

# Financial Statements, Valuation and Other Information

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# Directors' Responsibility for the Financial Statements

The Hong Kong 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

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## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF HYSAN DEVELOPMENT COMPANY LIMITED

(incorporated in Hong Kong with limited liability)

#### Opinion

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 119 to 181, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including significant accounting policies and financial risk management.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

#### Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## **Key Audit Matters** continued

### **Key audit matter**

#### **Valuation of investment properties**

We identified the valuation of investment properties as a key audit matter due to the inherent level of complex and subjective judgements and estimates required in determining the fair values.

The Group's investment property portfolio comprises retail, office and residential properties mainly located in Causeway Bay, Hong Kong and is stated at fair value of HK\$72,470 million, accounting for approximately 88% of the Group's total assets as at 31 December 2017 with a fair value gain of HK\$853 million recognised in the consolidated statement of profit or loss for the year then ended.

All of the Group's investment properties are measured using the fair value model based on a valuation performed by an independent qualified professional valuer (the "Valuer"). As disclosed in note 3 of the Notes to the Consolidated Financial Statements section of the consolidated financial statements, in determining the fair values of the Group's investment properties, the Valuer has applied a market value basis which involves, inter-alia, certain estimates, including appropriate capitalisation rates, reversionary income potential and redevelopment potential of the investment properties in determining the fair values.

#### **Other Information**

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **How our audit addressed the key audit matter**

Our procedures in relation to the valuation of investment properties included:

- Evaluating the competence, capabilities, and objectivity of the Valuer and obtaining an understanding of the Valuer's scope of work and their terms of engagement;
- Evaluating the appropriateness of the Valuer's valuation approaches to assess if they meet the requirements of the HKFRSs and industry norms;
- Challenging the reasonableness of the key assumptions applied based on available market data and our knowledge of the property industry in Hong Kong; and
- Obtaining the detailed work of the Valuer on selected investment properties to evaluate the accuracy and relevance of key data inputs underpinning the valuation, such as rental income, term of existing leases by comparing them to the existing leases summary of the Group or reversionary income potential by comparing fair market rents estimated by the Valuer against recent lease renewals and evaluating whether capitalisation rates adopted are comparable to the market.

### Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## Independent Auditor's Report continued

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements** continued

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Wong Wang Hei.

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong

28 February 2018

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2017

	Notes	2017 HK\$ million	2016 HK\$ million
Turnover	4	3,548	3,535
Property expenses		(449)	(428)
Gross profit		3,099	3,107
Other income	25	261	–
Investment income	6	69	50
Administrative expenses		(247)	(219)
Finance costs	7	(158)	(178)
Change in fair value of investment properties		853	(1,187)
Share of results of associates		220	237
Profit before taxation		4,097	1,810
Taxation	8	(484)	(463)
<b>Profit for the year</b>	9	<b>3,613</b>	<b>1,347</b>
Profit for the year attributable to:			
Owners of the Company		3,636	1,218
Non-controlling interests		(23)	129
		<b>3,613</b>	<b>1,347</b>
<b>Earnings per share</b> (expressed in HK cents)	14		
Basic		<b>347.78</b>	116.35
Diluted		<b>347.68</b>	116.33

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# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	Note	2017 HK\$ million	2016 HK\$ million
<b>Profit for the year</b>		<b>3,613</b>	<b>1,347</b>
<b>Other comprehensive income</b>	10		
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Gains on revaluation of properties held for own use		38	18
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net adjustments to hedging reserve		(55)	78
Share of translation reserve of associates		240	(236)
		185	(158)
Other comprehensive income (expenses) for the year (net of tax)		223	(140)
<b>Total comprehensive income for the year</b>		<b>3,836</b>	<b>1,207</b>
Total comprehensive income attributable to:			
Owners of the Company		3,859	1,078
Non-controlling interests		(23)	129
		<b>3,836</b>	<b>1,207</b>



# Consolidated Statement of Financial Position

At 31 December 2017

	Notes	2017 HK\$ million	2016 HK\$ million
<b>Non-current assets</b>			
Investment properties	15	72,470	69,633
Property, plant and equipment	16	751	720
Investments in associates	18	3,779	3,497
Loans to associates	18	10	–
Investment in a joint venture	19	147	145
Loans to a joint venture	19	982	873
Fund investment	20	21	–
Term notes	21	228	733
Other financial assets	22	2	13
Other receivables	23	332	135
		<b>78,722</b>	<b>75,749</b>
<b>Current assets</b>			
Loans to a joint venture	19	–	1,018
Accounts and other receivables	23	226	196
Term notes	21	509	422
Other financial assets	22	1	6
Time deposits	24	2,505	2,551
Cash and bank balances	24	157	79
		<b>3,398</b>	<b>4,272</b>
<b>Current liabilities</b>			
Accounts payable and accruals	25	736	935
Other financial liabilities	22	1	–
Rental deposits from tenants		389	339
Amounts due to non-controlling interests	26	327	327
Borrowings	27	150	1,180
Taxation payable		158	112
		<b>1,761</b>	<b>2,893</b>
<b>Net current assets</b>		<b>1,637</b>	<b>1,379</b>
<b>Total assets less current liabilities</b>		<b>80,359</b>	<b>77,128</b>
<b>Non-current liabilities</b>			
Borrowings	27	6,035	5,113
Other financial liabilities	22	30	1
Rental deposits from tenants		506	578
Deferred taxation	28	787	751
		<b>7,358</b>	<b>6,443</b>
<b>Net assets</b>		<b>73,001</b>	<b>70,685</b>
<b>Capital and reserves</b>			
Share capital	29	7,692	7,673
Reserves		62,261	59,817
<b>Equity attributable to owners of the Company</b>		<b>69,953</b>	<b>67,490</b>
<b>Non-controlling interests</b>		<b>3,048</b>	<b>3,195</b>
<b>Total equity</b>		<b>73,001</b>	<b>70,685</b>

The consolidated financial statements on pages 119 to 181 were approved and authorised for issue by the Board of Directors on 28 February 2018 and are signed on its behalf by:

