

# 5 Financial Statements, Valuation and Other Information

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# Directors' Responsibility for the Financial Statements

The Companies Ordinance requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of their respective profit or loss for the year then ended. In preparing the financial statements, the Directors are required to:

- (a) select suitable accounting policies and apply them on a consistent basis, making judgments and estimates that are prudent, fair and reasonable;
- (b) state the reasons for any significant departure from accounting standards; and
- (c) prepare the financial statements on the going concern basis, unless it is not appropriate to presume that the Company and the Group will continue in business for the foreseeable future.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Independent Auditor's Report

## Deloitte.

## 德勤

TO THE MEMBERS OF HYSAN DEVELOPMENT COMPANY LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Hysan Development Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 137 to 199, which comprise the consolidated and Company's statements of financial position as at 31 December 2015, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Directors' Responsibility for the Consolidated Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

### **Opinion**

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

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

8 March 2016

# Consolidated Income Statement

For the year ended 31 December 2015

	Notes	2015 HK\$ million	2014 HK\$ million
Turnover	4	3,430	3,224
Property expenses		(414)	(404)
Gross profit		3,016	2,820
Investment income	6	54	68
Other gains and losses	7	–	(2)
Administrative expenses		(234)	(214)
Finance costs	8	(204)	(228)
Change in fair value of investment properties		695	2,940
Share of results of associates		246	252
Profit before taxation		3,573	5,636
Taxation	9	(438)	(386)
<b>Profit for the year</b>	10	<b>3,135</b>	<b>5,250</b>
Profit for the year attributable to:			
Owners of the Company		2,903	4,902
Non-controlling interests		232	348
		<b>3,135</b>	<b>5,250</b>
<b>Earnings per share</b> (expressed in HK cents)	15		
Basic		<b>273.17</b>	460.82
Diluted		<b>273.12</b>	460.69

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# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	Note	2015 HK\$ million	2014 HK\$ million
<b>Profit for the year</b>		<b>3,135</b>	<b>5,250</b>
<b>Other comprehensive (expense) income</b>	11		
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Fair value change of equity investments		36	–
Gains on revaluation of properties held for own use		9	16
		45	16
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net adjustments to hedging reserve		(40)	51
Share of translation reserve of an associate		(240)	(16)
		(280)	35
Other comprehensive (expense) income for the year (net of tax)		(235)	51
<b>Total comprehensive income for the year</b>		<b>2,900</b>	<b>5,301</b>
Total comprehensive income attributable to:			
Owners of the Company		2,668	4,953
Non-controlling interests		232	348
		<b>2,900</b>	<b>5,301</b>

# Consolidated Statement of Financial Position

At 31 December 2015

	Notes	2015 HK\$ million	2014 HK\$ million
<b>Non-current assets</b>			
Investment properties	16	69,810	68,735
Property, plant and equipment	17	705	710
Investments in associates	19	3,683	4,154
Term notes	21	935	720
Other financial assets	22	7	3
Other receivables	23	227	226
		<b>75,367</b>	<b>74,548</b>
<b>Current assets</b>			
Accounts and other receivables	23	201	255
Principal-protected investments	20	–	80
Term notes	21	415	485
Other financial assets	22	1	15
Time deposits	24	2,743	3,534
Cash and bank balances	24	61	106
		<b>3,421</b>	<b>4,475</b>
<b>Current liabilities</b>			
Accounts payable and accruals	25	470	481
Rental deposits from tenants		296	306
Amounts due to non-controlling interests	26	327	327
Borrowings	27	250	1,589
Other financial liabilities	22	–	2
Taxation payable		120	104
		<b>1,463</b>	<b>2,809</b>
<b>Net current assets</b>			
		<b>1,958</b>	<b>1,666</b>
<b>Total assets less current liabilities</b>			
		<b>77,325</b>	<b>76,214</b>
<b>Non-current liabilities</b>			
Borrowings	27	4,609	4,858
Other financial liabilities	22	71	30
Rental deposits from tenants		594	569
Deferred taxation	28	683	628
		<b>5,957</b>	<b>6,085</b>
<b>Net assets</b>			
		<b>71,368</b>	<b>70,129</b>
<b>Capital and reserves</b>			
Share capital	29	7,642	7,640
Reserves		60,530	59,400
<b>Equity attributable to owners of the Company</b>			
		<b>68,172</b>	<b>67,040</b>
<b>Non-controlling interests</b>			
		<b>3,196</b>	<b>3,089</b>
<b>Total equity</b>			
		<b>71,368</b>	<b>70,129</b>

The consolidated financial statements on pages 137 to 199 were approved and authorised for issue by the Board of Directors on 8 March 2016 and are signed on its behalf by:

Irene Y.L. LEE  
Director

S. C. LAU  
Director

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# Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to owners of the Company			
	Share capital HK\$ million	Share premium HK\$ million	Share options reserve HK\$ million	Capital redemption reserve HK\$ million
At 1 January 2014	5,318	2,038	20	276
Profit for the year	–	–	–	–
Net gains arising from hedging instruments	–	–	–	–
Reclassification adjustments for net gains included in profit or loss	–	–	–	–
Amortisation of forward element excluded from hedge designation	–	–	–	–
Gain on revaluation of properties held for own use	–	–	–	–
Deferred taxation arising on revaluation of properties held for own use (note 28)	–	–	–	–
Share of translation reserve of an associate	–	–	–	–
Total comprehensive income (expenses) for the year	–	–	–	–
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance (note 29(a))	2,314	(2,038)	–	(276)
Issue of shares under share option schemes on or after 3 March 2014	8	–	(2)	–
Recognition of equity-settled share-based payments	–	–	10	–
Forfeiture of share options	–	–	(1)	–
Dividends paid during the year (note 14)	–	–	–	–
At 31 December 2014	7,640	–	27	–
Profit for the year	–	–	–	–
Net losses arising from hedging instruments	–	–	–	–
Reclassification adjustments for net losses included in profit or loss	–	–	–	–
Amortisation of forward element excluded from hedge designation	–	–	–	–
Fair value change of equity investments	–	–	–	–
Gain on revaluation of properties held for own use	–	–	–	–
Deferred taxation arising on revaluation of properties held for own use (note 28)	–	–	–	–
Share of translation reserve of an associate	–	–	–	–
Total comprehensive income (expenses) for the year	–	–	–	–
Issue of shares under share option schemes	2	–	(1)	–
Recognition of equity-settled share-based payments	–	–	8	–
Forfeiture of share options	–	–	(4)	–
Cancellation upon repurchase of own shares	–	–	–	–
Transfer to retained profits upon derecognition of equity investments	–	–	–	–
Dividends paid during the year (note 14)	–	–	–	–
At 31 December 2015	7,642	–	30	–

Attributable to owners of the Company

General reserve HK\$ million	Investments revaluation reserve HK\$ million	Hedging reserve HK\$ million	Properties revaluation reserve HK\$ million	Translation reserve HK\$ million	Retained profits HK\$ million	Total HK\$ million	Non- controlling interests HK\$ million	Total HK\$ million
100	(3)	(77)	328	530	54,796	63,326	2,855	66,181
-	-	-	-	-	4,902	4,902	348	5,250
-	-	95	-	-	-	95	-	95
-	-	(51)	-	-	-	(51)	-	(51)
-	-	7	-	-	-	7	-	7
-	-	-	19	-	-	19	-	19
-	-	-	(3)	-	-	(3)	-	(3)
-	-	-	-	(16)	-	(16)	-	(16)
-	-	51	16	(16)	4,902	4,953	348	5,301
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	6	-	6
-	-	-	-	-	-	10	-	10
-	-	-	-	-	1	-	-	-
-	-	-	-	-	(1,255)	(1,255)	(114)	(1,369)
100	(3)	(26)	344	514	58,444	67,040	3,089	70,129
-	-	-	-	-	2,903	2,903	232	3,135
-	-	(39)	-	-	-	(39)	-	(39)
-	-	(3)	-	-	-	(3)	-	(3)
-	-	2	-	-	-	2	-	2
-	36	-	-	-	-	36	-	36
-	-	-	10	-	-	10	-	10
-	-	-	(1)	-	-	(1)	-	(1)
-	-	-	-	(240)	-	(240)	-	(240)
-	36	(40)	9	(240)	2,903	2,668	232	2,900
-	-	-	-	-	-	1	-	1
-	-	-	-	-	-	8	-	8
-	-	-	-	-	4	-	-	-
-	-	-	-	-	(215)	(215)	-	(215)
-	(32)	-	-	-	32	-	-	-
-	-	-	-	-	(1,330)	(1,330)	(125)	(1,455)
100	1	(66)	353	274	59,838	68,172	3,196	71,368

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# Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 HK\$ million	2014 HK\$ million
<b>Operating activities</b>			
Profit before taxation		3,573	5,636
Adjustments for:			
Other gains and losses		–	2
Finance costs		204	228
Change in fair value of investment properties		(695)	(2,940)
Share of results of associates		(246)	(252)
Net interest income		(54)	(68)
Depreciation of property, plant and equipment		21	17
Share-based payment expenses		8	10
Operating cash flows before movements in working capital		2,811	2,633
Decrease in accounts and other receivables		69	32
Increase (decrease) in accounts payable and accruals		13	(28)
Increase in rental deposits from tenants		15	75
Cash generated from operations		2,908	2,712
Hong Kong profits tax paid		(382)	(323)
Hong Kong profits tax refund		14	6
<b>Net cash from operating activities</b>		<b>2,540</b>	<b>2,395</b>
<b>Investing activities</b>			
Interest received		86	71
Dividends received from an associate		477	263
Proceeds upon maturity of principal-protected investments		80	140
Proceeds upon maturity of term notes		491	574
Proceeds upon maturity of time deposits with original maturity over three months		5,358	5,483
Payments in respect of investment properties		(408)	(335)
Purchases of property, plant and equipment		(6)	(24)
Purchase of principal-protected investment		–	(64)
Purchases of term notes		(642)	(601)
Acquisition of an investment property through a subsidiary	31	–	(232)
Additions to time deposits with original maturity over three months		(4,514)	(5,045)
<b>Net cash from investing activities</b>		<b>922</b>	<b>230</b>
<b>Financing activities</b>			
Interest paid		(198)	(193)
Payment of other finance costs		(3)	(12)
Medium Term Note Programme expenses		(2)	(2)
Dividends paid		(1,330)	(1,255)
Dividends paid to non-controlling interests of a subsidiary		(125)	(114)
Repayment of bank loans		(850)	(900)
Repayment of floating rate notes		–	(200)
Repayment of fixed rate notes		(400)	–
Redemption of zero coupon notes		(332)	–
Consideration paid for repurchase of shares		(215)	–
Proceeds on exercise of share options		1	6
<b>Net cash used in financing activities</b>		<b>(3,454)</b>	<b>(2,670)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>8</b>	<b>(45)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>576</b>	<b>621</b>
<b>Cash and cash equivalents at 31 December</b>	24	<b>584</b>	<b>576</b>

# Significant Accounting Policies

For the year ended 31 December 2015

These consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below.

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance (“CO”).

The provisions of the new CO (Cap.622) regarding preparation of accounts and directors’ reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements. The principal accounting policies adopted are as follows:

## 1. BASIS OF CONSOLIDATION

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

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

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

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group’s equity therein.

Total comprehensive income and expenses of a subsidiary are attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

## 2. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are included in the Company’s statement of financial position at cost (including deemed capital contribution) less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable during the year.

## Significant Accounting Policies continued

For the year ended 31 December 2015

### 3. INVESTMENTS IN ASSOCIATES

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results, assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transaction and events in similar circumstances. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with its associates, profits or losses resulting from the transactions with the associates are recognised in the Group's consolidated financial statements only to the extent of the interests in the associates that are not related to the Group.

### 4. INVESTMENT PROPERTIES

Investment properties are properties held to earn rental and/or for capital appreciation including properties under redevelopment for such proposes.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise. If an investment property becomes an item of property, plant and equipment because its use has changed as evidenced by commencement of owner-occupation, the property's deemed cost for subsequent accounting is its fair value at the date of change in use.

Construction costs incurred for investment properties under redevelopment are capitalised as part of the carrying amount of the investment properties under redevelopment. Investment properties under redevelopment are measured at fair value at the end of the reporting period. Any difference between the fair value of the investment properties under redevelopment and their carrying amount is recognised in profit or loss in the period in which they arise.

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

### 5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses.

Any revaluation increase arising on revaluation of land and buildings is recognised in other comprehensive income and accumulated in the properties revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the properties revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the corresponding revaluation surplus is transferred to retained profits.

## 5. PROPERTY, PLANT AND EQUIPMENT continued

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

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

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

## 6. IMPAIRMENT OF NON-FINANCIAL ASSETS

At the end of the reporting period, the Group reviews the carrying amounts of their assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss, unless the relevant asset is carried at revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## 7. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

### Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

#### (a) Classification of financial assets

Debt instruments and hybrid contracts that meet the following conditions are subsequently measured at amortised cost less impairment loss (except for debt investments that are designated as at FVTPL on initial recognition):

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

## 7. FINANCIAL INSTRUMENTS continued

### Financial assets continued

#### (a) Classification of financial assets continued

##### (i) Amortised cost and effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments measured subsequently at amortised cost. Interest income is recognised in profit or loss and is included in the investment income as disclosed in note 6 of the Notes to the Financial Statements section.

##### (ii) Financial assets at FVTPL

Financial assets at FVTPL comprise derivatives that are not designated and effective as hedging instruments, principal-protected investments and club debentures.

Investments in equity instruments are classified as FVTPL, unless the Group designates such investment that is not held for trading as at fair value through other comprehensive income ("FVTOCI") on initial recognition (see (a)(iii) below).

Debt instruments that do not meet the amortised cost criteria (see (a) above) are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria but are designated as at FVTPL are measured at FVTPL. A debt instrument may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Debt instruments are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVTPL on initial recognition is not allowed.

Financial assets at FVTPL are measured at fair value at the end of the reporting period, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss is included in other gains and losses as disclosed in note 7 of the Notes to the Financial Statements section. Fair value is determined in the manner described in note 4 of the Financial Risk Management section.

The Group has not designated any debt instrument as at FVTPL or reclassified any debt instruments to or from FVTPL since the application of the 2010 version of the Hong Kong Financial Reporting Standard ("HKFRS") 9.

Interest income on debt instruments at FVTPL is included in the other gains or losses described above.

##### (iii) Financial assets at FVTOCI

On date of initial application of HKFRS 9, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading. A financial asset is held for trading if it has been acquired principally for the purpose of selling it in the near term or it is a derivative that is not designated and effective as a hedging instrument.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve.

The Group has designated all investments in equity instruments (listed or unlisted) that are not held for trading as at FVTOCI since the application of HKFRS 9.

## 7. FINANCIAL INSTRUMENTS continued

### Financial assets continued

#### (b) Impairment of financial assets

Financial assets subsequently measured at amortised cost are assessed for indicators of impairment at the end of the reporting period. These financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after their initial recognition, the estimated future cash flows have been affected.

Objective evidence of impairment could include:

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

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

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

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

#### (c) Derecognition of financial assets

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

On derecognition of a financial asset, except for a financial asset that is classified as FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a financial asset that is classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

## 7. FINANCIAL INSTRUMENTS continued

### Financial liabilities and equity instruments

#### (a) Classification and measurement

Financial liabilities and equity instruments issued by a group entity are classified as financial liabilities or equity instruments according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into (i) financial liabilities at FVTPL and (ii) other financial liabilities subsequently measured at amortised cost. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

#### (i) Effective interest method

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

Interest expense is recognised on an effective interest basis for financial liabilities, other than those financial liabilities at FVTPL, of which the interest expense is included in other gains or losses as disclosed in note 7 of the Notes to the Financial Statements section.

#### (ii) Financial liabilities at FVTPL

Financial liabilities at FVTPL, representing those as held for trading, comprise derivatives that are not designated and effective as hedging instruments.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise.

