

4

86	Board of Directors
91	Corporate Governance Report
112	Directors' Report
121	Directors' Remuneration and Interests Report
130	Audit Committee Report

Corporate Governance

Overview

Financial Performance

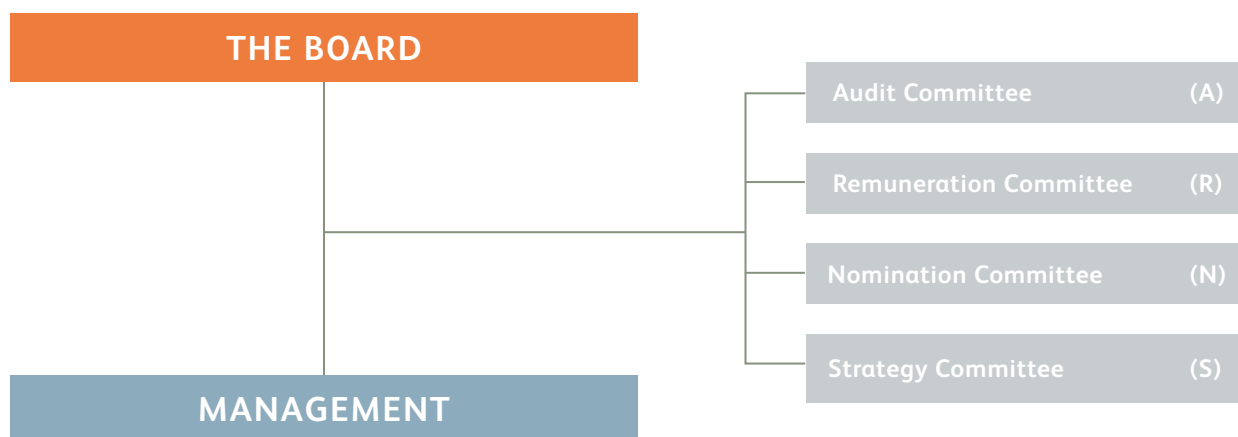
Responsible Business

Corporate Governance

Financial Statements and Valuation

Board of Directors

Hysan believes that embracing strong governance is the foundation to delivering on its strategic objective of consistent and sustainable performance over the long term. At the heart of Hysan's governance structure is an effective Board that is committed to upholding strong governance principles and to reinforcing Hysan's long-established and deeply engrained corporate governance tradition and culture of accountability, transparency and integrity.



Chairman (chairing N and S)
Irene Yun Lien LEE

Ms. Lee is an independent non-executive director of Cathay Pacific Airways Limited, CLP Holdings Limited, HSBC Holdings plc, The Hongkong and Shanghai Banking Corporation Limited, Hang Seng Bank Limited and Noble Group Limited (listed on Singapore Exchange Limited). She has held senior positions in investment banking and fund management in a number of renowned international financial institutions. Previously, Ms. Lee was an executive director of Citicorp Investment Bank Limited in New York, London and Sydney; head of corporate finance at Commonwealth Bank of Australia and chief executive officer of Sealcorp Holdings Limited, both based in Sydney. She was also the non-executive chairman of Keybridge Capital Limited (listed on Australian Stock Exchange), a non-executive director of ING Bank (Australia) Limited, QBE Insurance Group Limited, and The Myer Family Company Pty Limited; and a member of the Advisory Council of JP Morgan Australia. Ms. Lee was formerly a member of the Australian Government Takeovers Panel. She is a member of the founding Lee family, sister of Mr. Anthony Hsien Pin LEE (Non-Executive Director) and his alternate on the Board. Ms. Lee holds a Bachelor of Arts Degree from Smith College, United States of America, and is a Barrister-at-Law in England and Wales and a member of the Honourable Society of Gray's Inn, United Kingdom. She was appointed a Non-Executive Director in March 2011, Non-Executive Chairman in May 2011, and Executive Chairman in March 2012. She is aged 62.



**Deputy Chairman and
Chief Executive Officer (S)**
Siu Chuen LAU

Mr. Lau was the acting Head of Finance of Hysan Group in 1999. He has also worked as a management consultant at McKinsey & Company, a consumer analyst at Morgan Stanley Asia, and a brand manager of French luxury products. He subsequently co-founded and became a Responsible Officer of a SFC licensed investment advisory firm. Mr. Lau is a member of the founding Lee family and an alternate director of Lee Hysan Company Limited, a substantial shareholder of the Company. Mr. Lau holds a Bachelor of Social Sciences Degree in Management and Economics from The University of Hong Kong, and a Master of Business Administration Degree from INSEAD, France. He was appointed a Non-Executive Director in May 2011, Non-Executive Deputy Chairman in March 2012, Deputy Chairman and Chief Executive Officer in May 2012. He is aged 57.



**Independent Non-Executive
Director (N, S, chairing A)**
Nicholas Charles ALLEN

Mr. Allen is an independent non-executive director of CLP Holdings Limited, Lenovo Group Limited, VinaLand Limited, Texon International Group Limited and Link Asset Management Limited (Link) (as manager of Link Real Estate Investment Trust). He was also appointed as the chairman of the board of Link effective from 1 April 2016. He has extensive experience in accounting and auditing and was a partner of PricewaterhouseCoopers from 1988 until his retirement in June 2007. Mr. Allen holds a Bachelor of Arts degree in Economics/Social Studies from Manchester University, United Kingdom. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants. He was appointed an Independent Non-Executive Director in November 2009 and is aged 60.



**Independent Non-Executive
Director (A)**
**Frederick Peter
CHURCHOUSE**

Mr. Churchouse has been involved in Asian securities and property investment markets for more than 30 years. Currently, he is a private investor including having his own private family office company, Portwood Company Ltd. He is an independent non-executive director of Longfor Properties Co. Ltd. He is also the publisher and author of "The Churchouse Letter". In 2004, Mr. Churchouse set up an Asian investment fund under LIM Advisors. He acted as a director of LIM Advisors and as Responsible Officer until the end of 2009. Prior to this, Mr. Churchouse worked at Morgan Stanley as a managing director and advisory director from early 1988. He acted in a variety of roles including head of regional research, regional strategist and head of regional property research. He was also a board member of Macquarie Retail Management (Asia) Limited. Mr. Churchouse gained a Bachelor of Arts degree and a Master of Social Sciences degree from the University of Waikato in New Zealand. He was appointed an Independent Non-Executive Director in December 2012 and is aged 66.



**Independent Non-Executive
Director (A, N, S, chairing R)**
Philip Yan Hok FAN

Mr. Fan is an independent non-executive director of China Everbright International Limited, First Pacific Company Limited, China Aircraft Leasing Group Holdings Limited, and Guolian Securities Co., Ltd., and an independent director of Goodman Group. He is a member of the Asia Advisory Committee of AustralianSuper Pty Ltd (a pension fund in Australia). He was previously an independent non-executive director of HKC (Holdings) Limited, and an independent director of Suntech Power Holdings Co., Ltd. (under official liquidation) and Zhuhai Zhongfu Enterprise Co. Ltd. Mr. Fan holds a Bachelor's Degree in Industrial Engineering and a Master's Degree in Operations Research from Stanford University, as well as a Master's Degree in Management Science from Massachusetts Institute of Technology. He was appointed Independent Non-Executive Director in January 2010. He is aged 66.

Board of Directors



Independent Non-Executive
Director

Lawrence Juen-Yee LAU

Professor Lau is currently Ralph and Claire Landau Professor of Economics at The Chinese University of Hong Kong. He is also an independent non-executive director of AIA Group Limited, CNOOC Limited and Far Eastone Telecommunications Co., Ltd. (listed on the Taiwan Stock Exchange).

Professor Lau received his B.S. degree (with Great Distinction) in Physics from Stanford University and his M.A. and Ph.D. degrees in Economics from the University of California at Berkeley. He joined the faculty of the Department of Economics at Stanford University in 1966, and had a long and distinguished career there. Upon his retirement in 2006, he became Kwoh-Ting Li Professor in Economic Development, Emeritus, at Stanford University. From 2004 to 2010, Professor Lau served as Vice-Chancellor (President) of The Chinese University of Hong Kong. From September 2010 to September 2014, he served as Chairman of CIC International (Hong Kong) Co., Limited, a subsidiary of China Investment Corporation. Professor Lau was also a non-executive director of Semiconductor Manufacturing International Corporation.

Professor Lau is a member of the 12th National Committee of the Chinese People's Political Consultative Conference and a Vice-Chairman of its Economics Sub-committee. He also serves as a member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority and Chairman of its Governance Sub-committee and member of its Currency Board Sub-committee and Investment Sub-committee, Vice-Chairman of Our Hong Kong Foundation and a member and Chairman of the Prize Recommendation Committee, LUI Che Woo Prize Company. He was appointed a Justice of the Peace in July 2007 and awarded the Gold Bauhinia Star in 2011 by the Government of the Hong Kong Special Administrative Region. He was appointed an Independent Non-Executive Director in December 2014. He is aged 71.



Independent Non-Executive
Director (R, N)

Joseph Chung Yin POON

Mr. Poon is group managing director and deputy chief executive officer of a private company and an independent non-executive director of AAC Technologies Holdings Inc. He was formerly managing director and deputy chief executive of Hang Seng Bank Limited and had held senior management posts in HSBC Group and a number of international renowned financial institutions. Mr. Poon is a committee member of the Chinese General Chamber of Commerce. He was the former chairman of Hang Seng Index Advisory Committee, Hang Seng Indexes Company Limited, and a former member of the Board of Inland Revenue of Hong Kong Special Administrative Region and the Environment and Conservation Fund Investment Committee. Mr. Poon holds a Bachelor of Commerce degree from the University of Western Australia, is a member of Chartered Accountants Australia and New Zealand, and the Hong Kong Institute of Certified Public Accountants. Mr. Poon is also a Fellow of the Hong Kong Institute of Directors. He was appointed Independent Non-Executive Director in January 2010. He is aged 61.



Non-Executive Director

Hans Michael JEBSEN

B.B.S.

Mr. Jebesen is chairman of Jebesen and Company Limited as well as a director of other Jebesen Group companies worldwide. He is also an independent non-executive director of The Wharf (Holdings) Limited. He was appointed a Non-Executive Director in 1994 and is aged 59.



Non-Executive Director (A)
Anthony Hsien Pin LEE

Mr. Lee is a director and substantial shareholder of the Australian-listed Beyond International Limited, principally engaged in television programme production and international sales of television programmes and feature films. He is also a non-executive director of Television Broadcasts Limited. Mr. Lee is a member of the founding Lee family and a director of Lee Hysan Estate Company, Limited (a substantial shareholder of the Company). He is the brother of Ms. Irene Yun Lien LEE, Chairman. Mr. Lee received a Bachelor of Arts Degree from Princeton University and a Master of Business Administration Degree from The Chinese University of Hong Kong. He was appointed a Non-Executive Director in 1994 and is aged 58.



Non-Executive Director (N, S)
Chien LEE

Mr. Lee is a private investor and a non-executive director of Swire Pacific Limited and a number of private companies. He was previously an independent non-executive director of Television Broadcasts Limited. He is a member of the founding Lee family and a director of Lee Hysan Estate Company, Limited, a substantial shareholder of the Company. Mr. Lee received a Bachelor of Science Degree in Mathematical Science, a Master of Science Degree in Operations Research and a Master of Business Administration Degree from Stanford University. Mr. Lee was appointed a Non-Executive Director in 1988 and is aged 62.



Non-Executive Director (R)
Michael Tze Hau LEE

Mr. Lee is currently a director of Oxer Limited, a private investment company. He is also an independent non-executive director of Chen Hsong Holdings Limited, Trinity Limited; and a Steward of The Hong Kong Jockey Club. He was previously an independent non-executive director of Hong Kong Exchanges and Clearing Limited and an independent non-executive director and chairman of OTC Clearing Hong Kong Limited. Mr. Lee was also a member of the Main Board and Growth Enterprise Market Listing Committees of The Stock Exchange of Hong Kong Limited. Mr. Lee is a member of the founding Lee family and a director of Lee Hysan Estate Company, Limited, a substantial shareholder of the Company. He joined the Board in January 2010, having previously served as a Director from 1990 to 2007. Mr. Lee received his Bachelor of Arts Degree from Bowdoin College and his Master of Business Administration Degree from Boston University. He is aged 54.

Senior Management are Executive Directors of the Company.

Our Team Members

Chief Financial Officer

Roger Shu Yan HAO

BBA (Hons), CPA, ACA, ACCA

Mr. Hao is responsible for the Group's financial control, treasury, information technology, legal and secretarial functions. He joined the Group in 2008. Mr. Hao accumulated extensive experience in auditing, financial management and control while holding senior positions in multinational corporations.

Director, Projects

Sunny Wing Chung CHAN

BEng (Hons), CEng, MCIBSE, MHKIE, LEED™ AP, BEAM Pro

Mr. Chan is responsible for the Group's development and project management function in regard to major property investments as well as significant refurbishment projects. He joined the Group in 2008. Mr. Chan accumulated extensive experience in developing, designing and managing high-quality and sustainable building projects while holding senior positions in property development corporations.