**Lee Irene Y.L.**  
Director

**Lee T.H. Michael**  
Director

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# Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company		
	Share capital HK\$ million	Share options reserve HK\$ million	General reserve HK\$ million
At 1 January 2016	7,642	30	100
Profit for the year	–	–	–
Net gains arising from hedging instruments	–	–	–
Reclassification adjustments for net gains included in profit or loss	–	–	–
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	31	(7)	–
Recognition of equity-settled share-based payments	–	5	–
Forfeiture of share options	–	(4)	–
Cancellation upon repurchase of own shares	–	–	–
Dividends paid during the year (note 13)	–	–	–
At 31 December 2016	7,673	24	100
Profit for the year	–	–	–
Net losses arising from hedging instruments	–	–	–
Reclassification adjustments for net losses included in profit or loss	–	–	–
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 associates	–	–	–
Total comprehensive (expenses) income for the year	–	–	–
Issue of shares under share option schemes	19	(4)	–
Recognition of equity-settled share-based payments	–	4	–
Forfeiture of share options	–	(3)	–
Dividends paid during the year (note 13)	–	–	–
Deemed acquisition of additional equity interest in a subsidiary	–	–	(4)
<b>At 31 December 2017</b>	<b>7,692</b>	<b>21</b>	<b>96</b>

Attributable to owners of the Company								
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	
1	(66)	353	274	59,838	68,172	3,196	71,368	
–	–	–	–	1,218	1,218	129	1,347	
–	77	–	–	–	77	–	77	
–	1	–	–	–	1	–	1	
–	–	22	–	–	22	–	22	
–	–	(4)	–	–	(4)	–	(4)	
–	–	–	(236)	–	(236)	–	(236)	
–	78	18	(236)	1,218	1,078	129	1,207	
–	–	–	–	–	24	–	24	
–	–	–	–	–	5	–	5	
–	–	–	–	4	–	–	–	
–	–	–	–	(395)	(395)	–	(395)	
–	–	–	–	(1,394)	(1,394)	(130)	(1,524)	
1	12	371	38	59,271	67,490	3,195	70,685	
–	–	–	–	3,636	3,636	(23)	3,613	
–	(49)	–	–	–	(49)	–	(49)	
–	(6)	–	–	–	(6)	–	(6)	
–	–	46	–	–	46	–	46	
–	–	(8)	–	–	(8)	–	(8)	
–	–	–	240	–	240	–	240	
–	(55)	38	240	3,636	3,859	(23)	3,836	
–	–	–	–	–	15	–	15	
–	–	–	–	–	4	–	4	
–	–	–	–	3	–	–	–	
–	–	–	–	(1,411)	(1,411)	(128)	(1,539)	
–	–	–	–	–	(4)	4	–	
1	(43)	409	278	61,499	69,953	3,048	73,001	

# Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 HK\$ million	2016 HK\$ million
<b>Operating activities</b>			
Profit before taxation		4,097	1,810
Adjustments for:			
Other income		(261)	–
Net interest income		(69)	(50)
Loss on disposal of property, plant and equipment		7	–
Share-based payment expenses		4	5
Finance costs		158	178
Change in fair value of investment properties		(853)	1,187
Depreciation of property, plant and equipment		22	22
Share of results of associates		(220)	(237)
Operating cash flows before movements in working capital		2,885	2,915
(Increase) decrease in accounts and other receivables		(12)	42
Increase in accounts payable and accruals		49	342
(Decrease) increase in rental deposits from tenants		(22)	27
Cash generated from operations		2,900	3,326
Hong Kong Profits Tax paid		(416)	(412)
Hong Kong Profits Tax refunded		6	5
<b>Net cash from operating activities</b>		<b>2,490</b>	<b>2,919</b>
<b>Investing activities</b>			
Payments in respect of additions of investment properties		(1,472)	(832)
Acquisition of investment properties through acquiring subsidiaries	31	(654)	–
Purchases of property, plant and equipment		(14)	(15)
Advance to associates		(10)	–
Dividends received from an associate		178	187
Advance to a joint venture		(63)	(2,036)
Repayment from a joint venture		998	–
Payment in respect of fund investment		(21)	–
Proceeds upon maturity of term notes		431	414
Purchases of term notes		–	(227)
Interest received		38	66
Additions to time deposits with original maturity over three months		(2,647)	(2,521)
Proceeds upon maturity of time deposits with original maturity over three months		3,282	3,478
<b>Net cash from (used in) investing activities</b>		<b>46</b>	<b>(1,486)</b>
<b>Financing activities</b>			
Interest paid		(194)	(182)
Payment of other finance costs		(19)	(1)
Medium Term Note Programme expenses		(2)	(2)
New bank loans	32	1,410	1,680
Repayment of bank loans	32	(1,540)	(250)
Consideration paid for repurchase of shares		–	(395)
Proceeds on exercise of share options		15	24
Dividends paid		(1,411)	(1,394)
Dividends paid to non-controlling interests of a subsidiary		(128)	(130)
<b>Net cash used in financing activities</b>		<b>(1,869)</b>	<b>(650)</b>
<b>Net increase in cash and cash equivalents</b>		<b>667</b>	<b>783</b>
<b>Cash and cash equivalents at 1 January</b>		<b>1,367</b>	<b>584</b>
<b>Cash and cash equivalents at 31 December</b>	24	<b>2,034</b>	<b>1,367</b>

# Significant Accounting Policies

For the year ended 31 December 2017

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. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

The principal accounting policies adopted are as follows:

## 1. BASIS OF CONSOLIDATION

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

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

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

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

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 attributable to owners of the Company 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 ASSOCIATES AND A JOINT VENTURE

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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of parties sharing control.

The results, assets and liabilities of associate or joint venture are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associate or joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associate or joint venture 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 associate or joint venture. When the Group’s share of losses of an associate or joint venture equals or exceeds its interest in that associate or joint venture (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 or joint venture.

## Significant Accounting Policies continued

For the year ended 31 December 2017

### 2. INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE continued

The requirements of Hong Kong Accounting Standard (“HKAS”) 39 Financial Instrument: Recognition and Measurement are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group’s investment in associate or joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less cost of disposal) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

### 3. 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.

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.

### 4. 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.

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.

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.

## 5. 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, except for certain properties which are 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 immediately in profit or loss, except for certain properties which are carried at revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## 6. 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.