#### (iii) Other financial liabilities subsequently measured at amortised cost

Other financial liabilities (including accounts payable and accruals, amounts due to non-controlling interests and borrowings) are subsequently measured at amortised cost, using the effective interest method. Interest expense that is not capitalised as part of costs of an asset is included in finance costs as disclosed in note 8 of the Notes to the Financial Statements section.

#### (iv) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Consideration paid to repurchase the Company's own equity instruments is deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

#### (b) Derecognition of financial liabilities

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

#### Derivative financial instruments and hedging

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in note 22 of the Notes to the Financial Statements section.

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

## 7. FINANCIAL INSTRUMENTS continued

### Embedded derivatives

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 (e.g. financial liabilities) are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL. Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contracts are classified and subsequently measured as either amortised cost or FVTPL as appropriate.

### Hedge accounting

The Group designates certain derivatives as hedging instruments as either fair value hedges or cash flow hedges.

At the inception of the hedging relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meets all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Note 22 of the Notes to the Financial Statements sets out details of the fair values of the derivative instruments used for hedging purposes.

#### (a) Fair value hedges

Changes in the fair values of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair values of the hedged items that are attributable to the hedged risk. The adjustment to the carrying amount of the hedged item for which the effective interest method is used is amortised to profit or loss when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

#### (b) Cash flow hedges

The effective portion of changes in the fair values of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in other gains or losses as disclosed in note 7 of the Notes to the Financial Statements section.

Amounts previously recognised in other comprehensive income and accumulated in hedging reserve are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated income statement as the recognised hedged item.

Upon discontinuation of the hedging relationship of a cash flow hedge, any cumulative gain or loss accumulated in hedging reserve at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss.

When the Group separates the spot element of a forward contract and designates only the change in the fair value of the spot element as hedging instrument, the change in fair value of the spot element that is determined to be an effective hedge is recognised in other comprehensive income in hedging reserve and the ineffective portion is recognised in profit or loss. The amount that has been accumulated in hedging reserve is reclassified to profit or loss as a reclassification adjustment in the same period during which the relevant hedged items affect profit or loss.



## 7. FINANCIAL INSTRUMENTS continued

### Hedge accounting continued

#### (b) Cash flow hedges continued

If the forward elements of a forward contract have the character of a cost for obtaining protection against a risk over a particular period of time, the change in fair value of the forward element is recognised in other comprehensive income in hedging reserve to the extent it relates to the hedged item. The value of the aligned forward element that exists at the date of designation of the forward contract is amortised from hedging reserve to profit or loss on a rational basis over the period during which the hedge adjustment for the forward contract could affect profit or loss. At the end of reporting period, the amortisation amount is reclassified from hedging reserve to profit or loss as a reclassification adjustment.

#### (c) Discontinuation of hedges

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part of a hedging relationship) ceases to meet the qualifying criteria (after taking into account any rebalancing of the hedging relationship, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

## 8. REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable.

Rental income is recognised on a straight-line basis over the term of the relevant lease. Turnover rent is recognised when earned.

Management fee income and security service income are recognised when services are rendered.

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

## 9. LEASES

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

### The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

## 10. FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in translation reserve and will be reclassified from translation reserve to profit or loss on disposal of the foreign operation.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in translation reserve.

## 11. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

## 12. RETIREMENT BENEFIT COSTS

Payments to the Enhanced Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

## 13. TAXATION

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

### (a) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

### (b) Deferred tax

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

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

## Significant Accounting Policies continued

For the year ended 31 December 2015

### 13. TAXATION continued

#### (b) Deferred tax continued

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For the purposes of measuring deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property", such properties' value are presumed to be recovered through sale. Such a presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured in accordance with the above general principles set out in HKAS 12 "Income Taxes" (i.e. based on the expected manner as to how the properties will be recovered).

Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

### 14. EQUITY-SETTLED SHARE-BASED PAYMENTS TRANSACTIONS

#### Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in share options reserve.

At the end of the reporting period, the Group revises their estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share capital (to share premium prior to new CO became effective on 3 March 2014). When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

### 15. FAIR VALUE MEASUREMENT

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

# Notes to the Financial Statements

For the year ended 31 December 2015

## 1. GENERAL

The Company is a public listed company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the “Shareholder Information” section of the annual report.

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are property investment, management and development.

These financial statements are presented in Hong Kong dollars (“HKD”), which is the same as the functional currency of the Company.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied all of the Amendments to Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are relevant to its operations and effective for the Group’s financial year beginning on 1 January 2015. The adoption of these Amendments to Standards had no material effect on the results and financial position of the Group for the current and/or prior accounting years.

The Group has not early applied the following new Standards and Amendments to Standards that have been issued but are not yet effective.

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2018, except for the 2010 version of HKFRS 9 and the new requirements for hedge accounting issued in 2013, which the Group early adopted.

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

### Amendments to HKAS 1 Disclosure Initiative

The amendments to Hong Kong Accounting Standard (“HKAS”) 1 “Presentation of Financial Statements” give some guidance on how to apply the concept of materiality in practice.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to HKAS 1 will have a material impact on the amounts recognised or the presentation and disclosure in the Group’s consolidated financial statements.

Other than as described above, the Directors of the Company anticipate that the application of these new Standards and Amendments to Standards will have no material impact on the results and financial position of the Group.

### 3. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in the "Significant Accounting Policies" section, the management of the Company is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

#### **Fair value of investment properties**

At the end of the reporting period, the Group's investment properties are stated at fair value of HK\$69,810 million (2014: HK\$68,735 million) based on the valuation performed by an independent qualified professional valuer. In determining the fair value, the valuer has applied a market value basis which involves, inter-alia, certain estimates, including appropriate capitalisation rates and reversionary income potential and redevelopment potential taking into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In relying on the valuation, management has exercised their judgment and is satisfied that the method of valuation is reflective of the current market conditions.

#### **Fair value of financial instruments**

Financial instruments, such as principal-protected investments, interest rate swaps, cross currency swaps and foreign exchange derivatives, are carried in the Group's consolidated statement of financial position at fair value, as disclosed in note 22 of the Notes to the Financial Statements section. The management of the Company uses its judgment in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates. Most of the financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. Details of the assumptions used and of the results of sensitivity analyses regarding these assumptions are provided in the "Financial Risk Management" section.

### 4. TURNOVER

Turnover represents gross rental income from investment properties and management fee income for the year.

The Group's principal activities are property investment, management and development, and its turnover and results are principally derived from investment properties located in Hong Kong.

### 5. SEGMENT INFORMATION

Based on the internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. Chief Executive Officer of the Group) in order to allocate resources to segments and to assess their performance, the Group's operating and reportable segments are as follows:

Retail segment – leasing of space and related facilities to a variety of retail and leisure operators

Office segment – leasing of high quality office space and related facilities

Residential segment – leasing of luxury residential properties and related facilities

## 5. SEGMENT INFORMATION continued

### Segment turnover and results

The following is an analysis of the Group's turnover and results by operating and reportable segment.

	Retail HK\$ million	Office HK\$ million	Residential HK\$ million	Consolidated HK\$ million
<b>For the year ended 31 December 2015</b>				
<b>Turnover</b>				
Gross rental income from investment properties	1,767	1,096	254	3,117
Management fee income	135	147	31	313
<b>Segment revenue</b>	<b>1,902</b>	<b>1,243</b>	<b>285</b>	<b>3,430</b>
Property expenses	(239)	(124)	(51)	(414)
<b>Segment profit</b>	<b>1,663</b>	<b>1,119</b>	<b>234</b>	<b>3,016</b>
Investment income				54
Administrative expenses				(234)
Finance costs				(204)
Change in fair value of investment properties				695
Share of results of associates				246
Profit before taxation				3,573
<b>For the year ended 31 December 2014</b>				
<b>Turnover</b>				
Gross rental income from investment properties	1,674	1,002	257	2,933
Management fee income	127	134	30	291
<b>Segment revenue</b>	<b>1,801</b>	<b>1,136</b>	<b>287</b>	<b>3,224</b>
Property expenses	(226)	(118)	(60)	(404)
<b>Segment profit</b>	<b>1,575</b>	<b>1,018</b>	<b>227</b>	<b>2,820</b>
Investment income				68
Other gains and losses				(2)
Administrative expenses				(214)
Finance costs				(228)
Change in fair value of investment properties				2,940
Share of results of associates				252
Profit before taxation				5,636

All of the segment turnover reported above is from external customers.

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in the "Significant Accounting Policies" section. Segment profit represents the profit earned by each segment without allocation of investment income, other gains and losses, administrative expenses (including central administrative costs and directors' salaries), finance costs, change in fair value of investment properties and share of results of associates. This is the measure reported to the Chief Executive Officer of the Group for the purpose of resource allocation and performance assessment.

**5. SEGMENT INFORMATION** continued**Segment assets**

The following is an analysis of the Group's assets by operating and reportable segment.

	Retail HK\$ million	Office HK\$ million	Residential HK\$ million	Consolidated HK\$ million
<b>As at 31 December 2015</b>				
<b>Segment assets</b>	<b>34,340</b>	<b>23,111</b>	<b>7,730</b>	<b>65,181</b>
Investment properties under redevelopment				4,637
Investments in associates				3,683
Other assets				5,287
Consolidated assets				<b>78,788</b>
<b>As at 31 December 2014</b>				
<b>Segment assets</b>	<b>34,315</b>	<b>22,685</b>	<b>7,718</b>	<b>64,718</b>
Investment properties under redevelopment				4,020
Investments in associates				4,154
Other assets				6,131
Consolidated assets				<b>79,023</b>

Segment assets represented the investment properties and accounts receivable of each segment without allocation of investment properties under redevelopment, property, plant and equipment, investments in associates, principal-protected investments, term notes, other financial assets, other receivables, time deposits, cash and bank balances. This is the measure reported to the Chief Executive Officer of the Group for the purpose of monitoring segment performances and allocating resources between segments. The investment properties are included in segment assets at their fair values whilst the change in fair value of investment properties is not included in segment profit. No segment liabilities analysis is presented as the Group's management monitors and manages all the liabilities on a group basis.

Other than the investments in associates, which operated in the People's Republic of China (the "PRC") with carrying amounts of HK\$3,683 million (2014: HK\$4,154 million), all the Group's assets are located in Hong Kong.

**Other segment information**

	Retail HK\$ million	Office HK\$ million	Residential HK\$ million	Consolidated HK\$ million
<b>For the year ended 31 December 2015</b>				
Additions to non-current assets	<b>99</b>	<b>57</b>	<b>11</b>	<b>167</b>
Additions to investment properties under redevelopment				213
				<b>380</b>
<b>For the year ended 31 December 2014</b>				
Additions to non-current assets	315	68	4	387
Additions to investment properties under redevelopment				166
				<b>553</b>

## 6. INVESTMENT INCOME

The following is an analysis of investment income:

	2015 HK\$ million	2014 HK\$ million
Financial assets measured at amortised cost	47	61
Reclassification of net gains from hedging reserve on financial instruments designated as cash flow hedges	9	14
Amortisation of forward element excluded from hedge designation	(2)	(7)
	<b>54</b>	<b>68</b>

Fair value gains and losses and interest income on financial assets classified as at fair value through profit or loss ("FVTPL") are disclosed in note 7 of the Notes to the Financial Statements section.

## 7. OTHER GAINS AND LOSSES

	2015 HK\$ million	2014 HK\$ million
Other gains and losses comprise:		
Change in fair value of financial assets or financial liabilities classified as at FVTPL	–	(2)
Losses on hedging instruments under fair value hedge	(8)	(22)
Gains on adjustment for hedged items under fair value hedge	8	22
	<b>–</b>	<b>(2)</b>

## 8. FINANCE COSTS

	2015 HK\$ million	2014 HK\$ million
Finance costs comprise:		
Interest on bank loans	9	20
Interest on floating rate notes	–	2
Interest on fixed rate notes	188	195
Imputed interest on zero coupon notes	1	17
Total interest expenses	<b>198</b>	<b>234</b>
Other finance costs	8	8
	<b>206</b>	<b>242</b>
Net interest receipts on interest rate swaps	(8)	(25)
Net exchange (gains) losses on borrowings	(2)	46
Reclassification of net losses (gains) from hedging reserve on financial instruments designated as cash flow hedges	6	(37)
Medium Term Note Programme expenses	2	2
	<b>204</b>	<b>228</b>



## Notes to the Financial Statements continued

For the year ended 31 December 2015

### 9. TAXATION

	2015 HK\$ million	2014 HK\$ million
Current tax		
Hong Kong profits tax		
– current year	382	323
– underprovision (overprovision) in prior years	2	(3)
	<b>384</b>	<b>320</b>
Deferred tax ( <i>note 28</i> )	54	66
	<b>438</b>	<b>386</b>

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

The taxation for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2015 HK\$ million	2014 HK\$ million
Profit before taxation	3,573	5,636
Tax at Hong Kong profits tax rate of 16.5%	590	930
Tax effect of share of results of associates	(41)	(42)
Tax effect of expenses not deductible for tax purposes	100	31
Tax effect of income not taxable for tax purposes	(217)	(551)
Tax effect of estimated tax losses not recognised	10	21
Reversal of previously recognised taxable temporary differences	(3)	–
Utilisation of estimated tax losses previously not recognised	(3)	–
Underprovision (overprovision) in prior years	2	(3)
Taxation for the year	<b>438</b>	<b>386</b>

In addition to the amount charged to the consolidated income statement, deferred tax relating to the revaluation of the Group's properties held for own use has been charged directly to properties valuation reserve (see note 28).

### 10. PROFIT FOR THE YEAR

	2015 HK\$ million	2014 HK\$ million
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	3	3
Depreciation of property, plant and equipment	21	17
Gross rental income from investment properties including contingent rentals of HK\$71 million (2014: HK\$93 million)	(3,117)	(2,933)
Less:		
– Direct operating expenses arising from properties that generated rental income	403	399
– Direct operating expenses arising from properties that did not generate rental income	11	5
	<b>(2,703)</b>	<b>(2,529)</b>
Staff costs, comprising:		
– Directors' emoluments ( <i>note 12</i> )	38	35
– Share-based payments	3	4
– Other staff costs	239	224
	<b>280</b>	<b>263</b>
Share of income tax of an associate (included in share of results of associates)	<b>104</b>	<b>106</b>

## 11. OTHER COMPREHENSIVE INCOME

	2015 HK\$ million	2014 HK\$ million
Other comprehensive (expense) income comprises:		
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
Fair value change of equity investments	36	–
Revaluation of properties held for own use:		
Gains on revaluation of properties held for own use	10	19
Deferred taxation arising on revaluation	(1)	(3)
	9	16
	45	16
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Derivatives designated as cash flow hedges:		
Net (losses) gains arising during the year	(39)	95
Reclassification adjustments for net gains included in profit or loss	(3)	(51)
	(42)	44
Amortisation of forward element excluded from hedge designation	2	7
	(40)	51
Share of translation reserve of an associate	(240)	(16)
	(280)	35
Other comprehensive (expense) income for the year (net of tax)	(235)	51

Tax effect relating to other comprehensive income:

	Before-tax amount HK\$ million	2015 Tax expense HK\$ million	Net-of-tax amount HK\$ million	Before-tax amount HK\$ million	2014 Tax expense HK\$ million	Net-of-tax amount HK\$ million
Fair value change of equity investments	36	–	36	–	–	–
Gains on revaluation of properties held for own use	10	(1)	9	19	(3)	16
Net adjustments to hedging reserve	(40)	–	(40)	51	–	51
Share of translation reserve of an associate	(240)	–	(240)	(16)	–	(16)
	(234)	(1)	(235)	54	(3)	51

## 12. DIRECTORS' EMOLUMENTS

	2015 HK\$ million	2014 HK\$ million
Directors' fees	2	2
Other emoluments		
Basic salaries, housing and other allowances	13	13
Bonus (Notes d & f)	18	13
Share-based payments	5	6
Retirement benefits scheme contributions	–	1
	38	35

## Notes to the Financial Statements continued

For the year ended 31 December 2015

### 12. DIRECTORS' EMOLUMENTS continued

The emoluments paid or payable to each of the Directors of the Company for the two years ended 31 December 2015 and 2014, calculated with reference to their employment as Directors of the Company or for provision of other services to the Company and the Group, are set out below:

	Directors' fees HK\$'000 (Note e)	Basic salaries, housing and other allowances HK\$'000 (Note d)	Bonus HK\$'000 (Note d)	Share-based payments HK\$'000 (Note g)	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
<b>For the year ended 31 December 2015</b>						
<b>Executive Directors (Note a)</b>						
Irene Yun Lien LEE	–	4,931	6,246	2,471	18	13,666
Siu Chuen LAU	–	5,340	6,500	2,372	18	14,230
Wendy Wen Yee YUNG (Note h)	–	2,451	1,392	(342)	229	3,730
<b>Non-Executive Directors (Note b)</b>						
Hans Michael JEBSEN	200	–	–	–	–	200
Anthony Hsien Pin LEE	260	–	–	–	–	260
Chien LEE	240	–	–	–	–	240
Michael Tze Hau LEE	240	–	–	–	–	240
<b>Independent Non-Executive Directors (Note c)</b>						
Nicholas Charles ALLEN	360	–	–	–	–	360
Frederick Peter CHURCHOUSE	260	–	–	–	–	260
Philip Yan Hok FAN	360	–	–	–	–	360
Lawrence Juen-Yee LAU	200	–	–	–	–	200
Joseph Chung Yin POON	260	–	–	–	–	260
	2,380	12,722	14,138	4,501	265	34,006

	Directors' fees HK\$'000 (Note e)	Basic salaries, housing and other allowances HK\$'000 (Note f)	Bonus HK\$'000 (Note f)	Share-based payments HK\$'000 (Note g)	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
<b>For the year ended 31 December 2014</b>						
<b>Executive Directors (Note a)</b>						
Irene Yun Lien LEE	–	4,931	6,082	2,819	17	13,849
Siu Chuen LAU	–	5,340	5,176	2,618	17	13,151
Wendy Wen Yee YUNG	–	3,042	1,474	992	281	5,789
<b>Non-Executive Directors (Note b)</b>						
Hans Michael JEBSEN	200	–	–	–	–	200
Anthony Hsien Pin LEE	260	–	–	–	–	260
Chien LEE	240	–	–	–	–	240
Michael Tze Hau LEE	240	–	–	–	–	240
<b>Independent Non-Executive Directors (Note c)</b>						
Nicholas Charles ALLEN	352	–	–	–	–	352
Frederick Peter CHURCHOUSE (Note i)	206	–	–	–	–	206
Philip Yan Hok FAN	356	–	–	–	–	356
Lawrence Juen-Yee LAU (Note j)	11	–	–	–	–	11
Joseph Chung Yin POON	260	–	–	–	–	260
	2,125	13,313	12,732	6,429	315	34,914

## 12. DIRECTORS' EMOLUMENTS *continued*

Notes:

- The Executive Directors' emoluments shown above were mainly for the services in connection with the management of the affairs of the Company and the Group.
- The Non-Executive Directors' emoluments shown above were mainly for the services as directors of the Company.
- The Independent Non-Executive Directors' emoluments shown above were mainly for the services as directors of the Company.
- Year 2015:

The Remuneration Committee met in March 2015 to approve the 2015 annual fixed base salary and determine the 2014 performance-based bonus of the Company's Executive Directors. Annual fixed base salary of all Executive Directors remained the same for 2015.

The stated bonus figures of HK\$14,138,000 reflected the 2014 performance-based bonus approved by the Committee and paid to Executive Directors in March 2015. For the year ended 31 December 2015, the bonus figures of HK\$18,353,000 represented the 2015 target bonus figures of HK\$12,700,000 pending finalised by the Committee after year-end in March 2016, and included adjustments for 2014 bonus accrued in 2014 (following finalisation of bonus by the Committee in March 2015).

- Directors' fees scales for Board and Board Committees were approved by shareholders at the AGM held on 9 May 2011. Revision to fees of chairmen of Audit Committee and Remuneration Committee (effective 1 June 2014) were approved by shareholders at the AGM held on 13 May 2014. Details are set out in Directors' Remuneration and Interests Report.

Director's fees are calculated on annual basis and paid semi-annually. For Directors not having served the full year on a position, the fees will be calculated and paid on pro rata basis.

Breakdown of Directors' fees of each of the Directors of the Company for the year ended 31 December 2015 is set out below:

	Board HK\$'000	Audit Committee HK\$'000	Remuneration Committee HK\$'000	Strategy Committee HK\$'000	Nomination Committee HK\$'000	2015 Total HK\$'000	2014 Total HK\$'000
<b>Executive Directors</b>							
Irene Yun Lien LEE	-	-	-	-	-	-	-
Siu Chuen LAU	-	-	-	-	-	-	-
Wendy Wen Yee YUNG	-	-	-	-	-	-	-
<b>Non-Executive Directors</b>							
Hans Michael JEBSEN	200	-	-	-	-	200	200
Anthony Hsien Pin LEE	200	60	-	-	-	260	260
Chien LEE	200	-	-	20	20	240	240
Michael Tze Hau LEE	200	-	40	-	-	240	240
<b>Independent Non-Executive Directors</b>							
Nicholas Charles ALLEN	200	120	-	20	20	360	352
Frederick Peter CHURCHOUSE	200	60	-	-	-	260	206
Philip Yan Hok FAN	200	60	60	20	20	360	356
Lawrence Juen-Yee LAU	200	-	-	-	-	200	11
Joseph Chung Yin POON	200	-	40	-	20	260	260
	1,800	300	140	60	80	2,380	2,125

- Year 2014:

The Remuneration Committee met in March 2014 to approve the 2014 annual fixed base salary and determine the 2013 performance-based bonus of the Company's Executive Directors. The annual cash compensation of Siu Chuen LAU, Deputy Chairman and Chief Executive Officer, was revised to HK\$8,900,667, based on market benchmark, and the jobholder's experience, qualification, and performance. His annual base salary remained unchanged at HK\$5,340,400 (making up 60% of the total package instead of 65% as in 2013). Annual fixed base salary of all Executive Directors remained the same for 2014.

The stated bonus figures of HK\$12,732,000 reflected the 2013 performance-based bonus approved by the Committee and paid to Executive Directors in March 2014. For the year ended 31 December 2014, the bonus figures of HK\$13,417,000 reflected 2014 target bonus figures of HK\$8,485,000 pending finalised by the Committee after year-end in March 2015, and included adjustments for 2013 bonus accrued in 2013 (following finalisation of bonus by the Committee in March 2014).

- Share-based payments are the fair values of share options granted to Executive Directors, which are determined at the date of grant and expensed over the vesting period (except where options are forfeited before vesting), regardless of whether the Executive Directors exercise the share options or not during the year. Details of the share option scheme are set out in note 36 of the Notes to the Financial Statements section.
- Wendy Wen Yee YUNG resigned as Executive Director and Company Secretary effective 24 October 2015.
- Frederick Peter CHURCHOUSE was appointed a member of Audit Committee effective 25 November 2014.
- Lawrence Juen-Yee LAU was appointed Independent Non-Executive Director effective 12 December 2014.

## Notes to the Financial Statements continued

For the year ended 31 December 2015

### 12. DIRECTORS' EMOLUMENTS continued

There was no arrangement under which a director waived or agreed to waive any remuneration during both years.

There was no payment to a director as inducement for director to join the Group or compensation for the loss of office as a director in connection with the management of the affairs of any member of the Group during both years.

Details of material interests of the Directors of the Company in transactions, arrangements or contracts entered into by subsidiaries of the Company are disclosed in the Directors' Report.

### 13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2014: three) were Directors of the Company, details of whose emoluments are included in note 12 of the Notes to the Financial Statements section. The emoluments of all of the five individuals with the highest emoluments for the years ended 31 December 2015 and 2014 were as follows:

	2015 HK\$ million	2014 HK\$ million
Basic salaries, housing and other allowances	19	19
Bonus	15	15
Share-based payments ( <i>Note</i> )	6	7
	<b>40</b>	<b>41</b>

Note:

Share-based payments are the fair values of share options granted to Executive Directors and eligible employees, which are determined at the date of grant and expensed over the vesting period (except where options are forfeited before vesting), regardless of whether the Executive Directors or eligible employees exercise the share options or not during the year.

Their emoluments are within the following bands:

	Number of individuals	
	2015	2014
HK\$3,500,001 to HK\$4,000,000	2	2
HK\$4,000,001 to HK\$4,500,000	1	–
HK\$5,500,001 to HK\$6,000,000	–	1
HK\$13,000,001 to HK\$13,500,000	–	1
HK\$13,500,001 to HK\$14,000,000	1	1
HK\$14,000,001 to HK\$14,500,000	1	–
	<b>5</b>	<b>5</b>

Senior management (for the purpose of the Listing Rules) during the year are Executive Directors. Their emoluments are within the following bands.

	Number of individuals	
	2015	2014
HK\$4,000,001 to HK\$4,500,000	1	–
HK\$5,500,001 to HK\$6,000,000	–	1
HK\$13,000,001 to HK\$13,500,000	–	1
HK\$13,500,001 to HK\$14,000,000	1	1
HK\$14,000,001 to HK\$14,500,000	1	–
	<b>3</b>	<b>3</b>

## 14. DIVIDENDS

### (a) Dividends recognised as distribution during the year:

	2015 HK\$ million	2014 HK\$ million
2015 first interim dividend paid – HK25 cents per share	266	–
2014 first interim dividend paid – HK23 cents per share	–	245
2014 second interim dividend paid – HK100 cents per share	1,064	–
2013 second interim dividend paid – HK95 cents per share	–	1,010
	<b>1,330</b>	<b>1,255</b>

### (b) Dividends declared after the end of the reporting period:

	2015 HK\$ million	2014 HK\$ million
Second interim dividend (in lieu of a final dividend) – HK107 cents per share (2014: HK100 cents per share)	1,122	1,064

The second interim dividend is not recognised as a liability as at 31 December 2015 because it has been declared after the end of the reporting period. Such dividend will be accounted for as an appropriation of the retained profits in the year ending 31 December 2016.

The declared second interim dividend will be payable in cash.

## 15. EARNINGS PER SHARE

### (a) Basic and diluted earnings per share

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

	Earnings	
	2015 HK\$ million	2014 HK\$ million
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year attributable to owners of the Company	2,903	4,902
	Number of shares	
	2015	2014
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,062,690,556	1,063,758,157
Effect of dilutive potential ordinary shares: Share options issued by the Company	216,828	298,254
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>1,062,907,384</b>	<b>1,064,056,411</b>

In both years, the computation of diluted earnings per share does not assume the exercise of certain of the Company's outstanding share options as the exercise prices of those options are higher than the average market price for shares.

**15. EARNINGS PER SHARE** continued**(b) Adjusted basic earnings per share**

For the purpose of assessing the performance of the Group's principal activities (i.e. leasing of investment properties), the management is of the view that the profit for the year attributable to the owners of the Company should be adjusted in the calculation of basic earnings per share as follows:

	2015		2014	
	Profit HK\$ million	Basic earnings per share HK cents	Profit HK\$ million	Basic earnings per share HK cents
Profit for the year attributable to owners of the Company	2,903	273.17	4,902	460.82
Change in fair value of investment properties	(695)	(65.40)	(2,940)	(276.38)
Effect of non-controlling interests' shares	79	7.43	208	19.55
Share of change in fair value of investment properties (net of deferred taxation) of an associate	(4)	(0.37)	(7)	(0.65)
Underlying Profit	2,283	214.83	2,163	203.34
Recurring Underlying Profit	2,283	214.83	2,163	203.34

## Notes:

- (1) Recurring Underlying Profit is arrived at by excluding from Underlying Profit items that are non-recurring in nature (such as gains or losses on disposal of long-term assets). As there were no such adjustments in both years, the Recurring Underlying Profit is the same as the Underlying Profit.
- (2) The denominators used in calculating the adjusted earnings per share are the same as those detailed above for basic earnings per share.

**16. INVESTMENT PROPERTIES**

	2015 HK\$ million	2014 HK\$ million
<b>Fair Value</b>		
At 1 January	68,735	65,322
Additions	380	553
Transfer to property, plant and equipment	–	(80)
Change in fair value recognised in profit or loss – unrealised	695	2,940
<b>At 31 December</b>	<b>69,810</b>	<b>68,735</b>

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

## 16. INVESTMENT PROPERTIES *continued*

### Fair value measurements and valuation processes

The fair value of the Group's investment properties at 31 December 2015 and 2014 has been arrived at on the basis of a valuation carried out on those dates by Knight Frank Petty Limited, an independent qualified professional valuer not connected with the Group. The Group's investment properties have been valued individually, on market value basis, which conforms to The Hong Kong Institute of Surveyors Valuation Standards. In estimating the fair value of the investment properties, the management of the Group has considered the highest and best use of the investment properties.

The value of the completed investment properties is derived from the basis of capitalisation of net income with due allowance for the reversionary income and redevelopment potential, where appropriate.

For investment properties under redevelopment, residual method of valuation was adopted. The value is based on the redevelopment potential of the properties as if they were completed in accordance with the existing redevelopment proposal at the date of valuation. The value has also taken into consideration all costs of redevelopment and allowance of profit required for the redevelopment, which duly reflected the risks associated with the redevelopment.

There has been no change to the valuation technique during the year for completed properties and investment properties under redevelopment.

All of the fair value measurements of the Group's investment properties were categorised into Level 3 of the fair value hierarchy. Details of fair value hierarchy are set out in note 4 of the Financial Risk Management section.

There were no transfers into or out of Level 3 during the year.

At the end of the reporting period, the management of the Group works with Knight Frank Petty Limited to establish and determine the appropriate valuation techniques and inputs for Level 3 fair value measurements. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the Directors of the Company.

### Fair value measurements using significant unobservable inputs (Level 3)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements of the Group's investment properties by operating and reportable segment.

	Retail HK\$ million	Office HK\$ million	Residential HK\$ million	Investment properties under redevelopment HK\$ million	Total HK\$ million
At 1 January 2014	32,651	24,200	8,471	–	65,322
Additions	315	68	4	166	553
Transfer to property, plant and equipment	(80)	–	–	–	(80)
Transfer to investment properties under redevelopment	(417)	(2,251)	(755)	3,423	–
Change in fair value recognised in profit or loss – unrealised	1,844	667	(2)	431	2,940
At 31 December 2014	34,313	22,684	7,718	4,020	68,735
Additions	99	57	11	213	380
Change in fair value recognised in profit or loss – unrealised	(78)	369	–	404	695
<b>At 31 December 2015</b>	<b>34,334</b>	<b>23,110</b>	<b>7,729</b>	<b>4,637</b>	<b>69,810</b>



**16. INVESTMENT PROPERTIES** *continued***Information about fair value measurements using significant unobservable inputs (Level 3)**

The following table shows the valuation techniques used in the determination of fair values for investment properties by operating and reportable segment and unobservable inputs used in the valuation models.

Description	Fair value as at 31 December		Valuation techniques	Unobservable inputs	Range/ weighted average of unobservable inputs	Relationship of unobservable inputs to fair value
	2015	2014				
Retail	34,334	34,313	Income capitalisation approach	(i) Capitalisation rate	5.00 % – 5.25 % (2014: 5.00 % – 5.25 %)	The higher the capitalisation rate, the lower the fair value.
				(ii) Market rent per month	HK\$145 per square foot (2014: HK\$141 per square foot)	The higher the market rent, the higher the fair value.
Office	23,110	22,684	Income capitalisation approach	(i) Capitalisation rate	4.25 % – 5.00 % (2014: 4.25 % – 5.00 %)	The higher the capitalisation rate, the lower the fair value.
				(ii) Market rent per month	HK\$48 per square foot (2014: HK\$47 per square foot)	The higher the market rent, the higher the fair value.
Residential	7,729	7,718	Income capitalisation approach	(i) Capitalisation rate	3.75 % (2014: 3.75 %)	The higher the capitalisation rate, the lower the fair value.
				(ii) Market rent per month	HK\$35 per square foot (2014: HK\$35 per square foot)	The higher the market rent, the higher the fair value.
Investment properties under redevelopment	4,637	4,020	Residual method	(i) Capitalisation rate	4.25 % – 5.00 % (2014: 4.25 % – 5.00 %)	The higher the capitalisation rate, the lower the fair value.
				(ii) Market rent per month	HK\$80 per square foot (2014: HK\$100 per square foot)	The higher the market rent, the higher the fair value.