Director, Retail

Kitty Man Wai CHOY

BEcon, MSc, MBA

Ms. Choy is responsible for the Group's retail portfolio. She joined the Group in 2000 and prior to joining Hysan, Ms. Choy held a supervisory position at a major property development company.

General Manager, Property Services

Lawrence Wai Leung LAU

MSc (Eng), CEng, MCIBSE, MHKIE, RPE (BS), BEAM Pro

Mr. Lau is responsible for managing the operations of Property Management and Technical Services Department and drives the environmental initiatives for the Group. He joined the Group in 2010. Mr. Lau accumulated extensive experience in facilities and project management while holding senior positions in premier property and international hotel management companies.

Director, Office

Jessica Mo Ching YIP

BSc (Surveying), MBA, MRICS, MHKIS, RPS

Ms. Yip is responsible for managing the office portfolio of the Group. Prior to joining the Group in 2012, Ms. Yip fulfilled various roles in international consultancies, occupiers and developers. She had extensive experience in the real estate industry.

Corporate Governance Report

Meeting and Exceeding Compliance Requirements

Hysan is committed to maintaining high standards of corporate governance and transparency throughout our business activities. Hysan has continued to comply with requirements of the Code Provisions contained in the Corporate Governance Code (the “Corporate Governance Code”) set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), with the only exception being that its Remuneration Committee (established since 1987) has the responsibility of determining compensation at Executive Director-level only. While the Remuneration Committee does not determine staff compensation below Executive Director-level, its terms of reference have been expanded to cover the review of key terms of those new compensation and benefits plans of the Group with a material financial, reputational and strategic impact. The Board is of the view that, in light of the current organisational structure and the nature of Hysan’s business activities, this arrangement is appropriate. Nevertheless, the Board will continue to review this arrangement in light of the evolving needs of the Group.

The following are the major areas in which Hysan’s system of corporate governance practices exceeds the Corporate Governance Code.

Exceed Corporate Governance Code Provisions	Best Practices in Corporate Governance at Hysan
✓	The Board has established formal Corporate Governance Guidelines* since 2004.
✓	The Board has established formal mandates and responsibilities*, with a clear division of roles with management. The Board’s responsibilities in the formulation of strategy, in addition to its monitoring function, are expressly provided for.
✓	The Board has established formal criteria and requirements* for Non-Executive Director appointments. Newly appointed Non-Executive Directors are given formal letters of appointment, which address the expected time commitment of the Non-Executive Director and other matters. The Board has a detailed list of Matters Reserved for Board Decisions* that are retained for the decision of the full Board. The list of Matters Reserved for Board Decisions covers all major policies and directions of the Group.
✓	Board evaluation: For the past few years, this has taken the form of meetings of the Non-Executive Directors without the presence of management. Since 2014, the board evaluation process has been strengthened and enriched through an evaluation questionnaire. Directors’ written feedback was analysed and discussed at the May Board meeting. Our Corporate Governance Guidelines have been refined in the light of this to show the Board’s commitment.
✓	The Group has a written Code of Ethics* applicable to all staff and Directors. The Group has “whistle-blowing” procedures to encourage employees to raise concerns about possible breaches of the Group’s Code of Ethics. Monitoring of the “whistle blowing” mechanism is performed by an external independent third party service provider to further enhance independence. Such service provider reports directly to the Audit Committee.
✓	The Group has established a Corporate Disclosure Policy* to guide its stakeholder communications and the determination of inside information. This ensures consistent and timely disclosure and fulfilment of the Group’s continuous disclosure obligations.

Exceed Corporate Governance Code Provisions	Best Practices in Corporate Governance at Hysan
✓	The Group has established an Auditor Services Policy* to set parameters for the engagement of the auditors. It also identifies areas of conflict, and prohibits the engagement of auditors in case of conflict to ensure independence.
✓	The Group has established a fraud handling policy and procedure to control and aid in the detection and prevention of fraud against the Group. This promotes consistent organisational behavior by providing guidelines and assigning responsibility for the controls and investigations.
✓	The Group has demonstrated its commitment to transparency in shareholder reporting by publishing a separate Corporate Governance Report since 2001. It also publishes the following reports: (i) Audit Committee Report; (ii) Directors' Remuneration and Interests Report; and (iii) Internal Controls and Risk Management Report.
✓	The Group has a formal Corporate Responsibility Policy and publishes a Corporate Responsibility Report. It has early-adopted the environmental, social and governance reporting guidelines under the Listing Rules. An "integrated" approach has been adopted since 2014 Annual Report, to provide a more holistic view of the Group's financial as well as non-financial performance.
✓	The Group serves more than 20 clear business days' notice for Annual General Meeting ("AGM").
✓	Since 2004, the Group has operated a new form of AGM that goes beyond discharging statutory business by including a detailed business review. All voting at AGMs has been conducted by poll since 2004.
✓	The Group publishes the terms of reference and membership of all its corporate governance related Board Committees on the websites of the Group and the Stock Exchange.
✓	The Group announces the financial results within 2.5 months after the end of financial year and publishes the Annual Report on the Group's website within 3 months after the end of financial year. The Group sends the Annual Report to shareholders within 10 days after publication. The AGM notice, Annual Report, and the financial statements are dispatched to the shareholders more than 30 days prior to the AGM (statutory requirement: 21 days).
✓	The Group continually enhances its communications with shareholders. It has initiated and invited major nominee companies to proactively forward communication materials to the ultimate beneficial shareholders at the Group's expense. To further increase efficiency of communication, protecting the environment and saving costs for the Company, arrangements have been made since December 2015 to ascertain the shareholders' preference as to the means of receiving corporate communications. The aim is to continually enhancing the use of the Group's corporate website as a means of shareholder communications.

* Detailed policies/terms of reference are available on the Company's website: www.hysan.com.hk.

Our Governance Framework

Hysan operates with a clear and effective governance structure.

THE BOARD Leadership; Strategy Planning; Risk Management			
Audit Committee <ul style="list-style-type: none"> Reviews internal controls and risk management systems Monitors internal and external auditors Oversees financial reporting process 	Remuneration Committee <ul style="list-style-type: none"> Sets remuneration policy for Executive Directors Determines Executive Directors' remuneration and incentives 	Nomination Committee <ul style="list-style-type: none"> Recommends Board appointments Reviews Board structure and composition Assesses independence of Independent Non-Executive Director Succession planning for directors 	Strategy Committee <ul style="list-style-type: none"> Oversees the Group's strategy activities Aligns corporate responsibility initiatives with the corporate strategy
Further information			
Audit Committee Report – pages 130 to 133 Internal Controls and Risk Management Report – pages 54 to 59	Directors' Remuneration and Interests Report – pages 121 to 129	Nomination Committee – page 109	Strategy Committee – page 107

Hysan's governance framework serves as a guide for the Board and management in the performance and fulfilment of their respective obligations to Hysan and its stakeholders. The key components of Hysan's governance framework, including the guidelines, policies, and procedures (as listed below), ensures (i) the existence of a capable and qualified Board with diverse backgrounds and skills; (ii) the establishment of appropriate roles for the Board and various committees; and (iii) a collaborative and constructive relationship between the Board and management.

The following constitutes key components of Hysan's governance framework. They are posted on the Company's website: www.hysan.com.hk.

- Corporate Governance Guidelines
- Board of Directors Mandate
- Roles Requirements of Non-Executive Directors
- Matters Reserved for Board Decisions
- Terms of Reference of the various corporate governance related Board Committees
- Code of Ethics for Employees
- Auditor Services Policy
- Corporate Disclosure Policy

The Board reviews these guidelines, policies, and procedures periodically, typically on an annual basis. The Board also regularly assesses and enhances its governance framework, practices and principles in light of regulatory regimes, international best practices, as well as Company needs.



What the Board has done throughout 2015: driving continuous improvement

Throughout the year, 6 Board meetings were held, including a strategy meeting with in-depth presentation and discussion of the Group's strategy and planning. The Board leads the Company and provides long-term strategic guidance, managing its risks and delivering its objectives in regard to the following themes. The Board is also supported by the work of various Board committees. 2015 was an active year for the Board.

1 LEADERSHIP

- **Board effectiveness:** continued to adopt a formal board evaluation process. The Board thoroughly considered the responses to the evaluation questionnaire. (see section on "Board Evaluation")

2 STRATEGIC PLANNING

- **core business:** received and discussed regular updates for the Group's core leasing portfolios to meet short-term objectives.
- **strategic plan:** received and discussed updates on longer-term directional strategy for further growth.
- **re-development and asset enhancement projects:** received and discussed regular updates.
- **talent management:** Board committees received, evaluated and reported back to the Board – these actions are important for the long-term success of the Group.
- **curate tenant mix and area branding:** strengthened Lee Gardens area branding and marketing and shopping experience.

FORMAL BOARD MANDATE: BOARD ROLES

- Strategic Planning
- Internal Controls and Risk Management
- Culture and Values
- Capital Management
- Corporate Governance
- Board Succession

3 RISK MANAGEMENT

- **financial control:** assessed effectiveness of financial controls, and other internal controls. (see sections on "Internal Controls and Risk Management Report" and "Audit Committee Report")
- **risk control:** Audit Committee reviewed and monitored management's risk management process.
- **regulatory environment control:** legal and regulatory update is a regular agenda item for each Board meeting.

4 RELATIONS WITH SHAREHOLDERS

- **reporting:** investor relations reporting (describing investor and analyst opinions) is a regular agenda item for each board meeting.
- **enhance communication:** enhanced shareholder communications by further exploiting the electronic channels.

Board Calendar 2015

The overall calendar of meetings of the Board and its Committees for 2015 is shown below:

	Further report	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Board	Page 94			✓		✓			✓		✓		✓✓ (Note 1)
Audit Committee	Page 130			✓					✓				✓
Remuneration Committee	Page 121			✓									
Nomination Committee	Page 109												✓
AGM						✓							

Note:

- 1 In December 2015, a Board meeting was held to discuss 2016 budget and a separate Strategy Meeting (attended by full Board members) was held to discuss business plan, as well as longer-term directional strategy for growth.

2015 was an active and effective year. The work the Board for 2015 are:

Month	Special matters considered by the Board
March	<p>Review of reports from:</p> <ul style="list-style-type: none"> • Remuneration Committee • Audit Committee; and review of internal controls and risk management effectiveness <p>Review and approval of 2014 annual results, including:</p> <ul style="list-style-type: none"> • Preliminary announcement • Declaration of 2014 2nd interim dividend • Other key reports <ul style="list-style-type: none"> • Corporate Governance Report • Internal Controls and Risk Management Report • Audit Committee Report • Directors' Remuneration and Interests Report • Directors' Report <p>Approval of proposals to be submitted to the AGM</p> <p>Annual review of corporate governance matters</p>
May	<p>Analysis of feedback and discussions of:</p> <ul style="list-style-type: none"> • Board and Board Committees' evaluation questionnaires
August	<p>Review of reports from:</p> <ul style="list-style-type: none"> • Audit Committee; and review of internal controls and risk management effectiveness <p>Review and approval of 2015 interim results, including</p> <ul style="list-style-type: none"> • Interim results announcement • Interim report • Declaration of 2015 1st interim dividend
October	Appointment of new Company Secretary to fill a casual vacancy

Corporate Governance Report

Month	Special items considered by the Board
December	<p>Review of reports from:</p> <ul style="list-style-type: none"> • Nomination Committee; and review of Board size and composition, as well as “independence” of Directors • Audit Committee; and deep-dive discussion of internal controls and risk management matters <p>Review and discussions of 2016 budget</p> <p>Review of corporate governance matters – annual review of Matters Reserved for the Board Decisions (relating to the 2016 budget and business plan)</p>
December (Note: A separate Strategy Meeting was held)	<p>Review and discussions of :</p> <ul style="list-style-type: none"> • Group’s strategic activities • Update on the longer-term directional strategy

Month	Regular matters considered by the Board
March, May, August and December	<p>Review and discussions of reports on:</p> <ul style="list-style-type: none"> • Operating results and regular updates for the Group’s core leasing business (Office, Retail and Residential segments) • Current development and asset enhancement projects’ update (including the redevelopment of Lee Garden Three) <p>Review and discussions of: Financial forecasts</p> <p>Update on:</p> <ul style="list-style-type: none"> • Analysts’ feedback • Legal and regulatory issues <p>Review and approval of: Minutes of previous meeting</p>

Meeting attendance by Directors in 2015

The attendance of Directors at the meetings of the Board and its Committees is shown below:

- Attended
- Attended by alternate
- ☎ Attended by tele-conference
- ✦ Attended the meetings (or part of meetings) as invitee
- Excused from the meeting as the agenda was to consider matter relating to her resignation and appointment of new Company Secretary
- ▲ Already resigned from the Board

Directors	Meetings Held/Attended				
	Board (Total: 6) (Note 1)	Audit Committee (Total: 3)	Remuneration Committee (Total: 1)	Nomination Committee (Total: 1)	Annual General Meeting (Annually)
Executive Directors					
Irene Yun Lien LEE	● ● ● ● ● ●	✦ ✦ ✦	✦ (Note 3)	●	●
Siu Chuen LAU	● ● ● ● ● ●	✦ ✦ ✦	✦ (Note 3)	✦	●
Wendy Wen Yee YUNG (Note 2)	● ● ● ■ ▲ ▲	✦ ✦ ▲	N/A	N/A	●
Independent Non-Executive Directors					
Nicholas Charles ALLEN	● ● ● ● ● ●	● ● ●	N/A	●	●
Frederick Peter CHURCHOUSE	● ● ● ● ● ●	● ● ●	N/A	N/A	●
Philip Yan Hok FAN	● ● ● ● ● ●	● ● ●	●	●	●
Lawrence Juen-Yee LAU	☎ ● ● ● ● ● ●	N/A	N/A	N/A	●
Joseph Chung Yin POON	● ● ● ● ● ●	N/A	●	●	●
Non-Executive Directors					
Hans Michael JEBSEN	● ● ● ● ● ●	N/A	N/A	N/A	●
Anthony Hsien Pin LEE	● ● ● ● ● ●	● ● ●	N/A	N/A	●
Chien LEE	● ● ● ● ● ●	N/A	N/A	●	●
Michael Tze Hau LEE	● ● ● ● ● ●	N/A	●	N/A	●

Notes:

- In December 2015, a Board meeting was held to discuss 2016 budget and a separate Strategy Meeting (attended by full Board members) was held to discuss business plan, as well as longer-term directional strategy for growth.
- Wendy Wen Yee YUNG resigned as Executive Director and Company Secretary with effect from 24 October 2015.
- Excused from the session to discuss the Executive Directors' own compensation package.

