Virgin Islands/ United Kingdom	US\$1	100%	Property investment	
True Synergy Limited	Hong Kong	HK\$1	100%	Property development	
Value Castle Limited	Hong Kong	HK\$1	100%	Property development	
W Billion Management Limited	Hong Kong	HK\$10	80%	Property management	
Wing Tai Properties Development Limited	Hong Kong	HK\$2	100%	Provision of property project management services	
Wing Tai Properties Estate Agents Limited	Hong Kong	HK\$20	100%	Property agent	
Wing Tai Properties Estate Management Limited	Hong Kong	HK\$2	100%	Property management	
Wing Tai Properties Investment Limited	British Virgin Islands	US\$1	100%	Investment holding	1
Wing Tai Properties (B.V.I.) Limited	British Virgin Islands	US\$50,000	100%	Investment holding	1
Wing Tai Properties (Finance) Limited	British Virgin Islands/ Hong Kong	Ordinary shares US\$1 Fixed rate bonds S\$170,000,000 & HK\$880,000,000	100%	Provides finance to group companies	
Wing Tai Properties (Hong Kong) Limited	Hong Kong	HK\$227,750,062	100%	Provides finance to group companies	
Wing Tai Properties (International) Limited	British Virgin Islands	US\$1	100%	Investment holding	
Winner Godown Limited	Hong Kong	HK\$1,500,000	70%	Godown operation	
Winnion Limited	Hong Kong	HK\$100	100%	Property investment	
Winprop Pte. Ltd.	Singapore	S\$2	100%	Investment holding	
WTP Investment Finance Limited	Hong Kong	HK\$2	100%	Provides finance to group companies	

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42. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Issued share capital/registered capital and issued debt securities	Attributable proportion of issued/registered capital held by the Company	Principal activities	Note
WTP Investment (Hong Kong) Limited	British Virgin Islands/ Hong Kong	US\$2	100%	Investment holding	
WTP Investment (Overseas) Limited	British Virgin Islands	US\$2	100%	Investment holding	
WTP Project Management Limited	Hong Kong	HK\$2	100%	Provision of property project management services	
Zofka Properties Limited	Hong Kong	Ordinary shares HK\$90,000 Non-voting deferred shares HK\$10,000	100%	Property investment	
東莞冠麗時裝有限公司	People's Republic of China	HK\$13,250,000	100%	Property investment	2
乳源冠麗製衣有限公司	People's Republic of China	HK\$20,000,000	100%	Property investment	2
乳源寶麗製衣有限公司	People's Republic of China	HK\$15,000,000	100%	Property investment	2
韶關乳源環邦針織製衣有限公司	People's Republic of China	HK\$7,800,000	100%	Property investment	2
永泰富聯物業管理(北京)有限公司	People's Republic of China	US\$12,300,000	100%	Hospitality investment	2
逸蘭公寓管理(上海)有限公司	People's Republic of China	US\$140,000	100%	Provision of hospitality management services	2

Notes:

- only Wing Tai Properties (B.V.I.) Limited and Wing Tai Properties Investment Limited are directly held by the Company.
- represents a wholly owned foreign enterprise established in the People's Republic of China.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

43. PRINCIPAL JOINT VENTURES

Details of the principal joint ventures at 31 December 2015 are as follows:

Name of joint venture	Place of incorporation/operation	Attributable proportion of issued capital held by the Company indirectly	Principal activities	Note
Ace Glory Limited	Hong Kong	15%	Property development	
Brave Sky Investments Limited	Hong Kong	50%	Property development	
Bravo Partner Limited	Hong Kong	35%	Property development	
Cateavon Limited	Hong Kong	30%	Property development	
Century Rise Limited	Hong Kong	15%	Property development	
Crackerbox Limited	British Virgin Islands/ United Kingdom	33%	Property investment	
Estate Success Limited	Hong Kong	50%	Investment holding	
Kualiti Gold Sdn. Bhd.	Malaysia	50%	Hospitality investment	
Maplemount Limited	British Virgin Islands/ United Kingdom	25%	Property investment	
Mega Island (HK) Limited	Hong Kong	35%	Property development	
Pacific Bond Limited	Hong Kong	15%	Property development	
Providence Bay Finance Company Limited	Hong Kong	15%	Provision of second mortgage financing	
Providence Bay Property Management Company Limited	Hong Kong	15%	Provision of property management services	
Providence Peak Finance Company Limited	Hong Kong	15%	Provision of second mortgage financing	
Providence Peak Property Management Company Limited	Hong Kong	15%	Provision of property management services	
The Graces – Providence Bay Finance Company Limited	Hong Kong	15%	Provision of second mortgage financing	
The Graces – Providence Bay Property Management Company Limited	Hong Kong	15%	Provision of property management services	
Seriford International Limited	British Virgin Islands/ Hong Kong	30%	Property investment	
豐永(上海)置業有限公司	People's Republic of China	50%	Property investment	1

Note:

1. represents a foreign enterprise established in the People's Republic of China.