## 17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings in Hong Kong HK\$ million (Note)	Furniture, fixtures and equipment HK\$ million	Computers HK\$ million	Motor vehicles HK\$ million	Total HK\$ million
<b>COST OR VALUATION</b>					
At 1 January 2014	567	94	43	2	706
Additions	–	20	4	–	24
Disposals	–	(4)	–	–	(4)
Transfer from investment properties	80	–	–	–	80
Surplus on revaluation	15	–	–	–	15
At 31 December 2014	662	110	47	2	821
Additions	–	4	2	–	6
Disposals	–	(1)	–	–	(1)
Surplus on revaluation	4	–	–	–	4
<b>At 31 December 2015</b>	<b>666</b>	<b>113</b>	<b>49</b>	<b>2</b>	<b>830</b>
Comprising:					
At cost	–	113	49	2	164
At valuation 2015	666	–	–	–	666
	666	113	49	2	830
<b>ACCUMULATED DEPRECIATION</b>					
At 1 January 2014	–	69	33	–	102
Provided for the year	4	9	3	1	17
Eliminated on disposals	–	(4)	–	–	(4)
Eliminated on revaluation	(4)	–	–	–	(4)
At 31 December 2014	–	74	36	1	111
Provided for the year	6	11	4	–	21
Eliminated on disposals	–	(1)	–	–	(1)
Eliminated on revaluation	(6)	–	–	–	(6)
<b>At 31 December 2015</b>	<b>–</b>	<b>84</b>	<b>40</b>	<b>1</b>	<b>125</b>
<b>CARRYING AMOUNTS</b>					
At 31 December 2015	666	29	9	1	705
At 31 December 2014	662	36	11	1	710

**17. PROPERTY, PLANT AND EQUIPMENT** *continued*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	Over the term of the lease or 40 years
Furniture, fixtures and equipment	20 %
Computers	20 %
Motor vehicles	25 %

Note:

**Fair value measurements and valuation processes**

The fair value of the Group's leasehold land and buildings in Hong Kong at 31 December 2015 and 2014 has been arrived at on the basis of a valuation carried out on those dates by Knight Frank Petty Limited, an independent qualified professional valuer not connected with the Group. The Group's leasehold land and buildings in Hong Kong have been valued individually, on market value basis, which conforms to The Hong Kong Institute of Surveyors Valuation Standards. In estimating the fair value of the properties, the management of the Group has considered the highest and best use of the properties. The value was derived from the basis of capitalisation of net income with due allowance for the reversionary income potential. There has been no change to the valuation technique during the year.

All of the fair value measurements of the Group's leasehold land and buildings in Hong Kong were categorised into Level 3 of the fair value hierarchy. Details of fair value hierarchy are set out in note 4 of the Financial Risk Management section.

There were no transfers into or out of Level 3 during the year.

At the end of the reporting period, the management of the Group works with Knight Frank Petty Limited to establish and determine the appropriate valuation techniques and inputs for Level 3 fair value measurements. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the Directors of the Company.

**Information about fair value measurements using significant unobservable inputs (Level 3)**

The following table shows the valuation techniques used in the determination of fair values for the Group's leasehold land and buildings in Hong Kong and unobservable inputs used in the valuation models.

Description	Fair value as at 31 December		Valuation techniques	Unobservable inputs	Range/ weighted average of unobservable inputs	Relationship of unobservable inputs to fair value
	2015 HK\$ million	2014				
Leasehold land and buildings in Hong Kong	666	662	Income capitalisation approach	(i) Capitalisation rate	4.25 % – 5.25 % (2014: 4.25 % – 5.25 %)	The higher the capitalisation rate, the lower the fair value.
				(ii) Market rent per month	HK\$57 per square foot (2014: HK\$57 per square foot)	The higher the market rent, the higher the fair value.

The gains of HK\$10 million (2014: HK\$19 million) arising on revaluation have been recognised in other comprehensive income and accumulated in properties revaluation reserve.

Had the Group's land and buildings been measured on a historical cost basis, their carrying amounts would have been HK\$255 million (2014: HK\$261 million) at the end of the reporting period.

Furniture, fixtures and equipment of the Group include assets carried at cost of HK\$30 million (2014: HK\$29 million) and accumulated depreciation of HK\$25 million (2014: HK\$23 million) in respect of assets held for leasing out under operating leases. Depreciation charges in respect of those assets for the year amounted to HK\$2 million (2014: HK\$2 million).

## 18. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The table below lists the principal subsidiaries of the Company at 31 December 2015 and 2014:

Name of subsidiary	Place of incorporation/operation	Issued share capital	Proportion of ownership interests/ voting rights held by the Company		Principal activities
			directly	indirectly	
Admore Investments Limited	Hong Kong	HK\$2	100 %	–	Investment holding
HD Treasury Limited	Hong Kong	HK\$2	100 %	–	Treasury operation
Hysan (MTN) Limited	British Virgin Islands/ Hong Kong	US\$1	100 %	–	Treasury operation
Hysan China Holdings Limited	British Virgin Islands	HK\$1	100 %	–	Investment holding
Hysan Corporate Services Limited	Hong Kong	HK\$2	100 %	–	Provision of corporate services
Hysan Leasing Company Limited	Hong Kong	HK\$2	100 %	–	Leasing administration
Hysan Property Management Limited	Hong Kong	HK\$2	100 %	–	Property management
Hysan Treasury Limited	Hong Kong	HK\$2	100 %	–	Treasury operation
Kwong Hup Holding Limited	British Virgin Islands	HK\$1	100 %	–	Investment holding
Kwong Wan Realty Limited	Hong Kong	HK\$1,000	100 %	–	Property investment
Minsal Limited	Hong Kong	HK\$2	100 %	–	Property investment
Mondsee Limited	Hong Kong	HK\$2	100 %	–	Property investment
Stangard Limited	Hong Kong	HK\$300,000	100 %	–	Provision of security services
Bamboo Grove Recreational Services Limited	Hong Kong	HK\$2	–	100 %	Resident club management
Earn Extra Investments Limited	Hong Kong	HK\$1	–	100 %	Property investment
Alpha Ace Limited	Hong Kong	HK\$1	–	100 %	Property development
HD Investment Limited	British Virgin Islands	HK\$1	–	100 %	Investment holding
Lee Theatre Realty Limited	Hong Kong	HK\$10	–	100 %	Property investment
Leighton Property Company Limited	Hong Kong	HK\$2	–	100 %	Property investment
Main Rise Development Limited	Hong Kong	HK\$2	–	100 %	Investment holding
OHA Property Company Limited	Hong Kong	HK\$2	–	100 %	Property investment
Perfect Win Properties Limited	Hong Kong	HK\$2	–	100 %	Property investment
Silver Nicety Company Limited	Hong Kong	HK\$20	–	100 %	Property investment
Barrowgate Limited	Hong Kong	HK\$10,000	–	65.36 %	Property investment

The Directors are of the opinion that a complete list of all subsidiaries and their particulars will be of excessive length and therefore the above table contains only those subsidiaries which materially contribute to the net income of the Group or hold a material portion of the assets or liabilities or otherwise are operating subsidiaries of the Group. Other than fixed rate notes issued by Hysan (MTN) Limited (“Hysan MTN”) as disclosed in note 27 of the Notes to the Financial Statements section, none of the subsidiaries had issued any debt securities at the end of the reporting period.

The summarised financial information in respect of the Group’s subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

**18. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY** *continued***Barrowgate Limited**

	2015 HK\$ million	2014 HK\$ million
Current assets	258	188
Non-current assets	10,236	10,007
Current liabilities	(1,067)	(1,063)
Non-current liabilities	(199)	(215)
Equity attributable to owners of the Company	6,032	5,828
Non-controlling interests	3,196	3,089
Turnover	611	567
Profit and total comprehensive income for the year	671	1,004
Profit and total comprehensive income attributable to owner of the Company	439	656
Profit and total comprehensive income attributable to the non-controlling interests	232	348
Dividends paid to non-controlling interests	125	114
Net cash inflows from operating activities	438	419
Net cash outflows from investing activities	(13)	(28)
Cash outflows from financing activities	(360)	(330)
Net cash inflows	65	61

**19. INVESTMENTS IN ASSOCIATES**

	2015 HK\$ million	2014 HK\$ million
Cost of unlisted investments	2	2
Share of post-acquisition profits and other comprehensive income, net of dividends received	3,681	4,152
	3,683	4,154

Details of the Group's associates at 31 December 2015 and 2014 are as follows:

Name of associate	Form of business structure	Place of incorporation/ establishment and operation	Class of share held/ registered capital	Effective interest held by the Group	Principal activities
Country Link Enterprises Limited ( <i>Note</i> )	Private limited company	Hong Kong	Ordinary share of HK\$5,000,000	26.3%*	Investment holding
Shanghai Kong Hui Property Development Co., Ltd ( <i>Note</i> )	Sino-Foreign equity joint venture	The PRC	US\$165,000,000 <sup>#</sup>	24.7%*	Property development and leasing
Shanghai Grand Gateway Plaza Property Management Co., Ltd ( <i>Note</i> )	Sino-Foreign equity joint venture	The PRC	US\$140,000 <sup>#</sup>	23.7%*	Property management
Wingrove Investment Pte Ltd <sup>^</sup>	Private company limited by shares	Singapore	Ordinary share of S\$1,000,000	25.0%*	Inactive

\* Indirectly held

<sup>#</sup> Fully paid-up registered capital

<sup>^</sup> The company is under liquidation as at 31 December 2015 and 2014. This associate is not material to the Group during both years or as at the end of the reporting period.

Note:

Shanghai Kong Hui Property Development Co., Ltd and Shanghai Grand Gateway Plaza Property Management Co., Ltd are non-wholly owned subsidiaries of Country Link Enterprises Limited, together known as "Country Link".

## 19. INVESTMENTS IN ASSOCIATES *continued*

The summarised consolidated financial information in respect of the Group's material associate is set out below. The summarised consolidated financial information below represents amounts shown in the associate's consolidated financial statements prepared in accordance with HKFRSs. The associate is accounted for using the equity method in these consolidated financial statements.

### Country Link

	2015 HK\$ million	2014 HK\$ million
Current assets	2,300	3,171
Non-current assets	17,604	18,639
Current liabilities	(1,229)	(957)
Non-current liabilities	(3,794)	(4,048)
Turnover	1,627	1,595
Profit for the year	1,001	1,022
Other comprehensive income for the year	(972)	(63)
Total comprehensive income for the year	29	959
Group's share of results of associates for the year	246	252
Group's share of other comprehensive income of associates for the year	(240)	(16)

Reconciliation of the above summarised consolidated financial information to the carrying amount of the interest in the associate that is material to the Group recognised in the consolidated financial statements:

	2015 HK\$ million	2014 HK\$ million
Net assets of the associate	14,881	16,805
Non-controlling interests of the associate	(871)	(1,005)
Net assets of the associate after deducting non-controlling interests of the associate	14,010	15,800
Proportion of the Group's ownership interest in the associate	26.3%	26.3%
Group's share of net assets of the associate	3,686	4,157
Others	(3)	(3)
Carrying amount of the Group's interest in the associate	3,683	4,154

## 20. PRINCIPAL-PROTECTED INVESTMENTS

The carrying amounts of principal-protected investments based on the maturity dates of respective contracts are analysed as follows:

	2015 HK\$ million	2014 HK\$ million
Within 1 year	–	80

As at 31 December 2014, the Group entered into certain contract of structured investments with certain financial institution. The structured investments are principal-protected at the maturity dates and contain embedded derivatives. The interest rates of such investments vary in relation to the relative movements of the underlying variables, such as foreign exchange rates and interest rates. The entire combined contracts have been classified as financial assets at FVTPL.

## Notes to the Financial Statements continued

For the year ended 31 December 2015

### 20. PRINCIPAL-PROTECTED INVESTMENTS continued

The notional amount and the maturity period of the principal-protected investments are as follows:

	2015		2014	
	Notional amount HK\$ million	Fair value HK\$ million	Notional amount HK\$ million	Fair value HK\$ million
Within 1 year	–	–	80	80

### 21. TERM NOTES

	2015 HK\$ million	2014 HK\$ million
Term notes, at amortised cost, comprise:		
– Debt securities listed in Hong Kong	729	213
– Debt securities listed in overseas	313	197
– Unlisted debt securities	308	795
<b>Total</b>	<b>1,350</b>	<b>1,205</b>
Analysed for reporting purposes as:		
Current assets	415	485
Non-current assets	935	720
	<b>1,350</b>	<b>1,205</b>

As at 31 December 2015, the effective yield of the debt securities ranged from 1.36% to 3.27% (2014: 1.20% to 3.27%) per annum, payable quarterly, semi-annually or annually, and the securities will mature from February 2016 to August 2018 (2014: from January 2015 to October 2017). At the end of the reporting period, none of these assets were past due but not impaired.

### 22. OTHER FINANCIAL ASSETS/LIABILITIES

	Current		Non-current	
	2015 HK\$ million	2014 HK\$ million	2015 HK\$ million	2014 HK\$ million
<b>Other financial assets</b>				
Derivatives under hedge accounting:				
Cash flow hedges				
– Forward foreign exchange contracts	1	7	6	1
Fair value hedges				
– Interest rate swaps	–	8	–	–
	<b>1</b>	<b>15</b>	<b>6</b>	<b>1</b>
Financial assets measured at FVTPL:				
Club debentures	–	–	1	2
<b>Total</b>	<b>1</b>	<b>15</b>	<b>7</b>	<b>3</b>
<b>Other financial liabilities</b>				
Derivatives under hedge accounting:				
Cash flow hedges				
– Forward foreign exchange contracts	–	1	–	–
– Cross currency swaps	–	–	71	30
– Interest rate swaps	–	1	–	–
<b>Total</b>	<b>–</b>	<b>2</b>	<b>71</b>	<b>30</b>

## 22. OTHER FINANCIAL ASSETS/LIABILITIES *continued*

### (a) Cash flow hedges

#### (i) Foreign currency risk

During the year, the Group used forward foreign exchange contracts and cross currency swaps to manage its foreign currency exposure. The principal terms of the forward foreign exchange contracts and cross currency swaps have been negotiated to match the major terms of the respective designated hedged items and the management considers that the hedges are highly effective.

The table below is prepared based on the maturity dates of respective contracts. The major terms of these outstanding forward foreign exchange contracts and cross currency swaps at the end of the reporting period are as follows:

#### Hedging instruments

	Average exchange rate*	Foreign currency	2015			Average exchange rate*	Foreign currency	2014		
			Notional amount million	HK\$ million	Fair value HK\$ million			Notional amount million	HK\$ million	Fair value HK\$ million
<b>Forward foreign exchange contracts</b>										
<i>Sell US dollars ("USD")</i> (Note a)										
Within 1 year	7.7609	USD	48	369	1	7.7520	USD	10	77	–
More than 1 year but not exceeding 5 years	7.7657	USD	45	353	2	7.7612	USD	56	434	–
	7.7633	USD	93	722	3	7.7598	USD	66	511	–
<i>Sell Renminbi ("RMB")</i> (Note b)										
Within 1 year	1.1660	RMB	83	97	–	1.2484	RMB	610	762	6
More than 1 year but not exceeding 5 years	1.2185	RMB	55	67	4	1.2185	RMB	55	67	1
	1.1869	RMB	138	164	4	1.2459	RMB	665	829	7
<b>Cross currency swaps</b>										
<i>Hedging interest and principal of USD fixed rate notes</i> (Note c)										
More than 5 years	7.7519	USD	300	2,326	(71)	7.7519	USD	300	2,326	(30)
<b>Total</b>				<b>3,212</b>	<b>(64)</b>				<b>3,666</b>	<b>(23)</b>

\* Average exchange rate represented the average exchange rate of HKD versus respective currencies weighted by the notional amounts of the contracts or the swaps.