Board Leadership

FORMAL BOARD MANDATE

The role of the Board is governed by a formal **Board of Directors Mandate** (details are also available on the Company's website: www.hysan.com.hk), which sets out the key responsibilities of the Board in fulfilling its stewardship roles. These are strategic planning, internal controls and risk management, culture and values, capital management, corporate governance, and Board succession.



Day-to-day management of the Group is delegated to the Executive Directors, subject to formal delegated authority limits and certain matters that have been reserved for the Board approval. A detailed list of **Matters Reserved for Board Decisions** sets out the key matters that are to be retained for the decision of the full Board, which covers all major policies and directions of the Company. These matters include: long-term objectives and strategies; the extension of Group activities into new business areas; capital management framework and policy; treasury policies; annual budgets, annual funding plan and annual treasury investment plan; material acquisitions/disposals of fixed assets; connected transactions; preliminary announcements of interim and final results; the declaration of dividends; internal controls; Board membership; Corporate Governance matters; and major prosecution, defense or settlement of litigation.

Where applicable, “materiality” thresholds for the key matters are set at appropriate levels to ensure proper control while allowing for smooth day-to-day operations to be carried out by management. These thresholds are subject to review regularly, and at least once a year.

(These documents are available on the Company’s website: www.hysan.com.hk)

REFRESHING THE BOARD – BOARD SIZE, COMPOSITION, AND APPOINTMENTS

There are currently 11 Directors on the Board: the Chairman, Deputy Chairman and Chief Executive Officer and 9 Non-Executive Directors (including 5 Independent Non-Executive Directors). The roles of the Chairman and the Chief Executive Officer are currently separate. Irene Yun Lien LEE is currently the Board Chairman. In addition to her role in leading the Board, she advises, supports and coaches the management team, particularly regarding the long-term strategic development of the Group and management matters that drive shareholder value. Siu Chuen LAU, as Deputy Chairman and Chief Executive Officer, deputises and supports the Chairman in her Board leadership role, he also oversees the overall operations and performance of the Group.

The Board will review its size and composition from time to time. We are committed to continuing Board renewal to ensure that the Board is both compliant and appropriately refreshed and that it always has the necessary diversity of skills and attributes required to oversee and govern in the ever-changing operating environment. Our Non-Executive Directors (including 5 Independent Non-Executive Directors) are of diverse backgrounds in the areas of economics, finance, general management, professional practices, and the property industry. The Board last reviewed its size and composition in December 2015.

Further description of the backgrounds of the Non-Executive Directors is set out in the section “Board Effectiveness – Balance, Diversity and Skills” below.

Non-Executive Directors are appointed for a term of 3 years, and are required to submit their candidacy for re-election at the first AGM following their appointment. Under the Company’s Articles of Association, every Director will be subject to retirement by rotation at least once every 3 years. Retiring Directors are eligible for re-election at the AGM at which he retires. There is no cumulative voting in Director elections. The election of each candidate is done through a separate resolution.

At the AGM to be held on 13 May 2016, Nicholas Charles ALLEN, Frederick Peter CHURCHHOUSE, Anthony Hsien Pin LEE and Chien LEE will retire at the forthcoming AGM.

Nicholas Charles ALLEN has informed the Board that he will not offer himself for re-election and accordingly will retire as Director after the conclusion of the forthcoming AGM. Save for Nicholas Charles ALLEN, the other retiring Directors, being eligible, offer themselves for re-election. Details with respect to the candidates standing for election as Directors are set out in the AGM circular to shareholders.

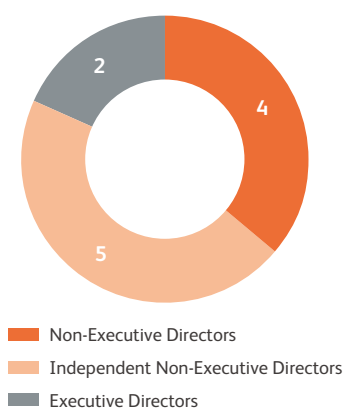
Board Effectiveness

BALANCE, DIVERSITY AND SKILLS

We continue to recognise that a balance of experiences, competencies, expertise, diversity and skills on the Board is the key foundation for introducing different perspectives into Board discussions and for better anticipating the risks and opportunities in building a long-term sustainable business. Our Board ensures the continued effective overseeing of, and informed decision making with respect to, issues affecting Hysan.

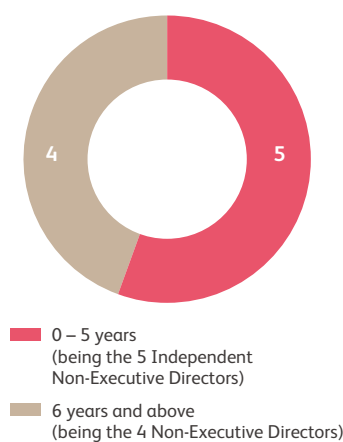
Balance of Non-Executive Directors and Executive Directors

31 December 2015



Length of Tenure of Non-Executive Directors

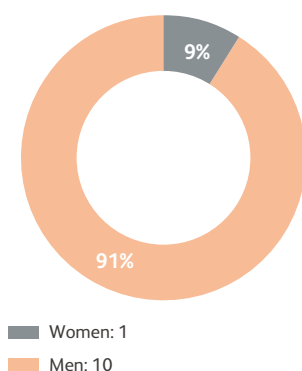
31 December 2015



The Board believes that diversity is vital for Board effectiveness. This philosophy extends from the Board level to the key operational management throughout the Group. The Company has taken, and continues to take steps to promote diversity, including gender diversity, at operational management levels. The Company respects a working environment which is free of discrimination and has policies against discrimination with regard to gender while promoting diversity in recruitment and promotion.

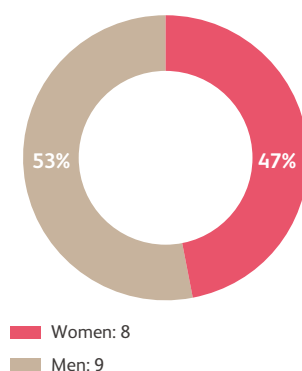
Board Diversity by Gender

31 December 2015



Gender Diversity of Key Operational Management*

31 December 2015



* Key operational management is defined as the 17 heads of departments / units of the Group, but does not include Executive Directors, who also maintain a management / supervisory role for operations.

Corporate Governance Report

During 2015, there were 9 Non-Executive Directors drawn from diverse and complementary backgrounds. They bring valuable experience and insight in the following areas of experience and expertise, driving the corporate strategy and growth of the Group:

Experience / Expertise	Name of Directors
1. General Management Broad business experience through a senior level position in another major company.	Philip Yan Hok FAN Joseph Chung Yin POON
2. Property Industry Experience as a senior executive in another major company in property investment, development or facilities management; or related industry.	Frederick Peter CHURCHOUSE
3. Financial Services and Investment Experience in the financial services industry or experience in overseeing financial transactions and investment management.	Anthony Hsien Pin LEE Chien LEE Michael Tze Hau LEE Joseph Chung Yin POON
4. Marketing Experience as a senior executive in a major retail, customer products, services or distribution company.	Hans Michael JEBSEN
5. Macro-environment affecting the Group Expertise in the economic, political or social environment affecting the Group and its operations, with a focus in Hong Kong and China.	Lawrence Juen-Yee LAU
6. “Audit Committee” Accounting Expertise Expertise based on the definition of “Audit Committee accounting expertise” under the Listing Rules.	Nicholas Charles ALLEN Joseph Chung Yin POON
7. Risk Management An understanding of the Board’s role in overseeing of risk management principles and practices, including an understanding of current risk management principles and practices, which may have been gained through current or previous experience on another public company board committee that oversees risk management; role at another public company as “chief risk officer” or risk management executive; and role at another public company as chief executive officer or chief financial officer.	Nicholas Charles ALLEN Philip Yan Hok FAN Lawrence Juen-Yee LAU Chien LEE Michael Tze Hau LEE Joseph Chung Yin POON
8. Human Resources / Compensation An understanding of the principles and practices relating to Human Resources and / or actual “hands-on” experience in managing or overseeing Human Resources in another major company, including experience in: compensation plan design and administration; leadership development / talent management; succession planning; and compensation decision-making, including risk-related aspects of compensation.	Philip Yan Hok FAN Joseph Chung Yin POON

(Directors’ full biographies, including relationships among members of the Board, are set out in pages 86 to 89 and are also available on the Company’s website: www.hysan.com.hk)



INDEPENDENCE

As a listed company with the presence of a major shareholder family, the Board has put in place appropriate policies and processes to avoid conflicts of interest or perception of the same.

“Connected transactions” with persons and entities regarded as connected with the Group under the Listing Rules are subject to the approval of the full Board, as provided under the **List of Matters Reserved for Board Decisions**. In addition, “exempted transactions” that are exempt from the Listing Rules’ disclosure requirements are also subject to reporting to the full Board after management approval, with full particulars of key terms and conditions as well as justification.

The Board has established “independence” standards for individual Directors in our **Corporate Governance Guidelines**. It considers “independence” to be a matter of judgment and conscience. A Director is considered to be independent only where he or she is free from any business or other relationship that might interfere with the exercise of his or her independent judgment.

The Nomination Committee carried out a detailed review of director independence. It concluded that each of the 5 Independent Non-Executive Directors was independent as at that time. Independent Non-Executive Directors are identified in our Annual and Interim Reports and other communications with shareholders. The Board will continually monitor and review whether there are relationships or circumstances that are likely to affect (or could appear to affect) independence.



“Connected Transactions” with related persons subject to full Board decision

This is expressly provided in our **List of Matters Reserved for Board Decisions**. The relevant requirements are more stringent than those under the Listing Rules.

Appointment of 5 independent Directors with a diverse background

We have 5 Independent Non-Executive Directors drawn from a diverse background, spanning economics, financial services and investment, general management, professional (accounting), and property industry.

INDEPENDENCE

Checks and Balances

Clear “independence” standards for individual Directors

This is laid down in our **Corporate Governance Guidelines**.

Detailed annual review of independence of individual Directors

The Nomination Committee carries out a detailed review of Director independence annually.

Independence Status

Name	Management	Independent	Not Independent	December 2015 Review – Reason for Independence Status
Nicholas Charles ALLEN		✓		No business or other relationships with the Group or management that will affect independence
Frederick Peter CHURCHOUSE		✓		No business or other relationships with the Group or management that will affect independence
Philip Yan Hok FAN		✓		No business or other relationships with the Group or management that will affect independence
Hans Michael JEBSEN			✓	
Siu Chuen LAU	✓			
Lawrence Juen-Yee LAU		✓		No business or other relationships with the Group or management that will affect independence (Note 1)
Anthony Hsien Pin LEE			✓	
Chien LEE			✓	
Irene Yun Lien LEE	✓			
Michael Tze Hau LEE			✓	
Joseph Chung Yin POON		✓		No business or other relationships with the Group or management that will affect independence

Note:

- 1 Professor Lau's spouse is Partner in-charge, Tax, Hong Kong, at KPMG China, and a board member of KPMG China. KPMG is a tenant of the Group and provides taxation services principally as tax representative of the Company and certain subsidiaries, which are routine services in nature. Mrs. Lau has not been involved in any business negotiations with the Group, or in the provision of any services, and will refrain from doing so. The Board and its Nomination Committee had assessed the independence of Professor Lau in light of the circumstances, including (i) Professor Lau's background, experience, achievements, as well as character; (ii) the nature of the Company's relationship with KPMG and Mrs. Lau's roles as described above; and concluded that his independence would not be affected.