The above table lists the joint ventures of the Group, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other joint ventures would, in the opinion of the directors, result in particulars of excessive length.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

44. PRINCIPAL ASSOCIATES

Details of the principal associates at 31 December 2015 are as follows:

Name of associate	Place of incorporation/operation	Attributable proportion of issued capital held by the Company indirectly	Principal activities
Winqest Investment Pte. Ltd.	Singapore	30%	Property development
China Merchants International Cold Chain (Shenzhen) Company Ltd.	People's Republic of China	30%	Cold storage

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

PROPERTIES HELD FOR INVESTMENT PURPOSES

At 31 December 2015

Address	Gross floor area	Lease expiry	Effective percentage holding	Particulars of occupancy as at 31 December 2015
Hong Kong				
Landmark East, 100 How Ming Street, Kwun Tong, Kowloon, Hong Kong (The Remaining Portion of Kwun Tong Inland Lot No. 242)	1,338,000 sq.ft.	2047	100%	Let to outside parties as retail and office
W Square, 314-324 Hennessy Road, Wanchai, Hong Kong (The Remaining Portion and Section D of Marine Lot No. 122)	128,600 sq.ft.	2859	100%	Let to outside parties as retail and office
Shui Hing Centre, 13 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong (New Kowloon Inland Lot No. 5890)	186,800 sq.ft.	2047	100%	Let to outside parties as workshop, canteen or godown
Winner Godown Building, 503-515 Castle Peak Road and 1-9 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong (The Remaining Portion of Tsun Wan Inland Lot No. 28)	497,100 sq.ft.	2047	100%	Let to outside parties as workshop or godown
Lanson Place Hotel, 133 Leighton Road, Causeway Bay, Hong Kong (Inland Lot No. 8774)	114,100 sq.ft.	2047	100%	Serviced apartment
Unit H, 1st Floor, Wong King Industrial Building, 192-198 Choi Hung Road and 2-4 Tai Yau Street, San Po Kong, Kowloon, Hong Kong (2/501st shares of and in New Kowloon Inland Lot No. 4448)	2,400 sq.ft.	2047	100%	Let to an outside party as workshop
161 agricultural lots, Lantau Island and Peng Chau, New Territories, Hong Kong	–	2047	100%	Vacant
The People's Republic of China				
Lanson Place Central Park Serviced Residences (33 Units), Tower 23, Central Park, No. 6 Chaoyangmenwai Road, Chaoyang District, Beijing, People's Republic of China	6,200 sq.m.	2074	100%	Serviced apartment

PROPERTIES HELD FOR INVESTMENT PURPOSES

At 31 December 2015

Address	Gross floor area	Lease expiry	Effective percentage holding	Particulars of occupancy as at 31 December 2015
Upper Riverside, No.10, Lane 1288, Puming Road, Pudong, Shanghai, People's Republic of China	19,300 sq.m.	2048	50%	Serviced apartment
Songtian Village, Hougongdu Town, Nationality Industrial Zone, Ruyuan County, Shaoguan City, Guangdong Province, People's Republic of China (Yue Fang Di Zheng Zi C0449085, C0449086 and C0449090)	9,100 sq.m.	2053	100%	Let to a related party as factory
Songtian Village, Hougongdu Town, Nationality Industrial Zone, Ruyuan County, Shaoguan City, Guangdong Province, People's Republic of China (Yue Fang Di Zheng Zi C0449084, C0449087, C0449088 and C0449089)	13,600 sq.m.	2053	100%	Let to a related party as factory
Songtian Village, Hougongdu Town, Nationality Industrial Zone, Ruyuan County, Shaoguan City, Guangdong Province, People's Republic of China (Ru Fu Guo Yong Zong Zi Di 000030312/ No. Ru Fu Guo Yong Zi (2005) Di 02320100060)	14,500 sq.m.	2052	100%	Vacant
Macaokeng, Laowei Village, Niushan Management Zone, Fucheng District, Dongguan, Guangdong Province, People's Republic of China (Yue Fang Di Zheng Zi C4281592, C4281593, C4281594 and C4281595)	11,600 sq.m.	2044	98%	Let to an outside party as factory
Macaokeng, Laowei Village, Niushan Management Zone, Fucheng District, Dongguan, Guangdong Province, People's Republic of China (Yue Fang Di Zheng Zi 1486418, 1486419, 1486420 and 1486421)	9,600 sq.m.	2044	100%	Let to an outside party as factory