Notes:

- The Group used HK\$722 million (2014: HK\$511 million) forward foreign exchange contracts to hedge the foreign exchange rate risk of part of the principal amount of term notes denominated in USD at their respective maturity dates.
- The Group used HK\$164 million (2014: HK\$829 million) forward foreign exchange contracts to hedge the foreign exchange rate risk of part of the principal amount of term notes and time deposits denominated in RMB at their respective maturity dates. The forward element of forward contracts has been excluded from the cash flow hedge.
- The Group used HK\$2,326 million (2014: HK\$2,326 million) cross currency swap to convert USD interest and principal of US\$300 million (2014: US\$300 million) fixed rate notes into HKD.



**22. OTHER FINANCIAL ASSETS/LIABILITIES** *continued***(a) Cash flow hedges** *continued***(i) Foreign currency risk** *continued***Hedged items**

	Assets		Carrying amount of the hedged item		Liabilities		Cash flow hedge reserves	
	2015 HK\$ million	2014 HK\$ million	2015 HK\$ million	2014 HK\$ million	2015 HK\$ million	2014 HK\$ million	2015 HK\$ million	2014 HK\$ million
USD term notes	721	511	–	–	–	–	2	–
RMB term notes & time deposits	163	830	–	–	–	–	2	6
USD fixed rate notes	–	–	2,314	2,314	–	–	(70)	(31)

The hedging ineffectiveness for the years ended 31 December 2015 and 2014 was insignificant.

	Change in the value of the hedging instrument recognised in other comprehensive income		Amount reclassified from the cash flow hedge reserve to profit or loss		Line item affected in profit or loss because of the reclassification
	2015 HK\$ million	2014 HK\$ million	2015 HK\$ million	2014 HK\$ million	
Forward foreign exchange contracts	5	12	(9)	(14)	Investment income
Cross currency swaps	(44)	84	5	(47)	Finance costs

The forward element of forward contracts has been excluded from the cash flow hedge. During the year, the Group amortised HK\$2 million (2014: HK\$7 million) of forward premium to profit or loss against investment income.

The fair values of forward foreign exchange contracts and cross currency swaps are measured using quoted forward exchange rates and yield curves from quoted interest rates matching maturities of the contracts and swaps.

**(ii) Interest rate risk**

During the year, the Group used interest rate swaps to hedge its interest rate risk exposure. The terms of the swaps have been negotiated to match the major terms of the respective hedged underlying items so that the management considers that the interest rate swaps are highly effective hedging instruments.

The table below is prepared based on the maturity dates of respective contracts. The major terms of these outstanding interest rate swaps at the end of the reporting period are as follows:

**Hedging instruments**

	Average interest rate*	2015		Average interest rate*	2014	
		Notional amount HK\$ million	Fair value HK\$ million		Notional amount HK\$ million	Fair value HK\$ million
<b>Interest rate swaps</b>						
<b>Hedging interest of HKD bank loans (Note)</b>						
Within 1 year	–	–	–	3.65%	200	(1)

\* Average interest rate represented the average fixed interest rate paid by the Group against receipts of 3-month HIBOR or 6-month HIBOR weighted by the notional amounts of the swaps.

Note:

As at 31 December 2014, the Group used HK\$200 million interest rate swaps to manage its exposure to interest rate changes of the quarterly interest payments of HKD bank loans. The HKD bank loans were repaid and the swap matured in February 2015.

## 22. OTHER FINANCIAL ASSETS/LIABILITIES *continued*

### (a) Cash flow hedges *continued*

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

##### Hedged items

	Carrying amount of the hedged item Liabilities		Cash flow hedge reserves	
	2015 HK\$ million	2014 HK\$ million	2015 HK\$ million	2014 HK\$ million
HKD bank loans	–	200	–	(1)

The hedging ineffectiveness for the years ended 31 December 2015 and 2014 was insignificant.

	Change in the value of the hedging instruments recognised in other comprehensive income		Amount reclassified from the cash flow hedge reserve to profit or loss		Line item affected in profit or loss because of the reclassification
	2015 HK\$ million	2014 HK\$ million	2015 HK\$ million	2014 HK\$ million	
Interest rate swaps	–	(1)	1	10	Finance costs

The fair values of interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

### (b) Fair value hedges

The Group used interest rate swaps to minimise its exposure to fair value changes of its HKD fixed rate notes and zero coupon notes by swapping the notes from fixed rates to floating rates. The major terms of the interest rate swaps match the corresponding notes and the management considers that the swaps are highly effective hedging instruments.

The table below is prepared based on the maturity dates of respective contracts. The major terms of these outstanding interest rate swaps at the end of the reporting period are as follows:

#### Hedging instruments

	Average interest rate*	2015		Average interest rate*	2014	
		Notional amount HK\$ million	Fair value HK\$ million		Notional amount HK\$ million	Fair value HK\$ million
<b>Interest rate swaps (Note)</b>						
Within 1 year	–	–	–	4.34 %	624	8

\* The average interest rate represented the average fixed interest rate (weighted by the notional amounts of the interest rate swaps) received by the Group against payments of 3-month HIBOR.

Note:

As at 31 December 2014, the Group designated HK\$300 million fixed-to-floating interest rate swaps to hedge interest rate risk related to part of the coupon payments of the HK\$300 million fixed rate notes. The HK\$300 million fixed rate notes and the interest rate swap matured in August 2015.

The Group also designated a fixed-to-floating interest rate swap with notional amount of HK\$324 million as at 31 December 2014 to hedge the zero coupon notes with notional amount of HK\$430 million by converting a fixed rate of 5.19 % per annum to HIBOR plus 0.69 % per annum. As at 9 February 2015, the zero coupon notes and the respective fixed-to-floating interest rate swap were redeemed or terminated by the Group and the counterparty respectively.

**22. OTHER FINANCIAL ASSETS/LIABILITIES** continued**(b) Fair value hedges** continued**Hedged items**

	Carrying amount of the hedged item Liabilities		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item	
	2015 HK\$ million	2014 HK\$ million	2015 HK\$ million	2014 HK\$ million
HKD fixed rate notes	–	306	–	7
Zero coupon notes	–	332	–	1

The changes in fair values of the notes for the hedged risk were included in profit or loss at the same time that the changes in fair value of the swaps were included in profit or loss.

The fair values of interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

**(c) Financial assets measured at FVTPL****Club debentures**

Other financial assets of the Group represented investments in unlisted club debentures. The Group's investments in unlisted club debentures have been classified as financial assets measured at FVTPL.

**23. ACCOUNTS AND OTHER RECEIVABLES**

	2015 HK\$ million	2014 HK\$ million
Accounts receivable	8	3
Interest receivable	59	93
Prepayments in respect of investment properties	121	71
Other receivables and prepayments	240	314
<b>Total</b>	<b>428</b>	<b>481</b>
Analysed for reporting purposes as:		
Current assets	201	255
Non-current assets	227	226
	<b>428</b>	<b>481</b>

Rents from leasing of investment properties are normally received in advance. At the end of the reporting period, accounts receivable of the Group with carrying amount of HK\$8 million (2014: HK\$3 million) mainly represented rents receipts in arrears, which were aged less than 90 days.

At the end of the reporting period, none of the accounts receivable were past due but not impaired.

**24. TIME DEPOSITS/CASH AND BANK BALANCES**

	2015 HK\$ million	2014 HK\$ million
Time deposits	2,743	3,534
Cash and bank balances	61	106
Cash and deposits with banks shown in the consolidated statement of financial position	2,804	3,640
Less: Time deposits with original maturity over three months	(2,220)	(3,064)
Cash and cash equivalents shown in the consolidated statement of cash flows	<b>584</b>	<b>576</b>

Time deposits, cash and bank balances include bank deposits carrying effective interest rates ranging from 0.20% to 4.25% (2014: 0.10% to 4.65%) per annum.

## 25. ACCOUNTS PAYABLE AND ACCRUALS

	2015 HK\$ million	2014 HK\$ million
Accounts payable	222	173
Interest payable	73	83
Other payables	175	225
	<b>470</b>	<b>481</b>

At the end of the reporting period, accounts payable of the Group with carrying amount of HK\$176 million (2014: HK\$173 million) were aged less than 90 days.

## 26. AMOUNTS DUE TO NON-CONTROLLING INTERESTS

The amounts due to non-controlling interests are unsecured, interest-free and repayable on demand.

## 27. BORROWINGS

The analysis of the carrying amounts of borrowings is as follows:

	Current		Non-current	
	2015 HK\$ million	2014 HK\$ million	2015 HK\$ million	2014 HK\$ million
Unsecured bank loans	250	850	–	250
Fixed rate notes	–	407	4,609	4,608
Zero coupon notes	–	332	–	–
	<b>250</b>	<b>1,589</b>	<b>4,609</b>	<b>4,858</b>

In the current year, the average cost of finance of the Group's total borrowings calculated based on their contracted interest rates was 3.6% (2014: 3.5%). To manage the interest rate and foreign exchange risks, the Group used certain derivatives to hedge part of the borrowings, which resulted in a reduction of the Group's average cost of finance to 3.5% (2014: 3.2%). As at 31 December 2015, the floating rate debt ratio relative to gross total debt after considering the hedges was 5.1% (2014: 23.7%).

### (a) Unsecured bank loans

The unsecured bank loans of HK\$250 million (2014: HK\$1,100 million) are guaranteed as to principal and interest by the Company and are repayable, based on the scheduled repayment dates set out in the respective loan agreement, as follows:

	2015 HK\$ million	2014 HK\$ million
Within 1 year	250	850
More than 1 year, but not exceeding 2 years	–	250
	<b>250</b>	<b>1,100</b>

All the Group's unsecured bank loans are variable-rate borrowings with effective interest rates (which were also equal to contracted interest rates) at 1.03% (2014: ranging from 0.68% to 1.15%) per annum at the end of the reporting period. Interest rates of the loans are normally re-fixed at every one to three months.

As disclosed in note 22(a) of the Notes to the Financial Statements section, during the years ended 31 December 2015 and 2014, interest rate swaps were designated as cash flow hedges to hedge the foreign exchange and interest rate risks of part of the Group's unsecured bank loans.

## Notes to the Financial Statements continued

For the year ended 31 December 2015

### 27. BORROWINGS continued

#### (b) Fixed rate notes

	2015 HK\$ million	2014 HK\$ million
Fixed rate notes – principal amount	4,609	5,008
Add: Net losses attributable to hedged risks	–	7
	<b>4,609</b>	<b>5,015</b>

Details of the Group's fixed rate notes as at 31 December 2015 and 2014 are as follows:

Principal amount	Contracted interest rate per annum	Coupon payment term	Issue date	Maturity date
HK\$300 million	5.25 %	quarterly basis	August 2008	August 2015
HK\$100 million	5.10 %	annual basis	August 2008	August 2015
HK\$165 million	5.38 %	annual basis	September 2008	September 2020
HK\$400 million	3.78 %	quarterly basis	August 2010	August 2020
HK\$200 million	4.00 %	annual basis	September 2010	September 2025
HK\$200 million	3.70 %	quarterly basis	October 2010	October 2022
HK\$150 million	3.86 %	quarterly basis	May 2011	May 2018
HK\$404 million	4.10 %	annual basis	December 2011	December 2023
HK\$331 million	4.00 %	quarterly basis	January 2012	January 2022
HK\$300 million	3.90 %	quarterly basis	March 2012	March 2019
HK\$150 million	4.50 %	annual basis	March 2012	March 2027
US\$300 million	3.50 %	semi-annual basis	January 2013	January 2023

All the fixed rate notes were issued by Hysan MTN, a wholly-owned subsidiary of the Company. The notes are guaranteed as to principal and interest by the Company and bear an effective interest rate equal to their respective contracted interest rate.

As detailed in note 22 of the Notes to the Financial Statements section, during the years ended 31 December 2015 and 2014, interest rate swaps and cross currency swaps were used to hedge or manage the foreign exchange and interest rate risks of the Group's fixed rate notes.

As at 31 December 2014, the net cumulative losses of HK\$7 million represented the change in fair value attributable to the hedged interest rate risk of the HK\$300 million fixed rate notes under fair value hedge.

## 27. BORROWINGS *continued*

### (c) Zero coupon notes

	2015 HK\$ million	2014 HK\$ million
Zero coupon notes	–	331
Add: Loss attributable to hedged risk	–	1
	–	332

In February 2005, 15-year zero coupon notes of nominal amount of HK\$430 million were issued at an issue price of around 46.37% of the nominal amount by Hysan MTN. The notes are guaranteed as to nominal amount by the Company, bear an effective yield (which is equal to contracted yield) at the rate of 5.19% per annum and repayable at par in February 2020.

Hysan MTN exercised the option to redeem the zero coupon notes on 9 February 2015 at a price of about 77.4% of the nominal amount.

The Group used an interest rate swap to hedge against the interest rate risk of the zero coupon notes under fair value hedge (see note 22(b) for details). The counterparty exercised the option to terminate the interest rate swap on 9 February 2015.

As at 31 December 2014, the cumulative losses of HK\$1 million represented changes in fair value attributable to the hedged interest rate risk of the zero coupon notes under fair value hedge.

## 28. DEFERRED TAXATION

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

	Accelerated tax depreciation HK\$ million	Revaluation of properties HK\$ million	Tax losses HK\$ million	Total HK\$ million
At 1 January 2014	518	65	(24)	559
Charge to profit or loss ( <i>note 9</i> )	42	–	24	66
Charge to other comprehensive income	–	3	–	3
At 31 December 2014	560	68	–	628
Charge to profit or loss ( <i>note 9</i> )	54	–	–	54
Charge to other comprehensive income	–	1	–	1
<b>At 31 December 2015</b>	<b>614</b>	<b>69</b>	<b>–</b>	<b>683</b>

At the end of the reporting period, the Group has unused estimated tax losses of HK\$718 million (2014: HK\$674 million), of which HK\$232 million (2014: HK\$273 million) has not been agreed by the Hong Kong Inland Revenue Department, available for offset against future profits. No deferred tax asset has been recognised in respect of the estimated tax losses of HK\$718 million (2014: HK\$674 million) as the utilisation of these estimated tax losses is uncertain. These estimated tax losses may be carried forward indefinitely.

## Notes to the Financial Statements continued

For the year ended 31 December 2015

### 29. SHARE CAPITAL

	Number of shares	Share capital HK\$ million
Authorised:		
At 1 January 2014		
Ordinary shares of HK\$5 each	1,450,000,000	7,250
<b>At 31 December 2014 and 2015 (Note a)</b>	<b>–</b>	<b>–</b>
Ordinary shares, issued and fully paid:		
At 1 January 2014	1,063,633,043	5,318
Transfer from share premium and capital redemption reserve upon abolition of par value (Note a)	–	2,314
Issue of shares under share option scheme prior to 3 March 2014 (Note b)	3,999	–
Issue of shares under share option scheme on or after 3 March 2014	234,650	8
At 31 December 2014	1,063,871,692	7,640
Issue of shares under share option scheme	56,000	2
Cancellation upon repurchase of own shares (Note c)	(6,750,000)	–
<b>At 31 December 2015</b>	<b>1,057,177,692</b>	<b>7,642</b>

Notes:

**(a) Abolition of par value under the new CO**

The new CO came into effect on 3 March 2014, which abolishes the concepts of nominal (par) value, share premium and authorised share capital for all shares of Hong Kong incorporated companies. As such, in accordance with the transitional provisions set out in section 37 of Schedule 11 to the said Ordinance, the existing share premium and capital redemption reserve as of 3 March 2014 became part of the Company's share capital. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition.

**(b) Issue of shares under share option schemes prior to 3 March 2014**

Prior to 3 March 2014, options to subscribe for shares of the Company were exercised at various exercise prices and credited to share capital and share premium account in accordance with the predecessor CO (Cap.32). These shares rank pari passu in all respects with other shares in issue. Details of options outstanding and movements during the prior year are set out in note 36 of the Notes to the Financial Statements section.