BOARD EVALUATION

Traditionally, Hysan evaluates the performance of the Board and members of management at meetings between the Chairman and Non-Executive Directors without the presence of management.

Since 2014, the board evaluation process was strengthened and enriched through an evaluation questionnaire for the full Board as well as Board Committees. Directors were asked to assess the effectiveness of the Board by providing a mixture of quantitative and narrative responses. Our **Corporate Governance Guidelines** were refined in March 2014 to show the Board's commitment. The outcomes of the evaluation were thoroughly analysed and discussed at the Board meeting held in May 2015.

Areas covered and evaluated in the questionnaire included the (i) Board's roles (including Director responsibilities, relationship with the Board Committees); (ii) Board compositions (size; balance of knowledge, experience and skills; independence); (iii) Board meetings and processes (including satisfaction with integrity of financial statements and accounting policies; risk management process); Board in actions (including strengths and weaknesses); and (iv) training.

Out of a total of 29 questions in the questionnaire, all responses received had a high score at or above 4 ("Agree"), according to a scale of 1 ("Strongly Disagree") to 5 ("Strongly Agree").

Items that received the highest score (with an average of over 70% indicated a scoring of "Strongly Agree") were: (i) satisfaction with integrity of financial statements and accounting policies/practices; (ii) clarity in providing for the roles of the Board as well as individual director responsibilities; and (iii) provision of appropriate level of involvement in reviewing strategic aims and plans. The outcomes signified that the Directors were highly satisfied with the effectiveness of the Board in addressing and discharging its responsibilities.

Valuable feedbacks received include the need to continually review the Board's size, balance of knowledge, experience, and suggestions to obtain expertise in potential new areas of business. On internal controls and risk management aspects, as Hong Kong's business and social environment is becoming more challenging and volatile, a more robust process is encouraged to identify the principal risks and uncertainties and to evaluate the way in which these are controlled, mitigated, monitored and managed. These feedbacks, well received by management, are being incorporated in the continuous improvement of the Board's programmes and processes.

To further strengthen the independence of the Non-Executive Directors and to enable them to discuss more freely the evaluation of performance of the Board as well as the Group's management, the Non-Executive Directors also held 2 discussion sessions during 2015 without the presence of Executive Directors or Board members relating to the founding Lee family.

How The Board Works Together

BOARD AND MANAGEMENT

The Board and management fully appreciate their respective roles and are supportive of the development and maintenance of a healthy corporate governance culture.

The Board relies on management for the day-to-day operation of the business. It monitors what management is doing, and holds it accountable for the performance of the Company as measured against established targets. In terms of strategy formulation, the Board works closely with management in thinking through the Group's direction and long-term plans, as well as the various opportunities and risks associated therewith and that are facing the Group generally.

The Non-Executive Directors provide independent challenge and review, bringing a wide range of experiences, specific expertise, and fresh objective perspectives. As members of the various Board committees, they also undertake detailed governance work with a particular focus as noted under the respective terms of reference of the various Board committees.

Summary of key features at Hysan Board during 2015

- The Board held 6 meetings. Hysan's Directors have a strong commitment to the Company, which was reflected in the high attendance record at the Board and its Committee meetings.
- All Directors are entitled to seek independent professional advice regarding their duties at the Company's expense.
- Directors' and Officers' liability insurance has been arranged. The terms and extent covering 2015 was reviewed and renewed.
- Declarations of interest are recorded and records are accessible by each director.
- Financial plans, including budgets and forecasts, are regularly discussed at Board meetings. Monthly reports to Non-Executive Directors are issued, covering financial and operating highlights.
- Non-Executive Directors are invited to attend Company events. Such events included the annual "Company Day" when the management team shared management objectives for the coming year with all Head Office staff and supervisors of the building offices.
- Since 2012, the Board moved to electronic Board papers via iPad – an initiative to reduce the use of printed paper across our business and to enhance effective and timely communication. This electronic platform allows the Directors to access information and meeting records relevant to the execution of their duties readily.
- To supplement the formal Board meetings and to further strengthen the independence of the Non-Executive Directors and to enable them to discuss more freely the evaluation of performance of the Board as well as the Group's management, the Independent Non-Executive Directors and Non-Executive Directors also held 2 separate discussion sessions during 2015 without the presence of Executive Directors or Board members relating to the founding Lee family.

HOW MANAGEMENT SUPPORTS THE EFFECTIVE WORKINGS OF THE BOARD

Supply of Information

Management recognises the significance of providing timely and relevant information to Non-Executive Directors so as to enable them to discharge their duties effectively.

The Board receives detailed quarterly reports from members of management in respect of their areas of responsibility. Appropriate key performance indicators are used to facilitate benchmarking and peer group comparison. Financial plans, including budgets and forecasts, are regularly discussed at Board meetings. Monthly reports to Non-Executive Directors are issued, covering financial and operational highlights.

The interaction of Non-Executive Directors with non-Director members of the management team has been strengthened. In addition to receiving presentations from non-Board management members at Board meetings, Non-Executive Directors are also invited to attend Company events. Such events included the annual “Company Day” when the management team shared management objectives for the coming year with all Head Office staff and supervisors of the building offices. All these measures facilitate the build-up of constructive relations and dialogue between the Board and the management team, as well as offering first-hand experience of our people and culture.

Directors are also kept updated of any material developments from time to time through notifications and circulars detailing relevant background and explanatory information. As described above, Directors also have access to non-Director members of management and staff where appropriate. Collectively, these processes ensure that the Board receives the answers and information it needs to fulfil its obligations.

Since 2012, the Board moved to electronic Board papers via iPad – a contribution, albeit small, towards supporting our objective of reducing the use of printed paper across our business in light of sustainability. This measure also clearly demonstrates the Board’s willingness to embrace new technology and further enhance the effectiveness of communications.



Induction, Business Awareness and Development

Upon their appointment, Directors are advised on the legal and other duties and obligations they have as directors of a listed company. Newly appointed Directors receive a comprehensive induction briefing designed to provide a general understanding of the Group, its businesses and operations (including the major risks it faces), and an overview of the additional responsibilities of Non-Executive Directors.

Through the course of their directorship, Directors are updated on any developments or changes affecting the Company and their obligations to it at regular Board meetings.

In order to ensure that Directors continue to further their understanding of the issues facing the Group, management further strengthened the Directors' continuous professional development plan during the year, ranging from local infrastructure development to overview of global economy. The following is a summary of professional development participated by Directors during the year. In addition to the activities organised by us, Directors also participated in other forms of training organised by third parties with appropriate emphasis on the roles, functions and duties of the Directors.

Directors' continuous professional development in 2015

Directors	Attending trainings organised by Hysan	Attending expert briefings /seminars / conferences organised by third parties relating to the business or directors' duties	Perusing legal and regulatory updates prepared by Hysan quarterly
Executive Directors			
Irene Yun Lien LEE	✓	✓	✓
Siu Chuen LAU	✓	✓	✓
Wendy Wen Yee YUNG (resigned effective 24 October 2015)	✓	✓	✓
Independent Non-Executive Directors			
Nicholas Charles ALLEN	✓	✓	✓
Frederick Peter CHURCHOUSE	✓	✓	✓
Philip Yan Hok FAN	✓	✓	✓
Lawrence Juen-Yee LAU	✓	✓	✓
Joseph Chung Yin POON	✓	✓	✓
Non-Executive Directors			
Hans Michael JEBSEN	✓	✓	✓
Anthony Hsien Pin LEE	✓	✓	✓
Chien LEE	✓	✓	✓
Michael Tze Hau LEE	✓	✓	✓

Board Process and Administration Procedures

Board discussions are held in a collaborative atmosphere of mutual respect and open discussions allow for questions, and constructive challenge where appropriate. In light of this, we aim to continually enhance the Board process. Improvement areas identified and implemented have included convening an additional meeting since 2014 for discussion of Group strategy matters, and allowing more time for discussions at each Board meeting.

Independent Advice

It is recognised that there may be occasions when one or more Directors feel that it is necessary to obtain independent legal and / or financial advice for the purposes of fulfilling their obligations. Such advice may be obtained at the Company's expense and there is an agreed upon procedure to enable Directors to obtain such advice, as stated in our Corporate Governance Guidelines.

Board Committees in 2015

In order to provide effective overseeing and leadership and pursuant to its Corporate Governance Guidelines, the Board has established 3 governance-related Board Committees as detailed below. Like the Board, each Committee has access to independent advice and counsel as required and each is supported by the Company Secretary. These committees report to the Board. The terms of reference of these Committees are available on the Company's website. It was an active year for the Audit Committee and the Remuneration Committee in particular, as detailed below.

Strategic planning is an important function of the Board. An additional Board meeting has been scheduled since 2014 and for discussion of strategic matters. The Board also has a Strategy Committee to support it in this regard. It is currently chaired by Irene Yun Lien LEE, Board Chairman, and its other members are Siu Chuen LAU (Deputy Chairman and Chief Executive Officer), Nicholas Charles ALLEN (Independent Non-Executive Director), Philip Yan Hok FAN (Independent Non-Executive Director) and Chien LEE (Non-Executive Director).



AUDIT COMMITTEE

Composition and Meetings Schedule

The Audit Committee is currently chaired by Nicholas Charles ALLEN (Independent Non-Executive Director), and its other members are Frederick Peter CHURCHOUSE (Independent Non-Executive Director), Philip Yan Hok FAN (Independent Non-Executive Director) and Anthony Hsien Pin LEE (Non-Executive Director). There is a majority of Independent Non-Executive Directors. Nicholas Charles ALLEN (Committee Chairman) is a Fellow of the Institute of Chartered Accountants in England and Wales and is a member of the Hong Kong Institute of Certified Public Accountants. He has extensive experience in auditing and accounting, which he developed while working with a "Big Four" international firm. The Audit Committee held 3 meetings during the year. At the invitation of the Audit Committee, such meetings are also attended by the Board Chairman and members of management (including the Chief Executive Officer and the Chief Financial Officer).

Pre-meeting sessions with external and internal auditors held without management's presence

Roles and Authority

Hysan believes a clear appreciation of the separate roles of management, the external auditors and Audit Committee members is crucial to the effective functioning of an audit committee. Management of Hysan is responsible for selecting appropriate accounting policies and the preparation of the financial statements. Formal statements of Directors' Responsibility for the Financial Statements are contained in "Financial Statements, Valuation and Other Information" of this Annual Report. The external auditors are responsible for auditing and attesting to the Group's financial statements and evaluating the Group's system of internal controls, to the extent that they consider necessary to support their audit report. The Audit Committee is responsible for overseeing the entire process.

The Audit Committee also has the responsibility of reviewing the Group's "whistle-blowing" procedures. The "whistle-blowing" procedures allow employees to raise concerns, in confidence or anonymously, about possible breaches of the Group's Code of Ethics. The Audit Committee ensures that these arrangements allow proportionate and independent investigation of possible breaches and related matters and there is appropriate follow up action.

Activities and Report in 2015 and to date

Full details of the activities of the Audit Committee are also set out in the "Audit Committee Report" on pages 130 to 133. 3 meetings were held during the year. Attendance at Audit Committee meetings is set out in the table on page 97. In addition to reviewing and approving annual and interim financial statements, the Committee held a separate meeting that substantially focused on internal controls and risk management.

REMUNERATION COMMITTEE

Composition and Meetings Schedule

The Group established the Remuneration Committee in 1987 to review the compensation of Executive Directors. The current Remuneration Committee is chaired by Philip Yan Hok FAN (Independent Non-Executive Director). The other members of the Remuneration Committee are Michael Tze Hau LEE (Non-Executive Director) and Joseph Chung Yin POON (Independent Non-Executive Director). It currently has a majority of Independent Non-Executive Directors. The Remuneration Committee generally meets at least once every year.

Roles and Authority

Management makes recommendations to the Remuneration Committee on Hysan's framework for, and cost of, Executive Director remuneration. The Committee then reviews these, and makes recommendations to the Board. The Remuneration Committee also reviews the fee payable to Non-Executive Directors prior to its being submitted for approval at the AGM. In addition, it also reviews new share option plans, changes to key terms of pension plans, and key terms of new compensation and benefits plans with material financial, reputational, and strategic impact. No Director is involved in deciding his or her own remuneration.

Activities and Report in 2015 and to date

Full details of the activities of the Remuneration Committee are set out in the "Directors' Remuneration and Interests Report" on pages 121 to 129. A meeting was held during the year. Attendance at the Remuneration Committee meeting is set out in the table on page 97.