#### (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 Consolidated Financial Statements section.

## Significant Accounting Policies continued

For the year ended 31 December 2017

### 6. FINANCIAL INSTRUMENTS continued

#### Financial assets continued

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

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

Financial assets at FVTPL include derivatives that are not designated and effective as hedging instruments, club debentures and fund investment.

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.

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. 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.

##### (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.

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, 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 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 loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date of impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.



## 6. FINANCIAL INSTRUMENTS continued

### Financial assets continued

#### (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.

### 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.

##### (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) Financial liabilities at amortised cost

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 7 of the Notes to the Consolidated 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.

## Significant Accounting Policies continued

For the year ended 31 December 2017

### 6. FINANCIAL INSTRUMENTS continued

#### Financial liabilities and equity instruments continued

##### (a) Classification and measurement continued

##### (v) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

##### (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 foreign exchange rate risks, including foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in note 22 of the Notes to the Consolidated 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.

#### Hedge accounting

The Group designates certain derivatives as hedging instruments as 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 Consolidated Financial Statements section sets out details of the fair values of the derivative instruments used for hedging purposes.

## 6. FINANCIAL INSTRUMENTS continued

### Hedge accounting continued

#### (a) 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.

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 statement of profit or loss 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.

#### (b) 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).

## 7. 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 is 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.

## 8. 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. For early termination of leases, surrender compensation from tenant is recognised in profit or loss only upon fulfilment of all conditions set out in the surrender agreement.

## 9. 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.

## Significant Accounting Policies continued

For the year ended 31 December 2017

### 9. FOREIGN CURRENCIES continued

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.

### 10. 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.

### 11. 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.

### 12. 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 before taxation as reported in the consolidated statement of profit or loss 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 consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences 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 an associate, and interests in a joint venture, 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.

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.

## 12. TAXATION continued

### (b) Deferred tax continued

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).

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

## 13. 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 its 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. 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.

## 14. 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 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 Impairment of Assets.

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.

## 15. ACQUISITION OF SUBSIDIARIES NOT CONSTITUTING A BUSINESS

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets and liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 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 consolidated 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 HKFRSs 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 2017. The adoption of these amendments to HKFRSs had no material effect on the results and financial position of the Group for the current and/or prior accounting years.

Except for HKFRS 9, which has been partially adopted by the Group as stated below, the Group has not early applied the following new, revised and amendments to standards that have been issued but are not yet effective.

HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers and the related Amendments <sup>1</sup>
HKFRS 16	Leases <sup>3</sup>
HKFRS 17	Insurance Contract <sup>5</sup>
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments <sup>3</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKAS 28	Long-term interests in Associates and Joint Ventures <sup>3</sup>
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle <sup>1</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle <sup>3</sup>

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

<sup>2</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 has early adopted.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

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

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

Except for the new HKFRSs mentioned below, the Directors of the Company anticipate that the application of these new standards, amendments and interpretations to HKFRSs will have no material impact on the Group’s accounting policies, results and financial position.

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

continued

The application of HKFRS 9 (except for those sections that were early adopted by the Group) may result in changes in the Group’s accounting policies in respect of measuring debt instruments at fair value through other comprehensive income, if applicable, and recognition of impairment of financial assets at amortised cost by applying the expected credit loss model of HKFRS 9. Based on the financial instruments and business model of the Group as at 31 December 2017, the Directors of the Company anticipated that the application of HKFRS 9 will have no material impact on the results and financial position of the Group.

The Group currently considers refundable rental deposits received of HK\$895 million as at 31 December 2017 as obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of rental deposits may be adjusted to amortised cost upon application of HKFRS 16. Adjustments to refundable rental deposits received would be considered as advance lease payments from lessees. The Directors of the Company are in the process of assessing the impact on the application of HKFRS 16 in the foreseeable future.

## 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 Group 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\$72,470 million (2016: HK\$69,633 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 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 cross currency swap 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 Consolidated Financial Statements section. The management of the Group 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.

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

### 5. SEGMENT INFORMATION

Based on the internal reports about components of the Group that are regularly reviewed by the chief operating decision maker 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

Property development segment – development and sale of properties

In 2017, the Group's management began to monitor and review the operation of the Group's joint venture separately from other segments of the Group on a regular basis. Therefore, a separate operating and reportable segment is disclosed as property development. The figures for the year ended 31 December 2016 has been represented accordingly for comparative purpose.

#### 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	Property Development HK\$ million	Consolidated HK\$ million
<b>For the year ended 31 December 2017</b>					
<b>Turnover</b>					
Gross rental income from investment properties	1,781	1,210	236	–	3,227
Management fee income	144	149	28	–	321
<b>Segment revenue</b>	<b>1,925</b>	<b>1,359</b>	<b>264</b>	<b>–</b>	<b>3,548</b>
Property expenses	(253)	(142)	(54)	–	(449)
<b>Segment profit</b>	<b>1,672</b>	<b>1,217</b>	<b>210</b>	<b>–</b>	<b>3,099</b>
Other income					261
Investment income					69
Administrative expenses					(247)
Finance costs					(158)
Change in fair value of investment properties					853
Share of results of associates					220
Profit before taxation					<b>4,097</b>
<b>For the year ended 31 December 2016</b>					
<b>Turnover</b>					
Gross rental income from investment properties	1,829	1,142	244	–	3,215
Management fee income	140	150	30	–	320
<b>Segment revenue</b>	<b>1,969</b>	<b>1,292</b>	<b>274</b>	<b>–</b>	<b>3,535</b>
Property expenses	(227)	(149)	(52)	–	(428)
<b>Segment profit</b>	<b>1,742</b>	<b>1,143</b>	<b>222</b>	<b>–</b>	<b>3,107</b>
Investment income					50
Administrative expenses					(219)
Finance costs					(178)
Change in fair value of investment properties					(1,187)
Share of results of an associate					237
Profit before taxation					<b>1,810</b>



## 5. SEGMENT INFORMATION *continued*

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 other income, investment income, 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 operating decision maker of the Group for the purpose of resource allocation and performance assessment.