**(c) Cancellation upon repurchase of own shares**

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 trading at a significant discount in order to enhance shareholder value.

During the year, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month of repurchase in 2015	Number of shares repurchased	Consideration per share		Aggregate consideration paid HK\$ million
		Highest HK\$	Lowest HK\$	
August	1,820,000	31.70	30.30	57
September	1,255,000	31.85	30.70	40
November	221,000	32.50	31.80	7
December	3,454,000	32.70	31.45	111
	<b>6,750,000</b>			<b>215</b>

The above ordinary shares were cancelled upon repurchase during the year. None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

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

	2015 HK\$ million	2014 HK\$ million
<b>Non-current assets</b>		
Property, plant and equipment	6	11
Investments in subsidiaries	1,441	1,422
Other financial assets	1	2
Amounts due from subsidiaries	3,785	3,514
	<b>5,233</b>	<b>4,949</b>
<b>Current assets</b>		
Other receivables	5	2
Amounts due from subsidiaries	9,265	9,194
Tax recoverables	–	2
Cash and bank balances	2	1
	<b>9,272</b>	<b>9,199</b>
<b>Current liabilities</b>		
Other payables and accruals	55	43
Amounts due to subsidiaries	1,397	1,051
	<b>1,452</b>	<b>1,094</b>
<b>Net current assets</b>	<b>7,820</b>	<b>8,105</b>
<b>Total assets less current liabilities</b>	<b>13,053</b>	<b>13,054</b>
<b>Non-current liability</b>		
Deferred taxation	–	1
<b>Net assets</b>	<b>13,053</b>	<b>13,053</b>
<b>Capital and reserves</b>		
Share capital (note 29)	7,642	7,640
Reserves	5,411	5,413
<b>Total equity</b>	<b>13,053</b>	<b>13,053</b>

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 8 March 2016 and are signed on its behalf by:

**Irene Y.L. LEE**  
Director

**S. C. LAU**  
Director



**30. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY** *continued***Movement in the Company's reserve**

	Share premium HK\$ million	Share options reserve HK\$ million	Capital redemption reserve HK\$ million	General reserve HK\$ million (Note a)	Retained profits HK\$ million	Total HK\$ million
At 1 January 2014	2,038	20	276	100	5,365	7,799
Transfer upon abolition of par value under the new CO (Note b)	(2,038)	–	(276)	–	–	(2,314)
Issue of shares under share option schemes on or after 3 March 2014	–	(2)	–	–	–	(2)
Recognition of equity-settled share-based payments	–	10	–	–	–	10
Forfeiture of share option	–	(1)	–	–	1	–
Profit for the year	–	–	–	–	1,175	1,175
Dividends paid during the year (note 14)	–	–	–	–	(1,255)	(1,255)
At 31 December 2014	–	27	–	100	5,286	5,413
Issue of shares under share option schemes	–	(1)	–	–	–	(1)
Recognition of equity-settled share-based payments	–	8	–	–	–	8
Forfeiture of share option	–	(4)	–	–	4	–
Cancellation upon repurchase of own shares	–	–	–	–	(215)	(215)
Profit for the year	–	–	–	–	1,536	1,536
Dividends paid during the year (note 14)	–	–	–	–	(1,330)	(1,330)
<b>At 31 December 2015</b>	<b>–</b>	<b>30</b>	<b>–</b>	<b>100</b>	<b>5,281</b>	<b>5,411</b>

Notes:

(a) General reserve was set up from the transfer of retained profits.

(b) The Company has no authorised share capital and its shares have no par value from the commencement date of the new CO (i.e. 3 March 2014).

The Company's reserves available for distribution to its owners as at 31 December 2015 amounted to HK\$5,381 million (2014: HK\$5,386 million), being its general reserve and retained profits at that date.

**31. ACQUISITION OF A SUBSIDIARY**

During the year ended 31 December 2014, the Group acquired 100% interest in Max Strength Limited ("Max Strength") from an independent third party, for a cash consideration of HK\$229 million. The major asset of Max Strength is an investment property situated in Hong Kong. The Directors of the Company were of the opinion that the subsidiary acquired did not constitute a business as defined in HKFRS 3, therefore, the acquisition had been accounted for as acquisition of an asset rather than a business combination. Acquisition-related costs amounting to HK\$3 million were capitalised as part of the carrying amount of the investment property.

**32. RETIREMENT BENEFITS PLANS**

With effect from 1 December 2000, the Group set up an enhanced Mandatory Provident Fund Scheme (the "Enhanced MPF Scheme"), a defined contribution scheme, for all qualifying employees. The Enhanced MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under Section 124(1) of the Mandatory Provident Fund Schemes (General) Regulation.

Pursuant to the rules of the Enhanced MPF Scheme, the Group's contributions to the plan are based on fixed percentages of members' salaries, ranging from 5% of MPF Relevant Income to 15% of basic salary. Members' mandatory contributions are fixed at 5% of MPF Relevant Income, in compliance with MPF legislation.

Total contributions made by the Group during the year amounted to HK\$7 million (2014: HK\$9 million).

### 33. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments in respect of its investment properties and property, plant and equipment:

	2015 HK\$ million	2014 HK\$ million
Contracted but not provided for	396	561

### 34. LEASE COMMITMENTS

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

	2015 HK\$ million	2014 HK\$ million
Within one year	2,721	2,664
In the second to fifth year inclusive	5,024	4,891
Over five years	812	1,309
	8,557	8,864

Operating lease payments represent rentals receivable by the Group from leasing of its investment properties. Typically, leases are negotiated and rentals are fixed for lease term of one to three years. Certain leases include contingent rentals calculated with reference to turnover of the tenants.

At the end of the reporting period, the Group as lessee had no commitment under non-cancellable operating lease.

### 35. RELATED PARTY TRANSACTIONS AND BALANCES

#### (a) Transactions and balances with related parties

The Group has the following transactions with related parties during the year and has the following balances with them at the end of the reporting period:

	Gross rental income received from		Amount due to non-controlling interests	
	2015 HK\$ million	2014 HK\$ million	2015 HK\$ million	2014 HK\$ million
Related company controlled by a shareholder (Note a)	3	3	–	–
Related companies controlled by Directors (Note b (i) & (ii))	33	39	94	94
Non-controlling shareholder of a subsidiary (Note c (i) & (ii))	30	31	233	233
Director (Note d)	1	–	–	–

Notes:

- (a) The sum of transactions represents the aggregate gross rental income received from Atlas Corporate Management Limited, a wholly-owned subsidiary of Lee Hysan Estate Company, Limited (“LHE”). LHE holds 40.97% (2014: 40.71%) beneficial interest and has significant influence over the Company.
- (b) (i) The sum of transactions represents the aggregate gross rental income received from related companies where the directors have controlling interests over these related companies.  
(ii) The balance represents outstanding loan advanced to a non wholly-owned subsidiary of the Group, Barrowgate Limited (“Barrowgate”) by Mightyhall Limited, a wholly-owned subsidiary of Jebsen and Company Limited, of which Hans Michael JEBSEN is a director and a controlling shareholder, as shareholders’ loan in proportion to its shareholding in Barrowgate for general funding purpose. The amount is unsecured, interest-free and repayable on demand.
- (c) (i) The transaction represents the gross rental income received from Hang Seng Bank Limited, the intermediate holding company of Imenson Limited (“Imenson”). Imenson is a non-controlling shareholder with significant influence over Barrowgate.  
(ii) The balance represents outstanding loan advanced to Barrowgate by Imenson, as shareholders’ loan in proportion to its shareholding in Barrowgate for general funding purpose. The amount is unsecured, interest-free and repayable on demand.
- (d) The transaction represents the gross rental income received from a director.

### 35. RELATED PARTY TRANSACTIONS AND BALANCES continued

#### (b) Compensation of key management personnel

The remuneration of key management personnel of the Group (being Directors) are disclosed in note 12 of the Notes to the Financial Statements section.

The remuneration of the Directors and key executives is determined by the Remuneration Committee and Chief Executive Officer respectively having regard to the performance of individuals and market trends.

### 36. SHARE-BASED PAYMENT TRANSACTIONS

#### (a) Equity-settled share option scheme

##### 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.

The purpose of the 2005 Scheme is to provide an incentive for employees of the Company and its wholly-owned subsidiaries to work with commitment towards enhancing the value of the Company and its shares for the benefit of its shareholders.

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, currently 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).

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 shareholder 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.

The purpose of the New Scheme is to provide an incentive for employees of the Company and its subsidiaries to work with commitment towards enhancing the value of the Company and its shares for the benefit of its shareholders.

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.

### 36. SHARE-BASED PAYMENT TRANSACTIONS continued

#### (a) Equity-settled share option scheme continued

##### The 2015 Share Option Scheme (the “New Scheme”) continued

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 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.

As at 31 December 2015, no share option was granted under the New Scheme.

#### (b) Grant and vesting structures

Under the Company’s current policy, grants will be made on a periodic basis. For the Schemes, the exercise period is 10 years and 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.

**36. SHARE-BASED PAYMENT TRANSACTIONS** *continued***(c) Movement of share options under the 2005 Scheme**

The following table discloses movements of the Company's share options held by the Directors and eligible employees during the current year:

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 (Note b)	
					Granted	Exercised	Cancelled/lapsed (Note b)		
<b>Executive Directors</b>									
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)	–	
<b>Eligible employees (Note f)</b>									
	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	
					<b>3,435,704</b>	<b>1,066,500</b>	<b>(56,000)</b>	<b>(472,200)</b>	<b>3,974,004</b>

Exercisable at the end of the year

**2,021,658**

### 36. SHARE-BASED PAYMENT TRANSACTIONS continued

#### (c) Movement of share options under the 2005 Scheme continued

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 resignations 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 effective 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 had not granted any share option under the 2005 Scheme to any other persons as required to be disclosed under Rule 17.07 of the Listing Rules.

## Notes to the Financial Statements continued

For the year ended 31 December 2015

### 36. SHARE-BASED PAYMENT TRANSACTIONS continued

#### (c) Movement of share options under the 2005 Scheme continued

The following table discloses movements of the Company's share options held by the Directors and eligible employees in prior year:

Name	Date of grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2014	Changes during the year			Balance as at 31.12.2014
					Granted	Exercised	Cancelled/ lapsed (Note b)	
<b>Executive Directors</b>								
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 (Note c)	10.3.2015 – 9.3.2024	–	325,000	–	–	325,000
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 (Note c)	10.3.2015 – 9.3.2024	–	302,000	–	–	302,000
Wendy Wen Yee YUNG	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 (Note c)	10.3.2015 – 9.3.2024	–	95,000	–	–	95,000
<b>Eligible employees (Note d)</b>								
	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	164,000	–	(30,000) (Note e)	–	134,000
	31.3.2010	22.45	31.3.2011 – 30.3.2020	251,334	–	(97,000) (Note f)	–	154,334
	31.3.2011	32.00	31.3.2012 – 30.3.2021	246,001	–	(63,666) (Note g)	(1,334)	181,001
	30.3.2012	31.61	30.3.2013 – 29.3.2022	336,335	–	(47,983) (Note h)	(26,017)	262,335
	28.3.2013	39.20	28.3.2014 – 27.3.2023	362,000	–	–	(64,000)	298,000
	31.3.2014	33.75 (Note i)	31.3.2015 – 30.3.2024	–	465,000	–	(54,000)	411,000
				<b>2,632,704</b>	<b>1,187,000</b>	<b>(238,649)</b>	<b>(145,351)</b>	<b>3,435,704</b>

Exercisable at the end of the year

**1,392,884**

### 36. SHARE-BASED PAYMENT TRANSACTIONS continued

#### (c) Movement of share options under the 2005 Scheme continued

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 resignations of certain eligible employees.
- (c) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 7 March 2014) was HK\$32.95.
- (d) Eligible employees are working under employment contracts that are regarded as “continuous contracts” for the purposes of the Employment Ordinance.
- (e) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$34.35.
- (f) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$34.95.
- (g) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$36.04.
- (h) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$36.07.
- (i) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 28 March 2014) was HK\$33.30.

Apart from the above, the Company had not granted any share option under the 2005 Scheme to any other persons as required to be disclosed under Rule 17.07 of the Listing Rules.



**36. SHARE-BASED PAYMENT TRANSACTIONS** *continued***(d) Fair values of share options**

The Group has applied HKFRS 2 “Share-based Payments” to account for its share options granted after 7 November 2002 and vested after 1 January 2005. In accordance with HKFRS 2, fair value of share options granted to employees determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the Group’s share options reserve. In the current year, the Group recognised the share option expenses of HK\$8 million (2014: HK\$10 million) in relation to share options granted by the Company, of which HK\$5 million (2014: HK\$6 million) related to the Directors (see note 12), with a corresponding adjustment recognised in the Group’s share options reserve.

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	31.3.2014	10.3.2014
Closing share price at the date of grant	<b>HK\$34.000</b>	<b>HK\$34.800</b>	HK\$33.750	HK\$32.200
Exercise price	<b>HK\$34.000</b>	<b>HK\$36.270</b>	HK\$33.750	HK\$32.840
Risk free rate ( <i>Note a</i> )	<b>1.096%</b>	<b>1.241%</b>	1.529%	1.328%
Expected life of option ( <i>Note b</i> )	<b>5 years</b>	<b>5 years</b>	5 years	5 years
Expected volatility ( <i>Note c</i> )	<b>29.947%</b>	<b>29.810%</b>	33.517%	33.509%
Expected dividend per annum ( <i>Note d</i> )	<b>HK\$0.976</b>	<b>HK\$0.976</b>	HK\$0.866	HK\$0.866
Estimated fair values per share option	<b>HK\$7.304</b>	<b>HK\$7.061</b>	HK\$8.422	HK\$7.712

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 appropriate 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.

# Financial Risk Management

For the year ended 31 December 2015

## 1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include cash and bank balances, time deposits, principal-protected investments, term notes, accounts receivable, other receivables, accounts payable, accruals, amounts due to non-controlling interests, borrowings and derivative financial instruments. Details of these financial instruments are disclosed in respective Notes to the Financial Statements. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

### (a) Credit risk

The credit risk of the Group is primarily attributable to rents receivable from tenants, principal-protected investments, derivative financial instruments, term notes, time deposits and bank balances. The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

For rents receivable from tenants, credit checks are part of the normal leasing process and stringent monitoring procedures are in place to deal with overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

For derivative financial instruments, principal-protected investments, term notes, time deposits and bank balances, the Group only deals with financial institutions and invest in debt securities issued by issuers that have strong credit ratings to mitigate counterparty risk. In order to limit exposure to each financial institution and debt securities issuer, an exposure limit was set with each counterparty according to their credit rating with regular review by management.

Credit exposure to financial institutions and debt securities issuers are monitored and reported regularly to the management. The exposure to each counterparty comprised (i) investment value of financial assets (including time deposits, principal-protected investments and term notes); (ii) net positive value of derivative financial instruments and; (iii) potential exposures to derivatives which are based on the remaining term and the notional amount of the derivative financial instruments. The table below provides a high level summary of the Group's exposure to each counterparty at the end of the reporting period.

Category of counterparty	2015		2014	
	Number of counterparty	Exposure HK\$ million	Number of counterparty	Exposure HK\$ million
Credit rating of AA- or above or note issuing banks	5	16 to 611	6	17 to 728
Credit rating BBB- to A+	22	15 to 472	21	13 to 485

To minimise the credit risk of amounts due from subsidiaries, the management reviews the recoverable amount of each individual balance at the end of the reporting period to ensure adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and tenants.

**1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** *continued*

**(b) Liquidity risk**

The Group closely monitors their liquidity requirements and the sufficiency of cash and available banking facilities so as to ensure that the payment obligations are met.

The following table details the remaining contractual maturity of the Group for their non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is required to pay. The table includes both interest and principal cash flows. The interest payments are computed using contractual rates or, if floating, based on the prevailing market rate at the end of the reporting period. For cash flows denominated in currency other than Hong Kong dollars (“HKD”), the prevailing foreign exchange rates at the end of the reporting period are used to convert the cash flows into HKD.