NOMINATION COMMITTEE

Composition and Meetings Schedule

The Board established a Nomination Committee in 2005. The Nomination Committee is currently chaired by Irene Yun Lien LEE, Chairman of the Board and has a majority of Independent Non-Executive Directors. The other members of the Nomination Committee during the year were Nicholas Charles ALLEN (Independent Non-Executive Director), Philip Yan Hok FAN (Independent Non-Executive Director), Chien LEE (Non-Executive Director), and Joseph Chung Yin POON (Independent Non-Executive Director).

Roles and Authority

The Nomination Committee is responsible for nominating candidates, with Board approval, to fill Board vacancies as and when they arise, and for evaluating the balance of skills, knowledge and experience of the Board. The Committee also reviews the independence of Directors pursuant to the Listing Rules requirements. The terms of reference of the Nomination Committee clearly set out that the Chairman of the Board shall not chair the Nomination Committee when it is dealing with the matter of succession of the chairmanship.

A meeting was held during the year to (i) review the structure, size, and composition of the Board; and (ii) assess the independence of Independent Non-Executive Directors. Attendance at the Nomination Committee meeting is set out in the table on page 97.



Shareholders

The Board and management fully recognise the significance and importance of having a governance framework that protects shareholder rights and their exercise of the same. At the same time, we aim to continually improve our communications with shareholders and to obtain their feedback.

COMMUNICATION WITH SHAREHOLDERS

Accountability to Shareholders and Corporate Reporting

Disciplined measurement of our performance is an important aspect of our strategy to achieve long-term success. Recognising that we are accountable to our stakeholders, the reporting of financial and non-financial results in a transparent fashion is critical. A number of formal communication channels are used to account to shareholders for the performance of the Group. These include the Annual Report and Accounts, Interim Report and Accounts and press releases / announcements.

Shareholders may raise enquiries to the Board by contacting the Group's Investors Relations function.

Information via Internet

Hysan's corporate website provides an additional channel for shareholders and other interested parties to access information about the Group. The Group's key corporate governance policies and supporting documents, including the terms of reference of the various Board Committees and the Group's financial reports, press releases and announcements, are available on the website. Shareholders are given the option of electing to receive corporate communications by electronic means. We continue to review how to better utilise the Company's website for the purposes of timely disclosure and to enhance transparency.

We recognise that not all shareholders and stakeholders have ready access to the internet. For those who do not, hard copies of the Hysan website information are available free of charge upon request to the Company Secretary.



Institutional Shareholders

We are committed to maintaining a continuing open dialogue with institutional investors, fund managers and analysts as a means of developing their understanding of our strategy, operations, management and plan, and of enabling them to raise any issues they may have. The Company has an ongoing programme of dialogue and meetings between Chief Executive Officer, Chief Financial Officer, and institutional investors, fund managers and analysts. At these meetings, a wide range of relevant issues, including strategy, performance, management and governance, are discussed within the constraints of information already made public. There are regular presentations to or conference calls with analysts and investors, also at the time of announcement of results. Results announcement presentations to analysts are also disseminated to a broader audience by way of webcasts. Investor relations reports describing investor and analyst opinions are provided regularly to the Board.

Constructive Use of AGM

The Board is equally interested in the concerns of private shareholders. The Company Secretary, on behalf of the Board, oversees communication with these investors. The Board recognises the significance of the constructive use of AGMs as a means to enter into a dialogue with private shareholders based on the mutual understanding of objectives. Individual shareholders can put questions to the Chairman at the AGM. The Chairmen of the various Board Committees, as provided under their respective terms of references, attend AGMs to respond to any shareholder questions on the activities of those Committees.

Since 2004, to enable shareholders to gain a better understanding of our business activities, we have included a “business review” session in our AGMs, in addition to the statutory part of the meeting. Topics covered at the last AGM included the business environment in 2014, a review of business activities, and the Company’s outlook for 2015. The Company values the contributions of its shareholders during the question and answer session following the statutory part of the meeting.

Corporate Disclosure Policy

We recognise the significance of consistent disclosure practices aimed at accurate, timely and broadly disseminated disclosure of material information about Hysan. The Group’s Corporate Disclosure Policy provides guidance for coordinating the disclosure of material information to investors, analysts and media as well as our processes for results announcements. This policy also identifies who may speak on Hysan’s behalf, and outlines the responsibilities for communications with various stakeholders groups. It has been updated in light of the new “inside information” disclosure regime under the Securities and Futures Ordinance, effective January 2013. (Details of the Corporate Disclosure Policy are available at the Company’s website: www.hysan.com.hk)



SHAREHOLDER RIGHTS

Proactively Forward Shareholder Communication Materials via Nominee Companies

Shareholders must be furnished with sufficient and timely information concerning the Company and any material developments. There is currently no requirement in Hong Kong providing for mandatory forwarding of shareholder communications materials by nominee companies to beneficial shareholders. Since 2005, we have initiated and invited major

nominee companies to proactively forward communication materials to shareholders at our expense. To further increase efficiency of communication, protecting the environment and saving costs for the Company, arrangements have been made since December 2015 to ascertain the shareholders' preference as to the means of receiving corporate communications. The aim is to continually enhancing the use of the Group's corporate website as a means of shareholder communications. Greater publicity of the Group's website is being made.

Provision of Sufficient and Timely Information

We recognise the significance of providing information to shareholders to enable them to make an informed assessment for the purposes of voting on each of the items put before shareholders at the AGM. The AGM notice, Annual Report, and financial statements are dispatched to shareholders more than 30 days prior to the AGM (statutory requirement: 21 days). Comprehensive information on each resolution to be proposed is also provided.

Voting

We recognise shareholders' rights in exercising control proportionate to their equity ownership and we support the principle of voting by poll. Since 2004, the Company has conducted all voting at its AGMs by poll. The poll is conducted by the Company's Registrar and scrutinised by the Group's auditors. Procedures for conducting a poll are included in the circular to shareholders accompanying the Notice of AGM and are again explained to the general meeting prior to the taking of the poll. Poll results are announced and posted on the websites of both the Stock Exchange and the Company.

Relevant Provisions in Articles of Association and Hong Kong Law

Under the current Articles of Association of the Company and Hong Kong Companies Ordinance, shareholders holding not less than 5% of the total voting rights of shareholders of the Company ("5% Shareholder") may convene a general meeting by written request signed by a 5% Shareholder stating the objectives of the meeting, and deposit the signed request at the Company's registered office (49/F, Lee Garden One, 33 Hysan Avenue, Hong Kong. Attention: The Company Secretary). Any 5% Shareholder may also request for passing of resolutions by way of written resolutions. Any shareholders holding not less than 2.5% of the total voting rights of shareholders of the Company (or 50 or more shareholders entitled to vote) may request for the circulation of resolutions to be moved at AGM; and circulation of statements regarding resolutions proposed at general meetings. The specified documents should be deposited at the Company's registered address as detailed above.

Hong Kong Companies Ordinance also provides for shareholder approval of decisions concerning fundamental corporate changes, including amendments to the Articles of Association. The Ordinance also provides for disinterested shareholder approval (excluding those shareholders related to the relevant directors) for certain transactions with directors as well as their connected entities, and ratification of director misconduct.

There are no limitations imposed by Hong Kong law or the Articles of Association on the right of non-residents or foreign persons to hold or vote on the Company's shares other than those limitations that would generally apply to all shareholders.

No changes have been made to the Company's Articles of Association during the year.

Directors' Report

The Directors submit their report together with the audited financial statements for the year ended 31 December 2015, which were approved by the Board of Directors (the "Board") on 8 March 2016.

PRINCIPAL ACTIVITIES

The principal activities of the Group continued throughout 2015 to be property investment, management, and development. Details of the Group's principal subsidiaries and associates as at 31 December 2015 are set out in notes 18 and 19 respectively to the financial statements.

The turnover and results of the Group are principally derived from leasing of investment properties located in Hong Kong. The Group's turnover and results by operating segment are set out in note 5 to the financial statements.

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 137.

The first interim dividend of HK25 cents per share, amounting to approximately HK\$266 million, was paid to shareholders during the year.

The Board declared a second interim dividend of HK107 cents per share to the shareholders on the register of members on 23 March 2016, absorbing approximately HK\$1,122 million. The dividends declared and paid for ordinary shares in respect of the full year 2015 will absorb approximately HK\$1,388 million, the balance of the profit will be retained.

BUSINESS REVIEW AND PERFORMANCE

A fair review of the business of the Company and a discussion and analysis of the Group's performance during the year, the material factors underlying its results and financial position and material attributable factors of the development and likely future developments of the Group's business, are provided throughout this Annual Report, particularly in the following separate sections:

- (a) Review of the Company's business – "Management's Discussion and Analysis";
- (b) The Company's risk management framework, the principal risks the Company is facing and the controls in place – "Internal Controls and Risk Management Report";
- (c) Future development in the Company's business – "Key Facts" and "Chairman's Statement";
- (d) Analysis using financial key performance indicators – "Management's Discussion and Analysis";
- (e) Discussion on the Company's environmental policies and performance – "Responsible Business";
- (f) Discussion on the Company's compliance with the relevant laws and regulations – "Corporate Governance Report", "Independent Auditors' Report" and "The Stock Exchange of Hong Kong Limited's Environmental, Social and Governance Reporting Guide"; and
- (g) An account of the Company's key relationships with its employees, customers and suppliers and others – "Responsible Business" and "Directors' Report".

RESERVES

Movements during the year in the reserves of the Group and the Company are set out in the consolidated statement of changes in equity on pages 140 and 141 and note 30 to the financial statements respectively.

INVESTMENT PROPERTIES

All of the Group's investment properties were revalued by an independent professional valuer as at 31 December 2015 using the fair value model. Details of movements during the year in the investment properties of the Group are set out in note 16 to the financial statements.

Details of the major investment properties of the Group as at 31 December 2015 are set out in the section under Schedule of Principal Properties of this Annual Report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group and the Company are set out in note 17 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 29 to the financial statements.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance and, save as otherwise stated and explained in the Corporate Governance Report, meets the requirements of the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

Further information on the Company's corporate governance practices is set out in the following separate reports:

- (a) "Corporate Governance Report" (pages 91 to 111) – it gives detailed information on the Company's compliance with the Corporate Governance Code, and adoption of local and international best practices;
- (b) "Directors' Remuneration and Interests Report" (pages 121 to 129) – it gives detailed information on Directors' remuneration and interests (including information on Directors' compensation, service contracts, Directors' interests in shares, contracts and competing business);
- (c) "Audit Committee Report" (pages 130 and 133) – it sets out the terms of reference, work performed and findings of the Audit Committee for the year;
- (d) "Internal Controls and Risk Management Report" (pages 54 to 59) – it sets out the Company's framework on internal controls and risks assessment (including control environment, control activities and work done during the year); and
- (e) "Responsible Business" section (pages 60 to 83) – it sets out the Company's corporate responsibility policies and practices reflecting its commitment to maintaining a high standard of corporate governance.

THE BOARD

The Board is currently chaired by Irene Yun Lien LEE, Chairman, with Siu Chuen LAU as Deputy Chairman and Chief Executive Officer. There are 9 other Non-Executive Directors.

Wendy Wen Yee YUNG resigned as Executive Director and Company Secretary, effective 24 October 2015.

Trevor Chi-Hsin YANG was appointed alternate Director to Hans Michael JEBSEN in place of Kam Wing LI, effective 29 April 2015.

Irene Yun Lien LEE served as alternate Director to Anthony Hsien Pin LEE throughout the year.

Save as otherwise mentioned, other Directors whose names and biographies appear on pages 86 to 89 have been Directors of the Company throughout the year.

Under Article 114 of the Company's current Articles of Association, one-third (or such other number as may be required under applicable legislation) of the Directors; and where the applicable number is not an integral number, to be rounded upwards, who have been longest in office shall retire from office by rotation at each AGM. A retiring Director is eligible for re-election.

Particulars of Directors seeking for re-election at the forthcoming AGM are set out in the related circular to shareholders.