### 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	Property Development HK\$ million	Consolidated HK\$ million
<b>As at 31 December 2017</b>					
<b>Segment assets</b>	<b>33,195</b>	<b>31,325</b>	<b>7,961</b>	<b>1,129</b>	<b>73,610</b>
Investments in and loans to associates					3,789
Fund investment					21
Other assets					4,700
Consolidated assets					<u>82,120</u>
<b>As at 31 December 2016</b>					
<b>Segment assets</b>	<b>33,089</b>	<b>23,833</b>	<b>7,859</b>	<b>2,036</b>	<b>66,817</b>
Investment properties under redevelopment ( <i>Note</i> )					4,860
Investment in an associate					3,497
Other assets					4,847
Consolidated assets					<u>80,021</u>

Segment assets represented the investment properties and accounts receivable of each segment and investment in and loans to a joint venture under property development segment without allocation of investment properties under redevelopment, property, plant and equipment, investments in and loans to associates, fund investment, term notes, other financial assets, other receivables, time deposits, cash and bank balances. This is the measure reported to the chief operating decision maker 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 investment in an associate, which operates in the People's Republic of China (the "PRC") with carrying amounts of HK\$3,779 million (2016: HK\$3,497 million), all the Group's assets are located in Hong Kong.

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

### 5. SEGMENT INFORMATION continued

#### Other segment information

	Retail HK\$ million	Office HK\$ million	Residential HK\$ million	Property Development HK\$ million	Consolidated HK\$ million
<b>For the year ended 31 December 2017</b>					
Additions to non-current assets	172	22	7	–	201
Acquisition of investment properties through acquiring subsidiaries ( <i>note 31</i> )	654	–	–	–	654
Additions to investment properties under redevelopment ( <i>Note</i> )					1,129
					<b>1,984</b>
<b>For the year ended 31 December 2016</b>					
Additions to non-current assets	325	95	20	–	440
Additions to investment properties under redevelopment ( <i>Note</i> )					570
					<b>1,010</b>

Note:

The investment properties under redevelopment were completed during the year ended 31 December 2017.

### 6. INVESTMENT INCOME

The following is an analysis of investment income:

	2017 HK\$ million	2016 HK\$ million
Financial assets measured at amortised cost	51	49
Reclassification of net (gain) losses from hedging reserve on financial instruments designated as cash flow hedges	(10)	1
Imputed interest income on interest-free loan to a joint venture	28	–
	<b>69</b>	<b>50</b>

## 7. FINANCE COSTS

	2017 HK\$ million	2016 HK\$ million
Finance costs comprise:		
Interest on unsecured bank loans	22	7
Interest on unsecured fixed rate notes	175	175
Total interest expenses	197	182
Other finance costs	7	4
Less: amounts capitalised ( <i>Note</i> )	(51)	(14)
	153	172
Net exchange losses on borrowings	19	2
Reclassification of net (loss) gain from hedging reserve on financial instruments designated as cash flow hedges	(16)	2
Medium Term Note Programme expenses	2	2
	158	178

Note:

Interest expenses have been capitalised to investment properties under redevelopment at an average interest rate of 3.41 % (2016: 2.61 %) per annum.

## 8. TAXATION

	2017 HK\$ million	2016 HK\$ million
Current tax		
Hong Kong profits tax		
– current year	458	400
– overprovision in prior years	(2)	(1)
	456	399
Deferred tax ( <i>note 28</i> )	28	64
	484	463

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

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

### 8. TAXATION continued

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

	2017 HK\$ million	2016 HK\$ million
Profit before taxation	4,097	1,810
Tax at Hong Kong Profits Tax rate of 16.5%	676	298
Tax effect of share of results of associates	(36)	(39)
Tax effect of expenses not deductible for tax purposes	245	284
Tax effect of income not taxable for tax purposes	(393)	(89)
Tax effect of estimated tax losses not recognised	18	11
Recognition of previously unrecognised tax losses	(24)	(1)
Overprovision in prior years	(2)	(1)
Taxation for the year	484	463

In addition to the amount charged to the consolidated statement of profit or loss, 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).

### 9. PROFIT FOR THE YEAR

	2017 HK\$ million	2016 HK\$ million
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	3	3
Depreciation of property, plant and equipment	22	22
Gross rental income from investment properties including contingent rentals of HK\$48 million (2016: HK\$46 million)	(3,227)	(3,215)
Less:		
– Direct operating expenses arising from properties that generated rental income	400	410
– Direct operating expenses arising from properties that did not generate rental income	49	18
	(2,778)	(2,787)
Staff costs, comprising:		
– Directors' emoluments ( <i>note 11</i> )	25	23
– Other staff costs including share-based payments of HK\$2 million (2016: HK\$3 million)	246	236
	271	259
Share of income tax of associates (included in share of results of associates)	94	101

## 10. OTHER COMPREHENSIVE INCOME

	2017 HK\$ million	2016 HK\$ million
Other comprehensive income comprises:		
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
Revaluation of properties held for own use:		
Gains on revaluation of properties held for own use	46	22
Deferred taxation arising on revaluation	(8)	(4)
	<b>38</b>	<b>18</b>
<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	(49)	77
Reclassification adjustments for net (losses) gains included in profit or loss	(6)	1
	<b>(55)</b>	<b>78</b>
Share of translation reserve of associates	<b>240</b>	<b>(236)</b>
	<b>185</b>	<b>(158)</b>
Other comprehensive income (expenses) for the year (net of tax)	<b>223</b>	<b>(140)</b>

Tax effect relating to other comprehensive income (expenses):

	2017			2016		
	Before-tax amount HK\$ million	Tax expense HK\$ million	Net-of-tax amount HK\$ million	Before-tax amount HK\$ million	Tax expense HK\$ million	Net-of-tax amount HK\$ million
Gains on revaluation of properties held for own use	46	(8)	38	22	(4)	18
Net adjustments to hedging reserve	(55)	–	(55)	78	–	78
Share of translation reserve of associates	240	–	240	(236)	–	(236)
	<b>231</b>	<b>(8)</b>	<b>223</b>	<b>(136)</b>	<b>(4)</b>	<b>(140)</b>

## 11. DIRECTORS' EMOLUMENTS

	2017 HK\$ million	2016 HK\$ million
Directors' fees	3	2
Other emoluments		
Basic salaries, housing and other allowances	7	8
Bonus ( <i>Notes d &amp; f</i> )	13	11
Share-based payments	2	2
	<b>25</b>	<b>23</b>