	Carrying amount HK\$ million	Total contractual undiscounted cash flow HK\$ million	Within 1 year or on demand HK\$ million	More than 1 year but not exceeding 2 years HK\$ million	More than 2 years but not exceeding 5 years HK\$ million	More than 5 years HK\$ million
<b>As at 31 December 2015</b>						
<b>Non-derivative financial liabilities</b>						
Accounts payable and accruals	(470)	(470)	(470)	–	–	–
Rental deposits from tenants	(890)	(890)	(296)	(293)	(284)	(17)
Amounts due to non-controlling interests	(327)	(327)	(327)	–	–	–
Unsecured bank loans ( <i>Note</i> )	(250)	(251)	(251)	–	–	–
Fixed rate notes ( <i>Note</i> )	(4,609)	(5,833)	(175)	(175)	(1,501)	(3,982)
	<b>(6,546)</b>	<b>(7,771)</b>	<b>(1,519)</b>	<b>(468)</b>	<b>(1,785)</b>	<b>(3,999)</b>

**As at 31 December 2014**

**Non-derivative financial liabilities**

Accounts payable and accruals	(481)	(481)	(481)	–	–	–
Rental deposits from tenants	(875)	(875)	(306)	(237)	(310)	(22)
Amounts due to non-controlling interests	(327)	(327)	(327)	–	–	–
Unsecured bank loans ( <i>Note</i> )	(1,100)	(1,112)	(861)	(251)	–	–
Fixed rate notes ( <i>Note</i> )	(5,015)	(6,426)	(592)	(175)	(957)	(4,702)
Zero coupon notes ( <i>Note</i> )	(332)	(333)	(333)	–	–	–
	<b>(8,130)</b>	<b>(9,554)</b>	<b>(2,900)</b>	<b>(663)</b>	<b>(1,267)</b>	<b>(4,724)</b>

Note:

These amounts also represent the maximum amounts the Company could be required to settle under the arrangement for the full guaranteed amounts if these amounts are claimed by the counterparties to the guarantee. Based on expectations at the end of the reporting period, the Company considers that it is not likely that amount will be payable under the arrangement.

## 1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

### (b) Liquidity risk *continued*

The following table details the Group's remaining contractual maturity for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows (outflows) on the derivative financial instruments that settle on a net basis and undiscounted gross inflows (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by the prevailing market rate at the end of the reporting period. For cash flows denominated in currency other than HKD, the prevailing foreign exchange rates at the end of the reporting period are used to convert the cash flows into HKD.

	Carrying amount HK\$ million	Total contractual undiscounted cash flow HK\$ million	Within 1 year or on demand HK\$ million	More than 1 year but not exceeding 2 years HK\$ million	More than 2 years but not exceeding 5 years HK\$ million	More than 5 years HK\$ million
<b>As at 31 December 2015</b>						
<b>Derivative settled gross</b>						
Forward foreign exchange contracts	7					
Outflow		(884)	(466)	(169)	(249)	–
Inflow		886	466	171	249	–
<b>Cross currency swaps</b>						
Outflow	(71)	(2,942)	(85)	(85)	(255)	(2,517)
Inflow		2,935	81	81	244	2,529

### As at 31 December 2014

#### Derivative settled net

Interest rate swaps	7	15	15	–	–	–
<b>Derivative settled gross</b>						
Forward foreign exchange contracts	7					
Outflow		(1,341)	(839)	(369)	(133)	–
Inflow		1,340	839	369	132	–
<b>Cross currency swaps</b>						
Outflow	(30)	(3,027)	(85)	(85)	(255)	(2,602)
Inflow		3,019	81	82	244	2,612

### (c) Interest rate risk

The Group manages its interest rate exposure by assessing the potential impact on the Group's financial position arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed rates and floating rates and ensure that they are within an appropriate range. Accordingly, the Group used (i) interest rate swaps to hedge the interest rate risk of the Group's floating rate bank loans; and (ii) interest rate swaps to hedge the interest rate risk of certain amounts of the Group's fixed rate notes. The Group reviews the continuing effectiveness of hedging instruments at least at the end of the reporting period and until the hedging instrument expires or is terminated or the hedge no longer meets the criteria for hedge accounting. The Group mainly used comparison of change in fair value of the hedging instruments and the hedged items attributable to the hedged risk for assessing the hedging effectiveness.

As at 31 December 2015, about 5.1% (2014: 23.7%) of the Group's gross debts was effectively on a floating rate basis. The ratio could be adjusted according to views about changes in the interest rate trend going forward. In addition, the Group is exposed to (i) cash flow interest rate risk as the interest income derived from time deposits and bank balances is subject to interest rate changes; and (ii) fair value interest rate risk in relation to its fixed-rate debt securities. Other than the concentration of interest rate risk related to the movements in Hong Kong Interbank Offered Rate, the Group has no significant concentration of interest rate risk.

**1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** *continued*

**(c) Interest rate risk** *continued*

**Sensitivity analysis**

The sensitivity analysis below has been determined assuming that the change in interest rates had occurred at the end of the reporting period and all other variables were held constant. Such change has been applied to both derivative and non-derivative financial instruments that would have affected the profit or loss and equity. A change of +100 and -25 basis points (“bps”) (2014: +100 and -25 bps) was applied to the HKD and US dollars (“USD”) yield curves at the end of the reporting period. For the RMB yield curve, a change of +125 and -125 bps (2014: +125 and -125 bps) was applied. The applied change of bps represented management’s assessment of the reasonably possible change in interest rates based on the current market conditions.

In management’s opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the year end exposure does not reflect the exposure during the year.

	Increase (decrease) in profit or loss		Increase (decrease) in equity	
	bps increase HK\$ million	bps decrease HK\$ million	bps increase HK\$ million	bps decrease HK\$ million
<b>As at 31 December 2015</b>	<b>26</b>	<b>(7)</b>	<b>4</b>	<b>(1)</b>
As at 31 December 2014	23	(12)	2	–

**(d) Currency risk**

The Group aims to minimise its currency risk and does not speculate in currency movements for debt management. To cover foreign exchange exposures arising from debts, the Group’s foreign currency denominated monetary liabilities must be hedged back to HKD unless the liabilities are naturally hedged by the underlying asset in the same foreign currency. In managing the Group’s monetary assets, the Group limits the aggregate net foreign currency exposures to a certain threshold. Exposures exceeding that threshold will be hedged back to HKD. The majority of the Group’s assets are located and all rental income are derived in Hong Kong, and denominated in HKD. At the end of the reporting period, the Group has the following monetary assets and monetary liabilities denominated in Renminbi (“RMB”) and USD. The Group’s fixed rate notes are hedged by cross currency swaps. During the year ended 31 December 2015, forward contracts were entered to hedge all of the RMB exposure in view of depreciation of RMB against HKD.

	2015			2014		
	RMB million	US\$ million	Total equivalent to HK\$ million	RMB million	US\$ million	Total equivalent to HK\$ million
<b>Assets</b>						
Cash	–	1	3	–	1	5
Time deposits	80	15	213	565	6	753
Term notes	55	144	1,181	235	87	966
	<b>135</b>	<b>160</b>	<b>1,397</b>	<b>800</b>	<b>94</b>	<b>1,724</b>
<b>Liabilities</b>						
Fixed rate notes	–	300	2,314	–	300	2,314

## 1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

### (d) Currency risk continued

At the end of the reporting period, all of the Group's assets and liabilities were denominated in HKD.

Other than concentration of currency risk of the above items denominated in RMB and USD, the Group has no other significant currency risk.

The Group has entered into appropriate hedging instruments, mentioned in note 22 of the Notes to the Financial Statements section, to hedge against part of the potential currency risk of the above items. The Group reviews the continuing effectiveness of hedging instruments at least at the end of the reporting period and until the hedging instrument expires or is terminated or the hedge no longer meets the criteria for hedge accounting.

#### Sensitivity analysis

The sensitivity analysis below has been determined assuming that a change in exchange rate had occurred at the end of the reporting period and all other variable were held constant. Such change has been applied to both derivative and non-derivative financial instruments that would have affected the profit or loss and equity. Change of 1,000 percentage in points ("pips") (2014: 500 pips) and 500 pips (2014: 500) were applied to the HKD:RMB and HKD:USD spot and forward rates respectively at the end of the reporting period. A greater change is adopted in view of a greater change of the RMB exchange rate occurred in 2015.

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

	Increase (decrease) in profit or loss		Increase (decrease) in equity	
	pips increase HK\$ million	pips decrease HK\$ million	pips increase HK\$ million	pips decrease HK\$ million
<b>As at 31 December 2015</b>				
– USD	3	(3)	2	(2)
<b>As at 31 December 2014</b>				
– RMB	7	(7)	–	–
– USD	1	(1)	2	(2)

## 2. CATEGORIES OF FINANCIAL INSTRUMENTS

	2015 HK\$ million	2014 HK\$ million
<b>Financial assets</b>		
Fair value through profit or loss ("FVTPL")		
– financial assets measured at FVTPL	1	82
Derivative instruments under hedge accounting	7	16
Amortised cost (including cash and cash equivalents)	4,222	4,944
	<b>4,230</b>	<b>5,042</b>
<b>Financial liabilities</b>		
Derivative instruments under hedge accounting	71	32
Amortised cost	5,656	7,255
	<b>5,727</b>	<b>7,287</b>

### 3. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO ENFORCEABLE MASTER NETTING ARRANGEMENTS OR SIMILAR AGREEMENTS

The Group has entered certain derivative transactions that are covered by the International Swaps and Derivatives Association Master Agreements (“ISDA Agreements”) signed with various banks. These derivative instruments are not offset in the consolidated statement of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognised amounts. Other than derivatives transactions mentioned above, the Group has no other financial assets and financial liabilities which are offset in the Group’s consolidated statement of financial statements or are subject to similar netting arrangements.

#### (a) Financial assets subject to enforceable master netting arrangements or similar agreements

	Gross amounts of recognised financial assets HK\$ million	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK\$ million	Net amounts of financial assets presented in the consolidated statement of financial position HK\$ million
<b>As at 31 December 2015</b>			
Derivatives under hedge accounting	7	–	7
<b>As at 31 December 2014</b>			
Derivatives under hedge accounting	16	–	16

#### (b) Net financial assets subject to enforceable master netting arrangements or similar agreements, by counterparty

	Net amounts of financial assets presented in the consolidated statement of financial position HK\$ million	Financial liabilities not set off in the consolidated statement of financial position HK\$ million	Net amount HK\$ million
<b>As at 31 December 2015</b>			
Counterparty C	1	–	1
Counterparty D	2	–	2
Counterparty F	4	–	4
<b>Total</b>	<b>7</b>	<b>–</b>	<b>7</b>
<b>As at 31 December 2014</b>			
Counterparty A	8	(8)	–
Counterparty B	1	–	1
Counterparty D	2	(1)	1
Counterparty F	5	–	5
<b>Total</b>	<b>16</b>	<b>(9)</b>	<b>7</b>

#### (c) Financial liabilities subject to enforceable master netting arrangements or similar agreements

	Gross amounts of recognised financial liabilities HK\$ million	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK\$ million	Net amounts of financial liabilities presented in the consolidated statement of financial position HK\$ million
<b>As at 31 December 2015</b>			
Derivatives under hedge accounting	(71)	–	(71)
<b>As at 31 December 2014</b>			
Derivatives under hedge accounting	(32)	–	(32)

### 3. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO ENFORCEABLE MASTER NETTING ARRANGEMENTS OR SIMILAR AGREEMENTS *continued*

#### (d) Net financial liabilities subject to enforceable master netting arrangements and similar agreements, by counterparty

	Net amounts of financial liabilities presented in the consolidated statement of financial position HK\$ million	Financial assets not set off in the consolidated statement of financial position HK\$ million	Net amount HK\$ million
<b>As at 31 December 2015</b>			
Counterparty A	(71)	–	(71)
<b>As at 31 December 2014</b>			
Counterparty A	(30)	8	(22)
Counterparty D	(1)	1	–
Counterparty E	(1)	–	(1)
<b>Total</b>	<b>(32)</b>	<b>9</b>	<b>(23)</b>

### 4. FAIR VALUE MEASUREMENT

#### (a) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The fair values of financial assets and financial liabilities measured at amortised cost are determined in accordance with generally accepted pricing models based on discounted cash flow methodology taking into account the market interest rate and credit risk of the counterparties and of the Group as appropriate.

The Directors consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the consolidated financial statements approximate their fair values, except for the carrying amount of HK\$4,609 million (2014: HK\$5,015 million) fixed rate notes as stated in note 27 of the Notes to the Financial Statements section with fair value of HK\$4,785 million (2014: HK\$5,110 million).

The fair value of HK\$2,367 million (2014: HK\$2,317 million) of the fixed rate notes is categorised into Level 1 of the fair value hierarchy, in which the fair value was derived from quoted prices in an active market translated at the spot foreign exchange rate of the respective currency at year end.

The fair value of HK\$2,418 million (2014: HK\$2,793 million) of the fixed rate notes is categorised into Level 2 of the fair value hierarchy, in which the fair value was measured using discounted cash flow methodology based on observable yield curves of the respective currency taking into account the credit margin of the Group as appropriate.



**4. FAIR VALUE MEASUREMENT** *continued*

**(b) Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis**

The following table provides an analysis of financial instruments that are measured at fair value on a recurring basis, grouped into Levels 1 to 3 based on the degree to which the inputs to the fair value measurements are observable.

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets and liabilities.
- Level 2: fair value measurements are those derived from inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2015			Total HK\$ million
	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	
<b>Financial assets</b>				
<b>Derivatives under hedge accounting</b>				
Forward foreign exchange contracts	–	7	–	7
<b>Financial assets at FVTPL</b>				
Unlisted club debentures	–	1	–	1
Total	–	8	–	8
<b>Financial liabilities</b>				
<b>Derivatives under hedge accounting</b>				
Cross currency swaps	–	71	–	71
<b>2014</b>				
	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million
<b>Financial assets</b>				
<b>Derivatives under hedge accounting</b>				
Forward foreign exchange contracts	–	8	–	8
Interest rate swaps	–	8	–	8
<b>Financial assets at FVTPL</b>				
Principal-protected investments	–	80	–	80
Unlisted club debentures	–	2	–	2
Total	–	98	–	98
<b>Financial liabilities</b>				
<b>Derivatives under hedge accounting</b>				
Forward foreign exchange contracts	–	1	–	1
Cross currency swaps	–	30	–	30
Interest rate swaps	–	1	–	1
Total	–	32	–	32

There were no transfers between Levels 1 and 2 for both years.

#### 4. FAIR VALUE MEASUREMENT continued

##### (c) Valuation techniques and inputs used in fair value measurements categorised within Level 2

- Interest rate swaps are measured using discounted cash flow methodology based on observable yield curves of the respective currencies taking into account the credit risk of the counterparties and of the Group as appropriate.
- Forward foreign exchange contracts and cross currency swaps are measured using discounted cash flow methodology based on observable spot and forward exchange rates as well as the yield curves of the respective currencies taking into account the credit risk of the counterparties and of the Group as appropriate.
- Principal-protected investments are measured using discounted cash flow methodology based on the observable yield curves of the respective currencies, as well as variable returns linked to certain forward exchange rates, forward prices of certain commodities and relevant indices with foreign exchange rates and commodities prices as underlying and taking into account the credit risk of the counterparties.

#### 5. CAPITAL RISK MANAGEMENT

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

The Group monitors its capital structure on the basis of a net debt to equity ratio. For this purpose, the Group defines net debt as borrowings as shown in the consolidated statement of financial position less time deposits, cash and bank balances.

The management reviews the Group's net debt to equity ratio regularly and adjusts the ratio through the payment of dividends, the issue of new share or debt, the repurchase of shares and the redemption of existing debt.