THE BOARD continued

The Company has received from each Independent Non-Executive Director an annual confirmation of his independence as regard each of the factors referred to in Rule 3.13 (1) to (8) of the Listing Rules and the Company considered all of them to be independent. The Nomination Committee also reviewed director independence in a meeting held in December 2015. (see "Corporate Governance Report")

The directors of subsidiary undertakings included in the annual consolidated financial statements of the Company (other than those listed above) during the year and until the date of this Annual Report were:

- Almighty Power Limited
- Bemascot Limited
- Bongrow Profit Limited
- Capcept Limited
- Carol Planet Limited
- Chater Inc.
- Comet Bright Limited
- Delightful Investment Limited
- Eastern Sky Limited
- Eunice Cheuk Yee LEUNG (appointed effective 1 March 2016)
- Fairweather (Nominees) Limited
- Fairwind Nominees Limited
- Hans Helmuth HENNIG
- Hing Nin HO (resigned effective 1 March 2016)
- Justinian (Nominees) Limited
- Kitty Man Wai CHOY
- Kommand Limited (resigned effective 10 December 2015 and liquidated on 11 December 2015)
- Maurant International Limited
- Nathan Inc.
- New Rise Limited
- Oakwise Limited
- Ocore Limited
- Olivier Jean Claude Erich ELZER
- Plenty Treasure Limited
- Po Wah HUEN
- Roger Shu Yan HAO
- Rose Wai Mun LEE
- Tai On LO
- Wellington Inc.
- Yama Limited

DIRECTORS' INTERESTS IN SHARES

Details of the interests and short positions of the Directors in the shares, underlying shares or debentures of the Company and its associated corporations are set out in "Directors' Remuneration and Interests Report" on pages 121 to 129.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

As at 31 December 2015, the interests or short positions of substantial shareholders and other persons of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company, were as follows:

Aggregate long positions in shares and underlying shares of the Company

Name	Capacity	Number of ordinary shares held	% of the total no. of issued shares (Note a)
Lee Hysan Estate Company, Limited	Beneficial owner and interests of a controlled corporation	433,130,735 (Note b)	40.97
Lee Hysan Company Limited	Interests of controlled corporations	433,130,735 (Note b)	40.97
Silchester International Investors LLP	Investment manager	95,187,000	9.00

Notes:

- (a) The percentage was compiled based on the total number of shares of the Company in issue as at 31 December 2015 (i.e. 1,057,177,692 ordinary shares).
- (b) These interests represented the same block of shares of the Company. 393,321,734 shares were held by Lee Hysan Estate Company, Limited ("LHE") and 39,809,001 shares were held by a subsidiary of LHE. LHE is a wholly-owned subsidiary of Lee Hysan Company Limited.

Apart from the above, no other interest or short position in the shares or underlying shares of the Company were recorded in the register which is required to be kept under section 336 of the SFO as at 31 December 2015.

RELATED PARTY TRANSACTIONS

The Group entered into certain transactions with parties regarded as "Related Parties" under applicable accounting principles. These mainly relate to contracts entered into by the Group in the ordinary course of business, which contracts were negotiated on normal commercial terms and on an arm's length basis. Further details are set out in note 35 to the financial statements.

Some of these transactions also constituted "Continuing Connected Transactions" under the Listing Rules, as identified below.

CONTINUING CONNECTED TRANSACTIONS

Certain transactions entered into by the Group constituted continuing connected transactions (the "Transactions") under Rule 14A.76(2) of the Listing Rules during the year. Details of the Transactions required to be disclosed are set out as follows:

I. Leases granted by the Group

(a) Lee Garden Two, 28 Yun Ping Road, Hong Kong ("Lee Garden Two")

The following lease arrangements were entered into by Barrowgate Limited ("Barrowgate"), a 65.36 % subsidiary of the Company and property owner of Lee Garden Two, as landlord, with the following connected persons:

Connected person	Date of agreement	Terms	Premises	Annual consideration (Note a)
(i) Jebsen and Company Limited (Note b)	28 March 2013 (Lease and Carpark Licence Agreement)	5 years commencing from 1 September 2013 (Note c)	Office units on the 28th, 30th and 31st Floors and 3 carparking spaces	2015: HK\$29,115,636 2016: HK\$29,342,964 2017: HK\$29,342,964 2018: HK\$19,561,976 (on pro-rata basis) (Notes d & j)
(ii) Hang Seng Bank Limited (Note b)	16 August 2013 (Lease and Licence Agreement) (as amended – Note e)	2 years, 4 months and 15 days commencing from 15 October 2013	Shop G13A on the Ground Floor and Shops 2-10 and 11-12 on the Lower Ground Floor and certain areas on the Lower Ground Floor and Ground Floor	2015: HK\$26,756,100 2016: HK\$24,023,216 (Note j)
(iii) Treasure Matrix Limited (Notes f & g)	28 March 2014 (Lease and Licence Agreements)	5 years commencing from 28 March 2014 (Note c)	Shop Nos. 308 & 311 on the 3rd Floor (connected to an outdoor garden)	2015: HK\$7,379,816 2016: HK\$7,866,000 2017: HK\$7,866,000 2018: HK\$7,866,000 2019: HK\$1,881,919 (on pro-rata basis) (Notes h to j)

CONTINUING CONNECTED TRANSACTIONS *continued***I. Leases granted by the Group** *continued***(b) One Hysan Avenue, Causeway Bay, Hong Kong ("One Hysan Avenue")**

The following lease arrangement was entered into by OHA Property Company Limited, a wholly-owned subsidiary of the Company and property owner of One Hysan Avenue, as landlord, with Atlas Corporate Management Limited, a wholly-owned subsidiary of LHE, a substantial shareholder of the Company (holding 40.97 % interest). Details of the lease are set out below:

Connected person	Date of agreement	Terms	Premises	Annual consideration (Note a)
Atlas Corporate Management Limited	21 August 2014	3 years commencing from 1 November 2014	Whole of 21st Floor	2015: HK\$3,007,068 2016: HK\$3,025,344 2017: HK\$2,521,120 (on pro-rata basis) (Note j)

II. Provision of leasing and property management services to a non wholly-owned subsidiary regarding Lee Garden Two

(a) The following management agreement was entered into by Hysan Leasing Company Limited, a wholly-owned subsidiary of the Company, with Barrowgate for the provision of leasing marketing and lease administration services to Lee Garden Two:

Connected person	Date of agreement	Terms	Premises	Consideration received during the year
Barrowgate Limited (Note g)	28 March 2013	3 years commencing from 1 April 2013	Whole premises of Lee Garden Two	HK\$22,295,236 (Note k)

(b) The following management agreement was entered into by Hysan Property Management Limited, a wholly-owned subsidiary of the Company, with Barrowgate for the provision of property management services to Lee Garden Two:

Connected person	Date of agreement	Terms	Premises	Consideration received during the year
Barrowgate Limited (Note g)	28 March 2013	3 years commencing from 1 April 2013	Whole premises of Lee Garden Two	HK\$3,144,847 (Note k)

CONTINUING CONNECTED TRANSACTIONS continued

Notes:

- (a) The annual considerations are based on current rates of rental (including estimated turnover rent, where applicable), operating charges, (for retail premises) promotion levies and (for carparking spaces) licence fees for each of the relevant financial years as provided in the relevant agreements. The rental, operating charges, promotion levies and licence fees (as the case may be) are payable monthly in advance.
- (b) Jebesen and Company Limited ("Jebesen and Company") and Hang Seng Bank Limited are beneficial substantial shareholders of Barrowgate and having equity interest of 10 % and 24.64 % respectively in Barrowgate. Hans Michael JEBSEN, Non-Executive Director of the Company, is a controlling shareholder of Jebesen and Company.
- (c) The term of the agreements mentioned under I(a)(i) and I(a)(iii) above exceeds 3 years. According to Listing Rules requirement, an independent financial adviser to the Board was engaged in each case. It formed the view, in each case, that the term with duration longer than 3 years was required and it was normal business practice for leases of this type to be of such duration.
- (d) The rent for the period from 1 September 2016 to 31 August 2018 will be reviewed at the then prevailing market rent and to be agreed by Barrowgate and Jebesen and Company.
- (e) On 1 December 2014, a partial surrender agreement had been entered into and pursuant to which the lease for Shop G13A on the Ground Floor at Lee Garden Two had been early surrendered effective 31 October 2015. On 15 December 2014, a new lease and licence agreement had been entered into and pursuant to which the remaining spaces had been renewed for a further term of 3 years commencing from 1 March 2016 to 28 February 2019. As the annual consideration under the renewed lease and licence agreement falls below the applicable de minimis threshold under the Listing Rules, it constitutes an exempted continuing connected transaction of the Company.
- (f) Treasure Matrix Limited ("Treasure Matrix") is a non wholly-owned subsidiary of the Company.
- (g) Under this transaction, Barrowgate was considered a connected person of the Company under the Listing Rules by virtue of its being a non wholly-owned subsidiary of the Company and also having a substantial shareholder which is an associate of Hans Michael JEBSEN, Non-Executive Director of the Company.
- (h) Annual consideration for 2015 included actual turnover rent received for the year under review.
- (i) The rent for the period from 28 March 2017 to 27 March 2019 will be reviewed at the then prevailing market rent and to be agreed by Barrowgate and Treasure Matrix.
- (j) Office and retail monthly operating charges and carpark licence fee for Lee Garden Two were revised with effect from 1 January 2015 and further revised on 1 January 2016. Office monthly operating charges for One Hysan Avenue were revised with effect from 1 January 2015 and further revised on 1 January 2016.
- (k) These represent the actual consideration received for the year ended 31 December 2015, calculated on the basis of the fee schedules as prescribed in the respective management agreements.

All the Transactions were entered in the ordinary and usual course of business of the respective companies after due negotiations on an arm's length basis with reference to the prevailing market conditions.

Announcements were published regarding the Transactions in accordance with the Listing Rules. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in so far as they are applicable.

CONTINUING CONNECTED TRANSACTIONS continued

Pursuant to Rule 14A.56 of the Listing Rules, 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 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 116 to 118 of the Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

All Independent Non-Executive Directors of the Company have reviewed the Transactions and the report of the auditor and confirmed that the respective contracts and terms of the Transactions are:

1. in the ordinary and usual course of business of the Group;
2. on normal commercial terms; and
3. in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

INTEREST IN CONTRACTS OF SIGNIFICANCE

No agreement is considered a contract of significance under paragraph 15 of Appendix 16 of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, 31.81 % of the aggregate amount of purchases were attributable to the Group's 5 largest suppliers with the largest supplier accounting for 14.67 % of the Group's total purchases. The aggregate amount of turnover attributable to the Group's 5 largest customers was less than 30 % (being the Listing Rule disclosure threshold) of total turnover of the Group.

None of the Directors, their close associates or any shareholder (which to the knowledge of the Directors owns more than 5 % of the Company's issued share capital) had any interest in the Group's 5 largest suppliers.

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

The Company was authorised at its AGM held on 15 May 2015 to repurchase its own ordinary shares not exceeding 10 % of the total number of its issued shares as at the date of passing the resolution. During the year, the Company repurchased its ordinary shares on the Stock Exchange when they were significantly trading at a discount in order to enhance shareholder value.

During the year, the Company repurchased an aggregate of 6,750,000 ordinary shares for a total consideration of HK\$214,516,600 on the Stock Exchange. The repurchased shares were cancelled during the year. Details of the shares repurchased are as follows:

Month of repurchase in 2015	Number of shares repurchased	Consideration per share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
August	1,820,000	31.70	30.30	56,945,500
September	1,255,000	31.85	30.70	39,256,500
November	221,000	32.50	31.80	7,164,850
December	3,454,000	32.70	31.45	111,149,750
	<u>6,750,000</u>			<u>214,516,600</u>

Save as disclosed above, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

ISSUANCE OF SECURITIES

In October 2015, Hysan (MTN) Limited, a wholly-owned subsidiary of the Company, established the US\$1.5 billion Medium Term Note Programme ("MTN Programme"), which was listed on the Stock Exchange. Notes issued under the MTN Programme are unconditionally and irrevocably guaranteed by the Company. No notes have been issued under the MTN Programme for the year under review.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the year and up to the date of this report as required under the Listing Rules.

DONATIONS

During the year, the Group made donations of approximately HK\$0.5 million to charitable and non-profit-making organisations.

AUDITOR

A resolution for the re-appointment of Messrs. Deloitte Touche Tohmatsu as auditor of the Company is to be proposed at the 2016 AGM.

By Order of the Board
Irene Yun Lien LEE
Chairman

Hong Kong, 8 March 2016

Directors' Remuneration and Interests Report

COMPENSATION REVIEW

Remuneration Committee

The Board recognises the significance of having in place a transparent and objective process for determining Executive Director compensation. The Remuneration Committee (first established in 1987) reviews and determines the remuneration of Executive Directors as well as recommends fees payable to Non-Executive Directors for shareholders' approval. Its terms of reference have been expanded to cover review of share option plans, changes to key terms of service pension plans, and key terms of new compensation and benefits plan with material financial, reputational, and strategic impact.

The Remuneration Committee currently comprises of 3 members (with a majority of Independent Non-Executive Directors). It is chaired by Philip Yan Hok FAN (Independent Non-Executive Director) and the other members are Joseph Chung Yin POON (Independent Non-Executive Director) and Michael Tze Hau LEE (Non-Executive Director).

Management makes recommendations to the Committee on the Company's framework for, and cost of, Executive Director remuneration and the Committee then reviews these recommendations. Fees payable to other Non-Executive Directors are reviewed from time to time. Independent professional advice will be sought where appropriate. On matters other than those concerning them, the Chairman and Chief Executive Officer may be invited to the Committee meetings. No Director is involved in deciding his own remuneration.

Executive Director Remuneration Policy

The Group's remuneration policy aims to provide a fair market remuneration in a form and value to attract, retain and motivate high quality staff. At the same time, such awards must be aligned with the shareholders' interests.