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

### 11. DIRECTORS' EMOLUMENTS continued

The emoluments paid or payable to each of the Directors of the Company for the two years ended 31 December 2017 and 2016, 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 2017</b>						
<b>Executive Director (Note a)</b>						
Lee Irene Yun-Lien	–	7,103	13,150	1,872	18	22,143
<b>Non-Executive Directors (Note b)</b>						
Jebsen Hans Michael	255	–	–	–	–	255
Lee Anthony Hsien Pin	295	–	–	–	–	295
Lee Chien	275	–	–	–	–	275
Lee Tze Hau Michael	265	–	–	–	–	265
Lau Siu Chuen (Note h)	83	–	–	–	–	83
<b>Independent Non-Executive Directors (Note c)</b>						
Churchose Frederick Peter	295	–	–	–	–	295
Fan Yan Hok Philip	405	–	–	–	–	405
Lau Lawrence Juen-Yee	245	–	–	–	–	245
Poon Chung Yin Joseph (Note i)	446	–	–	–	–	446
	<b>2,564</b>	<b>7,103</b>	<b>13,150</b>	<b>1,872</b>	<b>18</b>	<b>24,707</b>
	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 2016</b>						
<b>Executive Director (Note a)</b>						
Lee Irene Yun-Lien	–	5,083	10,543	2,298	18	17,942
<b>Non-Executive Directors (Note b)</b>						
Jebsen Hans Michael (Note j)	232	–	–	–	–	232
Lau Siu Chuen (Note k)	93	2,969	–	(726)	12	2,348
Lee Anthony Hsien Pin	280	–	–	–	–	280
Lee Chien	260	–	–	–	–	260
Lee Tze Hau Michael	254	–	–	–	–	254
<b>Independent Non-Executive Directors (Note c)</b>						
Allen Nicholas Charles (Note l)	132	–	–	–	–	132
Churchose Frederick Peter	280	–	–	–	–	280
Fan Yan Hok Philip	385	–	–	–	–	385
Lau Lawrence Juen-Yee (Note m)	227	–	–	–	–	227
Poon Chung Yin Joseph (Note n)	359	–	–	–	–	359
	<b>2,502</b>	<b>8,052</b>	<b>10,543</b>	<b>1,572</b>	<b>30</b>	<b>22,699</b>

## 11. DIRECTORS' EMOLUMENTS *continued*

Notes:

- (a) The Executive Director's emoluments shown above were for the services in connection with the management of the affairs of the Company and the Group.
- (b) The Non-Executive Directors' emoluments shown above were for the services as Directors of the Company.
- (c) The Independent Non-Executive Directors' emoluments shown above were for the services as Directors of the Company.
- (d) Year 2017:

The Remuneration Committee met in February 2017 to approve the 2017 annual fixed base salary and the annual special fee and determine the 2016 performance-based bonus of the Company's Executive Director.

The annual cash compensations of Lee Irene Yun-Lien, Chairman, was revised to HK\$15,386,000 based on market benchmark, and the jobholder's experience, qualification, and performance. Annual base salary of Lee Irene Yun-Lien remained unchanged at HK\$5,129,000 and annual special fee in recognition of extra responsibilities she assumed was HK\$2,564,000 (making up 50% of the total package).

For the year ended 31 December 2017, the bonus of HK\$13,150,000 represented the 2017 bonus of HK\$12,693,000 approved by the Committee in February 2018, and adjustments for 2016 bonus accrued in 2016. The performance-based bonus for 2016 approved by the Committee and paid to Executive Director in March 2017 was amounted to HK\$10,257,000.

- (e) Last revision of annual Directors' fees for serving on the Board and certain of its Committees (effective 1 June 2016) were approved by shareholders at the 2016 AGM. Details are set out in Remuneration Committee Report.

Directors' 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 2017 is set out below:

	Board HK\$'000	Audit Committee HK\$'000	Remuneration Committee HK\$'000	Strategy Committee HK\$'000	Nomination Committee HK\$'000	2017 Total HK\$'000	2016 Total HK\$'000
<b>Executive Director</b>							
Lee Irene Yun-Lien	–	–	–	–	–	–	–
<b>Non-Executive Directors</b>							
Jebsen Hans Michael ( <i>Note j</i> )	225	–	–	30	–	255	232
Lee Anthony Hsien Pin	225	70	–	–	–	295	280
Lee Chien	225	–	–	30	20	275	260
Lee Tze Hau Michael	225	–	40	–	–	265	254
Lau Siu Chuen ( <i>Notes h and k</i> )	83	–	–	–	–	83	93
<b>Independent Non-Executive Directors</b>							
Allen Nicholas Charles ( <i>Note l</i> )	–	–	–	–	–	–	132
Churchouse Frederick Peter	225	70	–	–	–	295	280
Fan Yan Hok Philip	225	70	60	30	20	405	385
Lau Lawrence Juen-Yee ( <i>Note m</i> )	225	–	–	–	20	245	227
Poon Chung Yin Joseph ( <i>Notes i and n</i> )	225	135	40	26	20	446	359
	1,883	345	140	116	80	2,564	2,502

- (f) Year 2016:

The Remuneration Committee met in March 2016 to approve the 2016 annual fixed base salary and determine the 2015 performance-based bonus of the Company's Executive Directors.

The annual cash compensations of Lee Irene Yun-Lien, Chairman, and Lau Siu Chuen, then Deputy Chairman and Chief Executive Officer, were revised to HK\$10,257,000 and HK\$11,108,000 respectively, based on market benchmark, and the jobholder's experience, qualification, and performance. Annual base salaries of Lee Irene Yun-Lien and Lau Siu Chuen revised to HK\$5,129,000 and HK\$5,554,000 (making up 50% of the total package) respectively.

For the year ended 31 December 2016, the bonus figures of HK\$10,543,000 represented the 2016 target bonus figures of HK\$9,800,000 pending finalised by the Committee after year-end in February 2017, and included adjustments for 2015 bonus accrued in 2015 (following finalisation of bonus by the Committee in March 2016). The performance-based bonus for 2015 approved by the Committee and paid to Executive Directors in March 2016 was amounted to HK\$13,443,000.

- (g) 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 schemes are set out in note 38 of the Notes to the Consolidated Financial Statements section.
- (h) Lau Siu Chuen ceased as a Non-Executive Director with effect from the conclusion of the 2017 AGM.
- (i) Poon Chung Yin Joseph was appointed as a member of the Strategy Committee with effect from 22 February 2017.