Address	Gross floor area	Lease expiry	Effective percentage holding	Particulars of occupancy as at 31 December 2015
Jiuwei Village, Jizhou Management Zone, Shijie Town, Dongguan, Guangdong Province, PRC (Yue Fang Di Zheng Zi 1247756-65)	28,200 sq.m.	2047	100%	Vacant

Others

Lanson Place Bukit Ceylon Serviced Residences, Tower C, Verticas Residensi, 10 Jalan Ceylon, Kuala Lumpur, Malaysia (Parent Lot No. 1315, Section 57, Town and District of Kuala Lumpur, State of Wilayah Persekutuan K.L.)	18,600 sq.m.	Freehold	50%	Serviced apartment
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Address	Net internal area	Lease expiry	Effective percentage holding	Particulars of occupancy as at 31 December 2015
United Kingdom				
8-12 (even) Brook Street, London, United Kingdom	19,100 sq.ft.	Freehold	100%	Let to outside parties as retail and office
1 Savile Row / 7 Vigo Street, London, United Kingdom	13,900 sq.ft.	Freehold	100%	Let to outside parties as retail and office
35 Berkeley Square, London, United Kingdom	7,900 sq.ft.	2139	100%	Let to outside parties as office
10 Fleet Place, London, United Kingdom	186,000 sq.ft.	Freehold	25%	Let to outside parties as retail and office

PROPERTIES FOR SALE

As 31 December 2015

Address	Nature of property	Available gross floor area at 31 December 2015	Effective percentage holding	Project status	Expected completion date
Completed properties for sale					
Providence Bay 5 Fo Chun Road, Tai Po, New Territories, Hong Kong (Tai Po Town Lot No. 186)	Residential	117,000 sq.ft.*	15%	Completed	Completed
Providence Peak 8 Fo Chun Road, Tai Po, New Territories, Hong Kong (Tai Po Town Lot No. 188)	Residential	80,000 sq.ft.*	15%	Completed	Completed
The Graces • Providence Bay 9 Fo Chun Road, Tai Po, New Territories, Hong Kong (Tai Po Town Lot No. 187)	Residential	17,000 sq.ft.*	15%	Completed	Completed
The Warren 9 Warren Street, Causeway Bay, Hong Kong (Section A, B, C, F, G, H, J, K and the Remaining Portion of Section D and E of Inland Lot No. 2087, and the Remaining Portion thereof)	Residential/Shops	6,000 sq.ft.*	100%	Completed	Completed
The Pierre No. 1 Coronation Terrace, Sheung Wan, Hong Kong (Subsection 2 of Section B, the Remaining Portion of Section B and Section E of Inland Lot No. 100)	Residential	2,000 sq.ft.*	100%	Completed	Completed
Properties under development					
Homantin Hillside 8 Wai Yin Path, Hung Hom, Kowloon, Hong Kong (Inland Lot No. 11184)	Residential	128,000 sq.ft.*	50%	Superstructure in progress	2016
Area 56A, Kau To, Sha Tin, New Territories, Hong Kong (Sha Tin Town Lot No. 567)	Residential	318,000 sq.ft.	35%	Superstructure in progress	2017
Area 56A, Kau To, Sha Tin, New Territories, Hong Kong (Sha Tin Town Lot No. 565)	Residential	142,000 sq.ft.	35%	Superstructure in progress	2017
Junction of Oi Kan Road and Oi Tak Street, Shau Kei Wan Hong Kong (Shau Kei Wan Inland Lot No.854)	Residential	46,000 sq.ft.	100%	Foundation in progress	2018
Castle Peak Road – Tai Lam, Area 55, Siu Sau, Tuen Mun, New Territories, Hong Kong (Tuen Mun Town Lot No.435)	Residential	159,000 sq.ft.	100%	Foundation and site formation in progress	2019

* it represents the saleable area

WING TAI PROPERTIES LIMITED

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永泰地產有限公司

於百慕達註冊成立之有限公司



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