The following principles have been established:

- Remuneration package will consist of several components: (i) fixed part (base salary and benefits); (ii) performance-based (bonus); and (iii) long-term incentives (executive share options). The structure will reflect a fair system of reward for all the participants, emphasising performance.
- Remuneration packages are set at levels to ensure comparability and competitiveness with Hong Kong-based companies competing within a similar talent pool, with particular emphasis on the property industry. Independent professional advice will be sought to supplement internal resources where appropriate.
- The Committee will determine the overall amount of each component of remuneration, taking into account both quantitative and qualitative assessment of performance.
- Remuneration policy and practice will be as transparent as possible.
- Executive Directors will develop significant personal shareholdings pursuant to the executive share options in order to align their interests with those of shareholders.
- Pay and employment conditions elsewhere in the Group will be taken into account.
- The remuneration policy for Executive Directors will be reviewed regularly, independently of executive management.

Details of Director (including individual Executive Director) emoluments for the year 2015 and option movements during the year are set out in notes 12 and 36 respectively to the financial statements.

COMPENSATION REVIEW continued

Non-Executive Director Remuneration Policy

Key elements of our Non-Executive Director remuneration policy include:

- Remuneration should be sufficient to attract and retain first class non-executive talent.
- Remuneration of Non-Executive Directors is (subject to shareholders' approval) set by the Board and should be proportional to their contribution towards the interests of the Company.
- Remuneration practice should be consistent with the recognised best practice standards for Non-Executive Director remuneration.
- Remuneration should be in the form of cash fees, payable semi-annually.
- Non-Executive Directors do not receive share options from the Company.

Non-Executive Directors received no other compensation from the Group except for the fees disclosed below. None of the Non-Executive Directors receives any pension benefits from the Company, nor do they participate in any bonus or incentive schemes.

Non-Executive Directors (including the Independent Non-Executive Directors) received fees totalling HK\$2,380,000 for the year 2015.

2015 Review

The Committee met in March 2015 with all members present to (i) approve the 2015 annual fixed base salary and determine the 2014 performance-based bonus of the Executive Directors; (ii) review the fees for Non-Executive Directors and Board Committee members; and (iii) approve a new share option scheme of the Group.

The executive packages were set at levels to ensure comparability and competitiveness with Hong Kong based companies competing within a similar talent pool, with particular emphasis on the property industry. Clear performance targets were set.

March 2016 Review

The Committee met in March 2016 to (i) approve the 2016 Executive Director compensation packages and the 2015 performance-based bonus; and (ii) review the fees for Non-Executive Directors and Board Committee members. All members attended the meeting.

COMPENSATION REVIEW continued

Director Fee Levels

Director fees are subject to shareholders' approval at general meetings. Taking into consideration the level of responsibility, experience, abilities required of the Directors, level of care and amount of time needed to be spent, and fees offered for similar positions in companies requiring the same talent, it is proposed for shareholder consideration and approval revising Director fees for Non-Executive Directors and Board Committee members. The current fee scale for Non-Executive Directors and Board Committee members and the proposed fees are set out below. Executive Directors will not receive any director fee.

	Current per annum HK\$	Proposed Fee Per annum HK\$
Board of Directors		
Non-Executive Director	200,000 (Note 1)	225,000
Audit Committee		
Chairman	120,000 (Note 2)	135,000
Member	60,000 (Note 1)	70,000
Remuneration Committee		
Chairman	60,000 (Note 2)	no change
Member	40,000 (Note 1)	no change
Strategy Committee		
Chairman	30,000	no change
Member	20,000	30,000
Other Committees		
Chairman	30,000	no change
Member	20,000	no change

Notes:

1. Approved by shareholders in 2011 AGM.
2. Approved by shareholders in 2014 AGM.

Long-term incentives: Share Option Schemes

The Company can grant options under the executive share option schemes as adopted from time to time. The purpose of the schemes was to strengthen the link between individual staff and shareholders' interests. The power of grant to Executive Directors is vested in the Remuneration Committee and endorsed by all Independent Non-Executive Directors as required under the Listing Rules. The Chairman or the Chief Executive Officer may make grants to management staff below Executive Director level.

Key terms of the share option schemes of the Company are summarised as follows:

The 2005 Share Option Scheme (the "2005 Scheme")

The Company adopted the 2005 Scheme at its AGM held on 10 May 2005, which has a term of 10 years and expired on 9 May 2015. All outstanding options granted under the 2005 Scheme will continue to be valid and exercisable in accordance with the provisions of the 2005 Scheme. No further option will be granted under the 2005 Scheme.

Under the 2005 Scheme, options to subscribe for ordinary shares of the Company may be granted to employees of the Company or any wholly-owned subsidiaries (including Executive Directors) and such other persons as the Board may consider appropriate from time to time, on the basis of their contribution to the development and growth of the Company and its subsidiaries.

The maximum number of shares in respect of which options may be granted under the 2005 Scheme and any other share option scheme of the Company shall not exceed such number of shares as required under the Listing Rules, being 10% of the shares in issue as at 10 May 2005, the date of the AGM approving the 2005 Scheme (being 104,996,365 shares).

COMPENSATION REVIEW continued

Long-term incentives: Share Option Schemes continued

The 2005 Share Option Scheme (the "2005 Scheme") continued

The maximum entitlement of each participant under the 2005 Scheme must not during any 12-month period exceed such number of shares as required under the Listing Rules (which is 1 % of the total shares in issue as at the date of shareholders' approval, being 10,499,636 shares). The exercise price shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; and (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant. Consideration on each grant of option is HK\$1 and is required to be paid within 30 days from the date of grant of option, with full payment for exercise price to be made on exercise of the relevant option.

The 2015 Share Option Scheme (the "New Scheme")

The Company adopted the New Scheme (together with the 2005 Scheme are referred to as the "Schemes") at its AGM held on 15 May 2015, which has a term of 10 years and will expire on 14 May 2025. Terms of the New Scheme are substantially the same as those under the 2005 Scheme.

Under the New Scheme, options to subscribe for ordinary shares of the Company may be granted to employees of the Company or any subsidiaries (including Executive Directors) and such other persons as the Board may consider appropriate from time to time, on the basis of their contribution to the development and growth of the Company and its subsidiaries.

The maximum number of shares in respect of which options may be granted under the New Scheme and any other share option schemes of the Company shall not in aggregate exceed such number of shares as required under the Listing Rules, currently being 10 % of the shares in issue as at 15 May 2015, the date of the AGM approving the New Scheme (being 106,389,669 shares). Under the Listing Rules, a listed issuer may seek approval by its shareholders in general meeting for "refreshing" the 10 % limit under the New Scheme. The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company must not exceed 30 % of the shares in issue from time to time (or such number of shares as required under the Listing Rules). No options may be granted if such grant will result in this 30 % limit being exceeded.

The maximum entitlement of each participant under the New Scheme must not during any 12-month period exceed such number of shares as required under the Listing Rules (which is 1 % of the total shares in issue as at the date of shareholder approval, being 10,638,966 shares). The exercise price shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; and (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant. Consideration on each grant of option is HK\$1 and is required to be paid within 30 days from the date of grant of options, with full payment for exercise price to be made on exercise of the relevant options.

Grant and vesting structures

Under the Company's current policy, grants will be made on a periodic basis. Exercise period is 10 years. Vesting period is 3 years in equal proportions starting from the 1st anniversary and become fully vested on the 3rd anniversary of the grant. Size of grant will be determined by reference to base salary multiple and job grades. A clear performance criterion will be a key driver. The Board will review the grant and vesting structures from time to time.

COMPENSATION REVIEW continued

Long-term incentives: Share Option Schemes continued

Movement of share options

During the year, a total of 1,066,500 shares options were granted under the 2005 Scheme, and no share option was granted under the New Scheme.

As at the date of this Annual Report:

- (i) 3,965,670 options granted (including 2,016,658 fully-vested shares options) under the 2005 Scheme are remained outstanding, representing approximately 0.38 % of the total number of issued shares of the Company; and
- (ii) 106,389,669 shares are issuable under the New Scheme representing approximately 10 % of the total number of issued shares of the Company.

Details of options granted, exercised, cancelled/lapsed and outstanding under the 2005 Scheme during the year are as follows:

Name	Date of grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2015	Changes during the year			Balance as at 31.12.2015
					Granted	Exercised	Cancelled/ lapsed (Note b)	
Executive Directors								
Irene Yun Lien LEE	14.5.2012	33.50	14.5.2013 – 13.5.2022	261,000	–	–	–	261,000
	7.3.2013	39.92	7.3.2014 – 6.3.2023	265,000	–	–	–	265,000
	10.3.2014	32.84	10.3.2015 – 9.3.2024	325,000	–	–	–	325,000
	12.3.2015	36.27 (Note c)	12.3.2016 – 11.3.2025	–	300,000	–	–	300,000
Siu Chuen LAU	14.5.2012	33.50	14.5.2013 – 13.5.2022	161,334	–	–	–	161,334
	7.3.2013	39.92	7.3.2014 – 6.3.2023	246,000	–	–	–	246,000
	10.3.2014	32.84	10.3.2015 – 9.3.2024	302,000	–	–	–	302,000
	12.3.2015	36.27 (Note c)	12.3.2016 – 11.3.2025	–	300,000	–	–	300,000
Wendy Wen Yee YUNG (Note d)	10.3.2011	35.71	10.3.2012 – 9.3.2021	103,000	–	–	(103,000)	–
	9.3.2012	33.79	9.3.2013 – 8.3.2022	113,000	–	–	(113,000)	–
	7.3.2013	39.92	7.3.2014 – 6.3.2023	106,700	–	–	(106,700)	–
	10.3.2014	32.84	10.3.2015 – 9.3.2024	95,000	–	(31,000) (Note e)	(64,000)	–
	12.3.2015	36.27 (Note c)	12.3.2016 – 11.3.2025	–	49,500	–	(49,500)	–

COMPENSATION REVIEW *continued*

Long-term incentives: Share Option Schemes *continued*

Movement of share options *continued*

Name	Date of grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2015	Changes during the year			Balance as at 31.12.2015
					Granted	Exercised	Cancelled/ lapsed (Note b)	
Eligible employees (Note f)	31.3.2008	21.96	31.3.2009 – 30.3.2018	17,000	–	–	–	17,000
	31.3.2009	13.30	31.3.2010 – 30.3.2019	134,000	–	–	–	134,000
	31.3.2010	22.45	31.3.2011 – 30.3.2020	154,334	–	(2,000) (Note g)	–	152,334
	31.3.2011	32.00	31.3.2012 – 30.3.2021	181,001	–	(9,000) (Note h)	–	172,001
	30.3.2012	31.61	30.3.2013 – 29.3.2022	262,335	–	(12,000) (Note i)	–	250,335
	28.3.2013	39.20	28.3.2014 – 27.3.2023	298,000	–	–	(10,000)	288,000
	31.3.2014	33.75	31.3.2015 – 30.3.2024	411,000	–	(2,000) (Note j)	(13,000)	396,000
	31.3.2015	34.00 (Note k)	31.3.2016 – 30.3.2025	–	417,000	–	(13,000)	404,000
				3,435,704	1,066,500	(56,000)	(472,200)	3,974,004

Notes:

- (a) All options granted have a vesting period of 3 years in equal proportions starting from the 1st anniversary and become fully vested on the 3rd anniversary of the grant. In this table, "exercise period" begins with the 1st anniversary of the grant date.
- (b) The options lapsed during the year upon resignation of a Director and certain eligible employees.
- (c) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 11 March 2015) was HK\$36.15.
- (d) Wendy Wen Yee YUNG resigned as Executive Director and Company Secretary of the Company with effect from 24 October 2015.
- (e) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$34.60.
- (f) Eligible employees are working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance.
- (g) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$35.65.
- (h) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$36.13.
- (i) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$35.50.
- (j) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$34.55.
- (k) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 30 March 2015) was HK\$33.65.

Apart from the above, the Company did not grant any share option under the Schemes to any other persons which are required to be disclosed under Rule 17.07 of the Listing Rules.

Particulars of the Schemes are set out in note 36 to the financial statements.

COMPENSATION REVIEW continued

Long-term incentives: Share Option Schemes continued

Value of share options

Pursuant to Rule 17.08 of the Listing Rules, the value of the share options granted during the year is to be expensed through the Group's income statement over the three-year vesting period of the options.