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

### 11. DIRECTORS' EMOLUMENTS continued

Notes: continued

- (j) Jebsen Hans Michael was appointed a member of the Strategy Committee with effect from the conclusion of the 2016 AGM.
- (k) Lau Siu Chuen stepped down as Deputy Chairman and Chief Executive Officer. He was re-designated as Non-Executive Director and ceased to be a member of the Strategy Committee with effect from the conclusion of the August 2016 Board Meeting.
- (l) Allen Nicholas Charles retired as Independent Non-Executive Director, the chairman of the Audit Committee, a member of the Nomination Committee and a member of the Strategy Committee with effect from the conclusion of the 2016 AGM.
- (m) Lau Lawrence Juen-Yee was appointed a member of the Nomination Committee with effect from the conclusion of the 2016 AGM.
- (n) Poon Chung Yin Joseph was appointed the chairman of the Audit Committee with effect from the conclusion of the 2016 AGM.

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.

### 12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2016: two) was Director of the Company, details of whose emoluments are included in note 11 of the Notes to the Consolidated Financial Statements section. The emoluments of all of the five individuals with the highest emoluments for the years ended 31 December 2017 and 2016 were as follows:

	2017 HK\$ million	2016 HK\$ million
Basic salaries, housing and other allowances	20	17
Bonus	17	16
Share-based payments ( <i>Note</i> )	3	2
	<b>40</b>	<b>35</b>

Note:

Share-based payments are the fair values of share options granted to Executive Director 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 Director or eligible employees exercise the share options or not during the year.

Their emoluments are within the following bands:

	Number of individuals	
	2017	2016
HK\$3,500,001 to HK\$4,000,000	–	1
HK\$4,000,001 to HK\$4,500,000	3	3
HK\$4,500,001 to HK\$5,000,000	1	–
HK\$17,500,001 to HK\$18,000,000	–	1
HK\$22,000,001 to HK\$22,500,000	1	–
	<b>5</b>	<b>5</b>

Senior management (for the purpose of the Rules Governing the Listing of Securities on the Stock Exchange (“the Listing Rules”)) during the year are Executive Director and other members of senior management of the Group. Their emoluments are within the following bands.

	Number of individuals	
	2017	2016
Nil to HK\$1,000,000	–	1
HK\$2,000,001 to HK\$3,000,000	–	1
HK\$3,000,001 to HK\$4,000,000	–	2
HK\$4,000,001 to HK\$5,000,000	5	2
HK\$17,000,001 to HK\$18,000,000	–	1
HK\$22,000,001 to HK\$23,000,000	1	–
	<b>6</b>	<b>7</b>



### 13. DIVIDENDS

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

	2017 HK\$ million	2016 HK\$ million
2017 first interim dividend paid – HK26 cents per share	272	–
2016 first interim dividend paid – HK26 cents per share	–	272
2016 second interim dividend paid – HK109 cents per share	1,139	–
2015 second interim dividend paid – HK107 cents per share	–	1,122
	<b>1,411</b>	<b>1,394</b>

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

	2017 HK\$ million	2016 HK\$ million
Second interim dividend (in lieu of a final dividend) – HK111 cents per share (2016: HK109 cents per share)	<b>1,161</b>	<b>1,139</b>

The second interim dividend is not recognised as a liability as at 31 December 2017 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 2018.

The declared second interim dividend will be payable in cash.

### 14. 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	
	2017 HK\$ million	2016 HK\$ million
Earnings for the purposes of basic and diluted earnings per share: Profit for the year attributable to owners of the Company	<b>3,636</b>	1,218
	Number of shares	
	2017	2016
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,045,495,841</b>	1,046,870,824
Effect of dilutive potential ordinary shares: Share options issued by the Company	<b>283,181</b>	170,710
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>1,045,779,022</b>	1,047,041,534

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.

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

### 14. 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:

	2017		2016	
	Profit HK\$ million	Basic earnings per share HK cents	Profit HK\$ million	Basic earnings per share HK cents
<b>Profit for the year attributable to owners of the Company</b>	<b>3,636</b>	<b>347.78</b>	1,218	116.35
Change in fair value of investment properties	(853)	(81.59)	1,187	113.39
Effect of non-controlling interests' shares	(253)	(24.20)	(30)	(2.87)
Share of change in fair value of investment properties (net of deferred taxation) of associates	(11)	(1.05)	(6)	(0.58)
Imputed interest income on interest-free loan to a joint venture	(28)	(2.68)	–	–
<b>Underlying Profit</b>	<b>2,491</b>	<b>238.26</b>	2,369	226.29
One-off early surrender compensation income (net of effect of taxation and non-controlling interests' shares)	(142)	(13.58)	–	–
<b>Recurring Underlying Profit</b>	<b>2,349</b>	<b>224.68</b>	2,369	226.29

Notes:

- Recurring Underlying Profit is arrived at by excluding from Underlying Profit items that are non-recurring in nature. As there were no such adjustments in 2016, the Recurring Underlying Profit was the same as the Underlying Profit.
- The denominators used in calculating the adjusted earnings per share are the same as those detailed above for basic earnings per share.

### 15. INVESTMENT PROPERTIES

	2017 HK\$ million	2016 HK\$ million
<b>Fair Value</b>		
At 1 January	69,633	69,810
Additions	1,330	1,010
Acquisition of investment properties through acquiring subsidiaries (note 31)	654	–
Change in fair value recognised in profit or loss – unrealised	853	(1,187)
<b>At 31 December</b>	<b>72,470</b>	69,633

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.

## 15. INVESTMENT PROPERTIES *continued*

### Fair value measurements and valuation processes

The fair value of the Group's investment properties at 31 December 2017 and 2016 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.

There has been no change to the valuation technique during the year for completed properties.

For investment properties under redevelopment as at 31 December 2016, 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.

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 as below.