The net debt to equity ratio at the year end was as follows:

	2015 HK\$ million	2014 HK\$ million
Unsecured bank loans	250	1,100
Fixed rate notes	4,609	5,015
Zero coupon notes	–	332
Borrowings	4,859	6,447
Less: Time deposits	(2,743)	(3,534)
Cash and bank balances	(61)	(106)
Net debt	2,055	2,807
Equity attributable to owners of the Company	68,172	67,040
Net debt to equity	3.0%	4.2%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

# Five-Year Financial Summary

For the year ended 31 December

	2015 HK\$ million	2014 HK\$ million	2013 HK\$ million	2012 HK\$ million	2011 HK\$ million
<b>Results</b>					
Turnover	3,430	3,224	3,063	2,486	1,922
Property expenses	(414)	(404)	(405)	(423)	(262)
Gross profit	3,016	2,820	2,658	2,063	1,660
Investment income	54	68	76	55	90
Other gains and losses	–	(2)	1	18	(34)
Administrative expenses	(234)	(214)	(208)	(187)	(173)
Finance costs	(204)	(228)	(242)	(156)	(122)
Change in fair value of investment properties	695	2,940	4,575	8,533	7,532
Share of results of associates	246	252	309	334	254
Profit before taxation	3,573	5,636	7,169	10,660	9,207
Taxation	(438)	(386)	(372)	(289)	(217)
Profit for the year	3,135	5,250	6,797	10,371	8,990
Non-controlling interests	(232)	(348)	(639)	(416)	(445)
Profit attributable to owners of the Company	2,903	4,902	6,158	9,955	8,545
Underlying profit for the year	2,283	2,163	2,043	1,622	1,310
Recurring underlying profit for the year	2,283	2,163	2,043	1,622	1,310
<b>Dividends</b>					
Dividends paid	1,330	1,255	1,064	859	791
Dividends proposed	1,122	1,064	1,010	829	678
Dividends per share (HK cents)	132.00	123.00	117.00	95.00	79.00
<b>Earnings per share (HK\$), based on:</b>					
Profit for the year					
– basic	2.73	4.61	5.79	9.38	8.08
– diluted	2.73	4.61	5.79	9.38	8.08
Underlying profit for the year – basic	2.15	2.03	1.92	1.53	1.24
Recurring underlying profit for the year – basic	2.15	2.03	1.92	1.53	1.24
<b>Performance indicators</b>					
Net debt to equity	3.0%	4.2%	5.3%	6.2%	7.6%
Net interest coverage (times)	19.5x	17.1x	15.4x	16.8x	12.3x
Net asset value per share (HK\$)	64.48	63.02	59.54	54.68	46.00
Net debt per share (HK\$)	1.94	2.64	3.18	3.41	3.49
Year end share price (HK\$)	31.75	34.65	33.40	37.25	25.50

## At 31 December

	2015 HK\$ million	2014 HK\$ million	2013 HK\$ million	2012 HK\$ million	2011 HK\$ million
<b>Assets and liabilities</b>					
Investment properties	69,810	68,735	65,322	60,022	49,969
Interests in associates	3,683	4,154	4,181	3,759	3,423
Equity investments	–	–	–	1	989
Tax recoverable	–	–	–	2	–
Time deposits, cash and bank balances	2,804	3,640	4,123	2,311	2,961
Other assets	2,491	2,494	2,468	2,328	2,026
<b>Total assets</b>	<b>78,788</b>	<b>79,023</b>	<b>76,094</b>	<b>68,423</b>	<b>59,368</b>
Borrowings	(4,859)	(6,447)	(7,504)	(5,941)	(6,663)
Taxation	(803)	(732)	(660)	(511)	(433)
Other liabilities	(1,758)	(1,715)	(1,749)	(1,524)	(1,528)
<b>Total liabilities</b>	<b>(7,420)</b>	<b>(8,894)</b>	<b>(9,913)</b>	<b>(7,976)</b>	<b>(8,624)</b>
<b>Net assets</b>	<b>71,368</b>	<b>70,129</b>	<b>66,181</b>	<b>60,447</b>	<b>50,744</b>
Non-controlling interests	(3,196)	(3,089)	(2,855)	(2,324)	(1,991)
<b>Shareholders' funds</b>	<b>68,172</b>	<b>67,040</b>	<b>63,326</b>	<b>58,123</b>	<b>48,753</b>

### Definitions:

- (1) Underlying profit for the year: profit adjusted for group's share of unrealised fair value changes on investment properties
- (2) Recurring underlying profit for the year: underlying profit adjusted for items that are non-recurring in nature (such as gains or losses on disposal of long-term assets)
- (3) Net debt to equity: borrowings less time deposits, cash and bank balances divided by shareholders' funds
- (4) Net interest coverage: gross profit less administrative expenses before depreciation divided by net interest expenses
- (5) Net asset value per share: shareholders' funds divided by number of issued shares at year end
- (6) Net debt per share: borrowings less time deposits, cash and bank balances divided by number of issued shares at year end

# Report of the Valuer

To the Board of Directors  
**Hysan Development Company Limited**

Dear Sirs,

## **Annual Revaluation of Investment Properties as at 31 December 2015**

In accordance with your appointment of Knight Frank Petty Limited to value the investment properties in Hong Kong owned by Hysan Development Company Limited and its subsidiaries, we are pleased to advise that the market value of the investment properties as at 31 December 2015 was in the approximate sum of Hong Kong Dollars Sixty Nine Billion Eight Hundred and Ten Million Only (i.e. HK\$69,810 million).

The completed investment properties have been valued individually, on market value basis, on the basis of capitalisation of the net income with due allowance for the reversionary income potential, without allowances for any expenses or taxation which may be incurred in effecting a sale and cross reference by sales comparables, where appropriate.

For the investment properties under redevelopment, residual method of valuation has been adopted. The valuation was mainly arrived at by reference to sales or rental evidences as available on the market to determine the value of the proposed redevelopment as if it were completed in accordance with the redevelopment proposal provided by the Company as at the date of valuation. All costs of the redevelopment, namely cost of construction, cost of finance, professional fees and allowance of profit required for the redevelopment were then deducted from the completion value of the proposed redevelopment to derive the market value of the properties as at the date of valuation.

Yours faithfully,  
**Knight Frank Petty Limited**

Hong Kong, 17 February 2016

# Schedule of Principal Properties

At 31 December 2015

## INVESTMENT PROPERTIES

Address	Lot No.	Use	Category of the Lease	Percentage held by the Group
<b>1. Lee Garden One</b> 33 Hysan Avenue Causeway Bay Hong Kong	Sec. DD of I.L. 29, Sec. L of I.L. 457, Sec. MM of I.L. 29, the R.P. of Sec. L of I.L. 29, and the R.P. of I.L. 457	Commercial	Long lease	100 %
<b>2. Bamboo Grove</b> 74-86 Kennedy Road Mid-Levels Hong Kong	I.L. 8624	Residential	Medium term lease	100 %
<b>3. Lee Garden Two</b> 28 Yun Ping Road Causeway Bay Hong Kong	Sec. G of I.L. 29, Sec. A, O, F and H of I.L. 457, the R.P. of Sec. C, D, E and G of I.L. 457, Subsec. 1 of Sec. C, D, E and G of I.L. 457, Subsec. 2 of Sec. E of I.L. 457 and Subsec. 1, 2, 3 and the R.P. of Sec. C of I.L. 461	Commercial	Long lease	65.36 %
<b>4. Leighton Centre</b> 77 Leighton Road Causeway Bay Hong Kong	Sec. B, C and the R.P. of I.L. 1451	Commercial	Long lease	100 %
<b>5. Lee Theatre Plaza</b> 99 Percival Street Causeway Bay Hong Kong	I.L. 1452, the R.P. of I.L. 472 and 476	Commercial	Long lease	100 %
<b>6. Lee Garden Three</b> 4-14 Hoi Ping Road 10 Hysan Avenue and 1-11 Sunning Road Causeway Bay Hong Kong*	The R.P. of Subsec. 1 of Sec. J of I.L.29 Subsec. 2 of Sec. J of I.L. 29 and the R.P. of Sec. J of I.L. 29	Commercial	Long lease	100 %
<b>7. One Hysan Avenue</b> 1 Hysan Avenue Causeway Bay Hong Kong	The R.P. of Sec. GG of I.L. 29	Commercial	Long lease	100 %
<b>8. Lee Garden Five</b> 18 Hysan Avenue Causeway Bay Hong Kong	Sec. N of I.L. 457 and Sec. LL of I.L. 29	Commercial	Long lease	100 %

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## Schedule of Principal Properties continued

At 31 December 2015

### INVESTMENT PROPERTIES continued

Address	Lot No.	Use	Category of the Lease	Percentage held by the Group
<b>9. Lee Garden Six</b> 111 Leighton Road Causeway Bay Hong Kong	Sec. KK of I.L. 29	Commercial	Long lease	100%
<b>10. Hysan Place</b> 500 Hennessy Road Causeway Bay Hong Kong	Sec. FF of I.L. 29 and the R.P. of Marine Lot 365	Commercial	Long lease	100%

\* Lateral support, demolition of existing basement, excavation and foundation works would be completed in February 2016. The redevelopment site has an overall registered site area of approximately 31,000 square feet. The new development has a projected gross floor area of approximately 467,000 square feet and is targeted for completion in late 2017.

# Shareholding Analysis

## SHARE CAPITAL

At 31 December 2015

	HK\$	Number of Ordinary Shares
Issued and fully paid-up capital	7,642,373,633.27	1,057,177,692

There was one class of ordinary shares with equal voting rights.

## DISTRIBUTION OF SHAREHOLDINGS

(At 31 December 2015, as per register of members of the Company)

Size of registered shareholdings	Number of shareholders	% of shareholders	Number of ordinary shares	% of the total no. of issued shares (Note)
5,000 or below	2,315	70.17	3,894,253	0.37
5,001 – 50,000	836	25.34	13,125,019	1.24
50,001 – 100,000	81	2.46	6,162,664	0.58
100,001 – 500,000	55	1.67	11,038,393	1.04
500,001 – 1,000,000	3	0.09	1,874,206	0.18
Above 1,000,000	9	0.27	1,021,083,157	96.59
<b>Total</b>	<b>3,299</b>	<b>100.00</b>	<b>1,057,177,692</b>	<b>100.00</b>

## TYPES OF SHAREHOLDERS

(At 31 December 2015, as per register of members of the Company)

Type of shareholders	Number of ordinary shares held	% of the total no. of issued shares (Note)
Atlas Corporate Management Limited	39,809,001	3.77
Lee Hysan Estate Company, Limited	393,321,734	37.20
Other corporate shareholders	587,230,367	55.55
Individual shareholders	36,816,590	3.48
<b>Total</b>	<b>1,057,177,692</b>	<b>100.00</b>

## LOCATION OF SHAREHOLDERS

(At 31 December 2015, as per register of members of the Company)

Location of shareholders	Number of ordinary shares held	% of the total no. of issued shares (Note)
Hong Kong	1,054,579,313	99.76
United States and Canada	2,249,924	0.21
United Kingdom	122,178	0.01
Others	226,277	0.02
<b>Total</b>	<b>1,057,177,692</b>	<b>100.00</b>

Note:

The percentages have been 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).



# Shareholder Information

## FINANCIAL CALENDAR

Full year results announced	8 March 2016
Ex-dividend date for second interim dividend	21 March 2016
Closure of register of members and record date for second interim dividend	23 March 2016
Dispatch of second interim dividend warrants	(on or about) 6 April 2016
Closure of register of members for AGM	12 to 13 May 2016
AGM	13 May 2016
2016 interim results to be announced	2 August 2016*

\* subject to change

## DIVIDEND

The Board declares the payment of a second interim dividend of HK107 cents per share. The second interim dividend will be payable in cash to shareholders on the register of members as at Wednesday, 23 March 2016.

The register of members will be closed on Wednesday, 23 March 2016, for the purpose of determining shareholders' entitlement to the second interim dividend, during which period no transfer of shares will be registered. In order to qualify for the second interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar not later than 4:00 p.m. on Tuesday, 22 March 2016.

Dividend warrants will be dispatched to shareholders on or about Wednesday, 6 April 2016.

The register of members will also be closed from Thursday, 12 May 2016 to Friday, 13 May 2016, both dates inclusive, for the purpose of determining shareholders' entitlement to attend and vote at the AGM to be held on 13 May 2016, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar not later than 4:00 p.m. on Wednesday, 11 May 2016.

## SHAREHOLDER SERVICES

For enquiries about share transfer and registration, please contact the Company's Registrar, Tricor Standard Limited:

Tricor Standard Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong  
Telephone: (852) 2980 1768  
Facsimile: (852) 2861 1465

Holders of the Company's ordinary shares should notify the Registrar promptly of any change of their address.

The Annual Report is printed in English and Chinese language and is available on our website at [www.hysan.com.hk](http://www.hysan.com.hk). Shareholders may at any time choose to receive the Annual Report in printed form in either the English or Chinese language or both or by electronic means. Shareholders who have chosen to receive the Annual Report using electronic means and who for any reason have difficulty in receiving or gaining access to the Annual Report will promptly upon request be sent a printed copy free of charge.

Shareholders may at any time change their choice of the language or means of receipt of the Annual Report by notice in writing to the Company's Registrar at the address above. The Change Request Form may be downloaded from the Company's website at [www.hysan.com.hk](http://www.hysan.com.hk).

## INVESTOR RELATIONS

For enquiries relating to investor relations, please email to [investor@hysan.com.hk](mailto:investor@hysan.com.hk) or write to the Company at:

Investor Relations  
Hysan Development Company Limited  
49/F. (Reception: 50/F.), Lee Garden One  
33 Hysan Avenue  
Hong Kong  
Telephone: (852) 2895 5777  
Facsimile: (852) 2577 5153

# Corporate Information

## BOARD OF DIRECTORS

Irene Yun Lien LEE (*Chairman*)

Siu Chuen LAU

(*Deputy Chairman and Chief Executive Officer*)

Nicholas Charles ALLEN\*\*

Frederick Peter CHURCHOUSE\*\*

Philip Yan Hok FAN\*\*

Lawrence Juen-Yee LAU\*\*

Joseph Chung Yin POON\*\*

Hans Michael JEBSEN B.B.S.\*

(*Trevor Chi-Hsin YANG as his alternate*)

Anthony Hsien Pin LEE\*

(*Irene Yun Lien LEE as his alternate*)

Chien LEE\*

Michael Tze Hau LEE\*

## AUDIT COMMITTEE

Nicholas Charles ALLEN\*\* (*Chairman*)

Frederick Peter CHURCHOUSE\*\*

Philip Yan Hok FAN\*\*

Anthony Hsien Pin LEE\*

## REMUNERATION COMMITTEE

Philip Yan Hok FAN\*\* (*Chairman*)

Joseph Chung Yin POON\*\*

Michael Tze Hau LEE\*

## NOMINATION COMMITTEE

Irene Yun Lien LEE (*Chairman*)

Nicholas Charles ALLEN\*\*

Philip Yan Hok FAN\*\*

Joseph Chung Yin POON\*\*

Chien LEE\*

\* Non-Executive Director

\*\* Independent Non-Executive Director

## STRATEGY COMMITTEE

Irene Yun Lien LEE (*Chairman*)

Siu Chuen LAU

Nicholas Charles ALLEN\*\*

Philip Yan Hok FAN\*\*

Chien LEE\*

## COMPANY SECRETARY

Maggie Ka Ki CHEUNG

## REGISTERED OFFICE

49/F. (Reception: 50/F)

Lee Garden One

33 Hysan Avenue

Hong Kong

## OUR WEBSITE

Press releases and other information of the Group can be found at our internet website: [www.hysan.com.hk](http://www.hysan.com.hk).

## SHARE LISTING

Hysan's shares are listed on The Stock Exchange of Hong Kong Limited. It has a sponsored American Depositary Receipts (ADR) Programme in the New York market.

## STOCK CODE

The Stock Exchange of Hong Kong Limited: 00014

Bloomberg: 14HK

Reuters: 0014.HK

Ticket Symbol for ADR Code: HYSNY

CUSIP reference number: 449162304

## AUDITOR

Deloitte Touche Tohmatsu

*Certified Public Accountants*