The fair values of share options granted by the Company were determined by using Black-Scholes option pricing model (the "Model"). The Model is one of the commonly used models to estimate the fair value of an option. The variables and assumptions used in computing the fair value of the share options are based on the management's best estimate. The value of an option varies with different variables of a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

The inputs into the Model were as follows:

Date of grant	31.3.2015	12.3.2015
Closing share price at the date of grant	HK\$34.000	HK\$34.800
Exercise price	HK\$34.000	HK\$36.270
Risk free rate (<i>Note a</i>)	1.096 %	1.241 %
Expected life of option (<i>Note b</i>)	5 years	5 years
Expected volatility (<i>Note c</i>)	29.947 %	29.810 %
Expected dividend per annum (<i>Note d</i>)	HK\$0.976	HK\$0.976
Estimated fair values per share option	HK\$7.304	HK\$7.061

Notes:

- (a) Risk free rate: being the approximate yields of 5-year Exchange Fund Notes traded on the date of grant, matching the expected life of each option.
- (b) Expected life of option: being the period of 5 years commencing on the date of grant, based on management's best estimates for the effects of non-transferability, exercise restriction and behavioural consideration.
- (c) Expected volatility: being the approximate historical volatility of closing prices of the shares of the Company in the past 5 years immediately before the date of grant.
- (d) Expected dividend per annum: being the approximate average annual cash dividend for the past 5 financial years.

SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries that is not determinable by the Group within 1 year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2015, the interests and short positions of the Directors in the shares, underlying shares or debentures of the Company and 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code"), are set out below:

Aggregate long positions in shares and underlying shares of the Company

Name	Number of ordinary shares held				Total	% of the total no. of issued shares (Note a)
	Personal interests	Family interests	Corporate interests	Other interests		
Nicholas Charles ALLEN	–	–	–	20,000 (Note b)	20,000	0.002
Hans Michael JEBSEN	60,984	–	2,473,316 (Note c)	–	2,534,300	0.240
Siu Chuen LAU	80,666	–	330,115 (Note d)	–	410,781	0.039
Irene Yun Lien LEE	130,000	–	–	–	130,000	0.012
Chien LEE	800,000	–	–	–	800,000	0.076

Notes:

- (a) This percentage was compiled based on the total number of shares of the Company in issue (i.e. 1,057,177,692 ordinary shares) as at 31 December 2015.
- (b) Such shares were held jointly by Nicholas Charles ALLEN and his wife.
- (c) Such shares were held through a corporation in which Hans Michael JEBSEN was a member entitled to exercise no less than one-third of the voting power at general meeting.
- (d) Such shares were held through a corporation in which Siu Chuen LAU and his wife were members and each entitled to exercise no less than one-third of the voting power at general meeting.

Certain Executive Directors of the Company have been granted share options under the 2005 Scheme (details are set out in the section headed "Long-term incentives: Share Option Schemes" above). These constitute interests in underlying shares of equity derivatives of the Company under the SFO.

Aggregate long positions in shares of associated corporations

Listed below is a Director's interest in the shares of Barrowgate Limited ("Barrowgate"), a 65.36 % subsidiary of the Company:

Name	Number of ordinary shares held		Total	% of the total no. of issued shares
	Corporate interests	Other interests		
Hans Michael JEBSEN	1,000	–	1,000	10 (Note)

Note:

Jebsen and Company Limited ("Jebsen and Company") held a 10 % interest in the total number of issued shares in Barrowgate through a wholly-owned subsidiary. Hans Michael JEBSEN was deemed to be interested in the shares of Barrowgate by virtue of being a controlling shareholder of Jebsen and Company.

Apart from the above, no other interest or short position in the shares, underlying shares or debentures of the Company or any associated corporations as at 31 December 2015 were 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.

DIRECTORS' INTERESTS IN SHARES *continued*

Compliance of the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Director's securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the year.

DIRECTORS' INTERESTS IN CONTRACTS

During the year, certain Directors have interests, directly or indirectly, in contracts with the Group. These contracts constitute Related Party Transactions, Connected Transactions or Contracts of Significance under applicable accounting or regulatory rules (details are disclosed in the "Directors' Report").

DIRECTORS' INTERESTS IN COMPETING BUSINESS

The Group is engaged principally in the property investment, development and management of high quality investment properties in Hong Kong. The following Directors (excluding Independent Non-Executive Directors, in accordance with Listing Rules disclosure requirements) are considered to have interests in other activities (the "Deemed Competing Business") that compete or are likely to compete with the said core business of the Group, all within the meaning of the Listing Rules:

- (i) Irene Yun Lien LEE, Siu Chuen LAU, Anthony Hsien Pin LEE, Chien LEE and Michael Tze Hau LEE are members of the founding Lee family whose range of general investment activities include property investments in Hong Kong and overseas. In light of the size and dominance of the portfolio of the Group, such disclosed Deemed Competing Business is considered immaterial.
- (ii) Hans Michael JEBSEN and his alternate, Trevor Chi-Hsin YANG, hold the offices of directors in Jebesen and Company. Business activities of some of its subsidiaries include, inter alia, investment holding and property investment in both the People's Republic of China and Hong Kong. Mr. Jebesen is also a substantial shareholder of the companies.
Mr. Jebesen is an independent non-executive director of The Wharf (Holdings) Limited whose business includes, inter alia, property investment, development and management in both the People's Republic of China and Hong Kong.
- (iii) Chien LEE is an independent non-executive director of Swire Pacific Limited whose business includes, inter alia, property investment and trading in Hong Kong, the People's Republic of China and the United States of America.

The Company's management team is separate and independent from that of the companies identified above. In addition, save and except Irene Yun Lien LEE and Siu Chuen LAU, the relevant Directors have non-executive roles and are not involved in the Company's day-to-day operations and management.

For the reasons stated above, and coupled with the diligence of the Group's Independent Non-Executive Directors and the Audit Committee, the Group is capable of carrying on its business independent of and at arm's length from the Deemed Competing Business.

The Board also has a process in place to regularly review and resolve situations where a Director may have a conflict of interest.

By Order of the Board
Irene Yun Lien LEE
Chairman

Hong Kong, 8 March 2016

Audit Committee Report

The Audit Committee has 4 members (with a majority of Independent Non-Executive Directors). Currently, it is chaired by Nicholas Charles ALLEN (Independent Non-Executive Director) and the other members are Frederick Peter CHURCHOUSE (Independent Non-Executive Director), Philip Yan Hok FAN (Independent Non-Executive Director) and Anthony Hsien Pin LEE (Non-Executive Director).

Under its terms of reference, the Committee oversees the Company's financial reporting process; it also reviews the Company's internal controls and risk management systems and its relationship with external auditor. The Committee also has the responsibility to review the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. The Committee reports to the Board on its findings after each Committee meeting.

The Committee held 3 meetings during the year, on 6 March, 3 August and 1 December 2015. The meetings in March 2015 and August 2015 were held to consider the financial statements for the 2014 annual report and 2015 interim report respectively. An additional meeting was held in December to review the Group's internal controls and risk management systems, report on major risks which the Group was facing and miscellaneous issues not relating to the approval of financial statements and results announcements. The Committee last met on 7 March 2016 to consider the financial statements for the year ended 31 December 2015.

At the invitation of the Audit Committee, meetings are also attended by the Chairman and other members of the management (including the Chief Executive Officer and the Chief Financial Officer). Pre-meeting sessions with external and internal auditors are held without management's presence.

Details on the meeting held in March 2015 were set out in the 2014 Annual Report. Significant matters, as reviewed and discussed in the other meetings, include the following:

FINANCIAL REPORTING

In the process of financial reporting, management is responsible for the preparation of the Group's financial statements including the selection of suitable accounting policies. The external auditor is responsible for auditing and attesting to the Group's financial statements and evaluating the Group's system of internal controls in such regard. The Committee oversees the respective work of management and the external auditor to endorse the processes and safeguards employed by them.

- August 2015 : The Committee reviewed and recommended to the Board for approval of the unaudited financial statements for the first 6 months of 2015, prior to public announcement and filing. The Committee received reports from and met with the external auditor and internal auditor to discuss the scope of their respective review and findings.

Judgmental issues considered: The Committee had discussions with management on significant judgments affecting the Group's financial statements. These included valuation of investment properties as at 30 June 2015, and valuation of investment in an associate with principal assets in Shanghai, China as at 30 June 2015. In particular, there were discussions on the cap rate model adopted by the independent professional valuer, Knight Frank Petty Limited, for the Group's property portfolio, and impact of various factors on the cap rate.

The Group's independent professional valuer was also present at the meeting to answer the Committee's questions.

For valuation of investment properties, the Committee also noted that the external auditor had performed various procedures before relying on the valuation prepared by the Group's independent professional valuer. As regards valuation of investment in associates, the Committee also noted that the external auditors had obtained management accounts of the relevant associate for the 6 months ended 30 June 2015 and valuation reports for the investment properties held by such associate. The Committee noted that the external auditor had performed additional procedures which concluded that the Group's investments in associates had been properly accounted for in the Group's relevant financial statements.

Based on such review and discussions, and the external auditor's review work, the Audit Committee recommended to the Board for approval of the financial statements for the first 6 months ended 30 June 2015.

- March 2016 : The Committee reviewed and discussed with the management and external auditor the financial statements for the year ended 31 December 2015, prior to public announcement and filing. The Committee received reports from and met with the external auditor and internal auditor and discussed the general scope of their respective work and findings.

Judgmental issues considered: The Committee had discussions with management on significant judgments affecting the Group's financial statements. These included valuation of investment properties as at 31 December 2015, and valuation of investment in an associate with principal assets in Shanghai, China as at 31 December 2015.

The Group's independent professional valuer, Knight Frank Petty Limited, was also present at the meeting to answer the Committee's questions.

For valuation of investment properties, the Committee also noted that the external auditor had performed various procedures before relying on the valuation prepared by the Group's independent professional valuer. As regards valuation of investment in associates, the Committee also noted that external auditors had obtained management accounts of the relevant associate for the year ended 31 December 2015, valuation reports for the investment properties held by such associate, and the latest available audited financial statements of such associate. The Committee further noted that the external auditors had performed additional procedures which concluded that the Group's investments in associates had been properly accounted for in the Group's relevant financial statements.

Based on these review and discussions, and the report of the external auditor, the Audit Committee recommended to the Board for approval of the financial statements for the year ended 31 December 2015, together with the Independent Auditor's Report.

RELATIONSHIP WITH EXTERNAL AUDITOR

- August 2015 : The Committee reviewed and considered the terms of engagement of the external auditor in respect of: 2015 final results (including 2015 annual audit, the related results announcement, and annual review of continuing connected transactions); and annual update of the Group's MTN programme.
- December 2015 : The Committee reviewed the audit progress report of the external auditor.
- March 2016 : Annual Assessment: The Committee assessed and is satisfied as to the auditor's qualification, expertise and services and independence. In particular, it is satisfied that the auditor's independence and objectivity has not been impaired by reason of the provision of non-audit services. An arrangement for lead audit partner rotation is also in place by the auditor. For the year ended 31 December 2015, external auditor received a total fee of HK\$3,217,000 (audit services: HK\$2,345,000 and non-audit services: HK\$872,000). "Non-audit services" referred to agreed-upon-procedure reports or statutory compliance, regulatory or government procedures required to comply with financial, accounting or regulatory report matters. Specifically, these included 2015 review of interim financial statements, issue of assurance report for continuing connected transactions, and review of financial information in connection with the annual update of the Group's Medium-Term Notes programme.

The Committee also reviewed and considered the 2016 audit service plan of the external auditor, and the terms of its engagement in respect of the 2016 interim results review.

The Committee recommended to the Board that the shareholders be asked to re-appoint Deloitte Touche Tohmatsu as the Group's external auditor for 2016.

REVIEW OF INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS

- August and December 2015 : The Committee received from, and discussed with, management (i) an update report on major risks the Group was facing; (ii) (for December meeting) a report on selected major risk the Group was facing, being risk to retail business; and (iii) a report on process and practices of property services and property development to continuously improve our efficiency and effectiveness in provision of property services.

The Committee considered the reports of the Internal Audit, including status in implementing its recommendations.

At the December 2015 meeting, the Committee also reviewed the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programmes and budget.

- March 2016 : The Committee reviewed 2015 annual internal controls based on:
 - regular reports by management of major risks, and special reports on selected major risk items
 - regular reports of the Internal Audit, including status in implementing its recommendations
 - certification of controls effectiveness by management, covering financial, operational, and compliance controls, noting the adoption of a control self-assessment questionnaire across the operating departments
 - confirmation from the external auditor that it had not identified any control weaknesses during the course of its audit

The Committee was satisfied as to the effectiveness of the Company's internal controls system (including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget). No significant areas of concern which might affect financial, operational, compliance controls and risk management functions were identified.

INTERNAL AUDIT

- August and December 2015, March 2016 : The Committee reviewed the management responses to audit reports issued during the year; and progress made in implementing improvement actions.
- December 2015 : The Committee considered and approved the scope of work to be undertaken by the Internal Audit function in 2016.

EVALUATION

The Board and Committee evaluation process which took place during the year concluded that the Committee was effective in fulfilling its roles in 2015. (For details, please refer to Corporate Governance Report – “Board Evaluation” (page 103)).

Members of the Audit Committee
Nicholas Charles ALLEN (*Chairman*)
Frederick Peter CHURCHOUSE
Philip Yan Hok FAN
Anthony Hsien Pin LEE

Hong Kong, 8 March 2016