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 2016	34,230	23,110	7,833	4,637	69,810
Additions	325	95	20	570	1,010
Change in fair value recognised in profit or loss – unrealised	(1,473)	627	6	(347)	(1,187)
At 31 December 2016	33,082	23,832	7,859	4,860	69,633
Additions	172	22	7	1,129	1,330
Acquisition of investment properties through acquiring subsidiaries	654	–	–	–	654
Change in fair value recognised in profit or loss – unrealised	(1,994)	1,773	91	983	853
Transfer upon completion	1,274	5,698	–	(6,972)	–
<b>At 31 December 2017</b>	<b>33,188</b>	<b>31,325</b>	<b>7,957</b>	<b>–</b>	<b>72,470</b>

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

### 15. 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
	2017 HK\$ million	2016 HK\$ million				
Retail	33,188	33,082	Income capitalisation approach	(i) Capitalisation rate	5.00% – 5.25% (2016: 5.00% – 5.25%)	The higher the capitalisation rate, the lower the fair value.
				(ii) Market rent per month	HK\$132 per square foot (2016: HK\$143 per square foot)	The higher the market rent, the higher the fair value.
Office	31,325	23,832	Income capitalisation approach	(i) Capitalisation rate	4.25% – 5.00% (2016: 4.25% – 5.00%)	The higher the capitalisation rate, the lower the fair value.
				(ii) Market rent per month	HK\$54 per square foot (2016: HK\$50 per square foot)	The higher the market rent, the higher the fair value.
Residential	7,957	7,859	Income capitalisation approach	(i) Capitalisation rate	3.75% (2016: 3.75%)	The higher the capitalisation rate, the lower the fair value.
				(ii) Market rent per month	HK\$36 per square foot (2016: HK\$35 per square foot)	The higher the market rent, the higher the fair value.
Investment properties under redevelopment (Note)	–	4,860	Residual method	(i) Capitalisation rate	– (2016: 4.25% – 5.00%)	The higher the capitalisation rate, the lower the fair value.
				(ii) Market rent per month	– (2016: HK\$76 per square foot)	The higher the market rent, the higher the fair value.

Note:

The investment properties under redevelopment were completed during the year ended 31 December 2017.

## 16. 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 2016	666	113	49	2	830
Additions	–	4	11	–	15
Disposals	–	(1)	–	–	(1)
Surplus on revaluation	16	–	–	–	16
At 31 December 2016	682	116	60	2	860
Additions	–	3	11	–	14
Disposals	–	(20)	(1)	–	(21)
Surplus on revaluation	40	–	–	–	40
<b>At 31 December 2017</b>	<b>722</b>	<b>99</b>	<b>70</b>	<b>2</b>	<b>893</b>
Comprising:					
At cost	–	99	70	2	171
At valuation 2017	722	–	–	–	722
	722	99	70	2	893
<b>ACCUMULATED DEPRECIATION</b>					
At 1 January 2016	–	84	40	1	125
Provided for the year	6	12	4	–	22
Eliminated on disposals	–	(1)	–	–	(1)
Eliminated on revaluation	(6)	–	–	–	(6)
At 31 December 2016	–	95	44	1	140
Provided for the year	6	10	6	–	22
Eliminated on disposals	–	(13)	(1)	–	(14)
Eliminated on revaluation	(6)	–	–	–	(6)
<b>At 31 December 2017</b>	<b>–</b>	<b>92</b>	<b>49</b>	<b>1</b>	<b>142</b>
<b>CARRYING AMOUNTS</b>					
<b>At 31 December 2017</b>	<b>722</b>	<b>7</b>	<b>21</b>	<b>1</b>	<b>751</b>
At 31 December 2016	682	21	16	1	720

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

### 16. PROPERTY, PLANT AND EQUIPMENT continued

The above items of property, plant and equipment are depreciated on a straight-line basis over the following terms or 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 2017 and 2016 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 as below.

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
	2017 HK\$ million	2016 HK\$ million				
Leasehold land and buildings in Hong Kong	722	682	Income capitalisation approach	(i) Capitalisation rate	4.25% – 5.25% (2016: 4.25% – 5.25%)	The higher the capitalisation rate, the lower the fair value.
				(ii) Market rent per month	HK\$62 per square foot (2016: HK\$58 per square foot)	The higher the market rent, the higher the fair value.

The gains of HK\$46 million (2016: HK\$22 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 at historical cost less subsequent accumulated depreciation, their carrying amounts would have been HK\$243 million (2016: HK\$249 million) at the end of the reporting period.

Furniture, fixtures and equipment of the Group include assets carried at cost of HK\$34 million (2016: HK\$33 million) and accumulated depreciation of HK\$29 million (2016: HK\$27 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 (2016: HK\$2 million).

## 17. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The table below lists the principal subsidiaries of the Company at 31 December 2017 and 2016:

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
Alpha Ace Limited	Hong Kong	HK\$1	–	100 %	Property development
Bamboo Grove Recreational Services Limited	Hong Kong	HK\$2	–	100 %	Resident club management
Earn Extra Investments Limited	Hong Kong	HK\$1	–	100 %	Property investment
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
Mariner Bay Limited	British Virgin Islands/ Hong Kong	US\$1	–	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 unsecured fixed rate notes issued by Hysan (MTN) Limited (“Hysan MTN”) as disclosed in note 27 of the Notes to the Consolidated Financial Statements section, none of the subsidiaries had issued any debt securities at the end of the reporting period.

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

### 17. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY continued

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.

#### Barrowgate Limited

	2017 HK\$ million	2016 HK\$ million
Current assets	699	714
Non-current assets	9,427	10,123
Current liabilities	(1,160)	(1,418)
Non-current liabilities	(166)	(187)
Equity attributable to owners of the Company	5,752	6,034
Non-controlling interests	3,048	3,198
Turnover	628	645
(Loss) profit and total comprehensive (expenses) income for the year	(62)	379
(Loss) profit and total comprehensive (expenses) income attributable to owner of the Company	(40)	248
(Loss) profit and total comprehensive (expenses) income attributable to the non-controlling interests	(22)	131
Dividends paid to non-controlling interests	128	130
Net cash inflows from operating activities	400	823
Net cash outflows from investing activities	(571)	(9)
Cash outflows from financing activities	(370)	(375)
Net cash (outflows) inflows	(541)	439

### 18. INVESTMENTS IN ASSOCIATES AND LOANS TO ASSOCIATES

	2017 HK\$ million	2016 HK\$ million
Cost of unlisted investments	2	2
Share of post-acquisition profits and other comprehensive income, net of dividends received	3,777	3,495
	3,779	3,497
Loans to associates classified as:		
Non-current assets	10	–

The balances of loans to associates are unsecured, interest-free and have no fixed repayment terms. The Directors of the Company are of the opinion that the Group will not demand repayment from the associates within the next twelve months from the end of the reporting period and the loans are therefore classified as non-current assets.



## 18. INVESTMENTS IN ASSOCIATES AND LOANS TO ASSOCIATES *continued*

The Directors of the Company are of the opinion that a complete list of all associates will be of excessive length and the Group summarises details of the Group's material associate at 31 December 2017 and 2016 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

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

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".

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 associates are accounted for using the equity method in the Group's consolidated financial statements.

### Country Link

	2017 HK\$ million	2016 HK\$ million
Current assets	2,179	2,241
Non-current assets	18,328	16,556
Current liabilities	(991)	(1,052)
Non-current liabilities	(4,234)	(3,613)
Turnover	1,432	1,571
Profit for the year	897	967
Other comprehensive income (expenses) for the year	974	(954)
Total comprehensive income for the year	1,871	13
Group's share of results of an associate for the year	220	237
Group's share of other comprehensive income of an associate for the year	240	(236)
Dividends received from the associate during the year	178	187

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

### 18. INVESTMENTS IN ASSOCIATES AND LOANS TO ASSOCIATES continued

#### Country Link continued

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:

	2017 HK\$ million	2016 HK\$ million
Net assets of the associate	15,282	14,132
Non-controlling interests of the associate	(901)	(829)
Net assets of the associate after deducting non-controlling interests of the associate	14,381	13,303
Proportion of the Group's ownership interest in the associate	26.3%	26.3%
Group's share of net assets of the associate	3,784	3,500
Others	(5)	(3)
Carrying amount of the Group's interest in the associate	3,779	3,497

### 19. INVESTMENT IN A JOINT VENTURE AND LOAN TO A JOINT VENTURE

Details of the Group's investment in and loans to a joint venture are as follow:

	2017 HK\$ million	2016 HK\$ million
Investment in a joint venture		
Unlisted shares, at cost	–	–
Deemed capital contribution in a joint venture ( <i>Note a</i> )	147	145
	147	145
Loans to a joint venture classified as:		
Current assets	–	1,018
Non-current assets ( <i>Note b</i> )	982	873
	982	1,891

Notes:

- (a) The deemed capital contribution in a joint venture represents the fair value adjustments in relation to the loan to a joint venture at initial recognition based on the estimated timing on future cash flows.
- (b) The loans to a joint venture are unsecured and have no fixed repayment terms. As at 31 December 2017, except for the loans to a joint venture with aggregate carrying amounts of HK\$63 million (2016: nil) which are carrying variable rates ranging from 2.36% to 3.00% per annum, the remaining loan to a joint venture of the Group is interest-free. The Directors are of the opinion that the Group will not demand repayment of the loan from the joint venture within the next twelve months from the end of the reporting period and the loans are therefore classified as non-current assets. The effective interest rate for imputed interest income on the interest-free portion is determined based on the cost of fund of the borrower per annum.

## 19. INVESTMENT IN A JOINT VENTURE AND LOAN TO A JOINT VENTURE continued

Details of the Group's joint venture at 31 December 2017 and 2016 are as follows:

Name of joint venture	Place of incorporation and operation	Class of share held	Effective ownership interest and voting rights held by the Group	Principal activities
Strongbod Limited ( <i>Note a</i> )	British Virgin Islands	Ordinary shares of US\$10	60% ( <i>Note b</i> )	Investment holding
Gainwick Limited ( <i>Note a</i> )	Hong Kong	Ordinary share of HK\$1	60% ( <i>Note b</i> )	Property development and investment

Notes:

- (a) Gainwick Limited is a wholly owned subsidiary of Strongbod Limited, together known as "Strongbod".
- (b) Pursuant to the shareholder's agreement dated 5 December 2016, entered into by the Group, the joint venture partner and Strongbod, decisions on all relevant business and operation activities of Strongbod require unanimous board approval from Directors of Strongbod appointed by the Group and those appointed by the joint venture partner. Therefore, the Group recognised the investment in Strongbod as a joint venture.

The summarised consolidated financial information in respect of the Group's material joint venture is set out below. The summarised consolidated financial information below represents amounts shown in the joint venture's consolidated financial statements prepared in accordance with HKFRSs. The joint venture is accounted for using the equity method in the Group's consolidated financial statements. There was no share of post-acquisition profits and other comprehensive income in both years.

### Strongbod

	2017 HK\$ million	2016 HK\$ million
Current assets	23	–
Non-current assets	3,490	3,393
Current liabilities	11	1,696
Non-current liabilities	3,502	1,697

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

	2017 HK\$ million	2016 HK\$ million
Net assets of the joint venture	–	–
Proportion of the Group's ownership interest in the joint venture	60%	60%
Group's share of net assets of the joint venture	–	–
Add: Deemed capital contribution in the joint venture	147	145
Carrying amount of the Group's interest in the joint venture	147	145

## 20. FUND INVESTMENT

The balance represents the Group's interest in a fund investment as limited partner. The fund investment will engage in property investment in Hong Kong and overseas projects. The fund investment is classified as fair value through profit or loss ("FVTPL").

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

### 21. TERM NOTES

	2017 HK\$ million	2016 HK\$ million
Term notes, at amortised cost, comprise:		
– Debt securities listed in Hong Kong	604	817
– Debt securities listed in overseas	102	187
– Unlisted debt securities	31	151
<b>Total</b>	<b>737</b>	<b>1,155</b>
Analysed for reporting purposes as:		
Current assets	509	422
Non-current assets	228	733
<b>Total</b>	<b>737</b>	<b>1,155</b>

As at 31 December 2017, the effective yield of the debt securities ranged from 1.81 % to 2.60 % (2016: 1.81 % to 3.27 %) per annum, payable quarterly, semi-annually or annually, and the securities will mature from January 2018 to July 2019 (2016: from January 2017 to July 2019). 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	
	2017 HK\$ million	2016 HK\$ million	2017 HK\$ million	2016 HK\$ million
<b>Other financial assets</b>				
Derivatives under hedge accounting:				
Cash flow hedges				
– Forward foreign exchange contracts	1	6	1	1
– Cross currency swap	–	–	–	11
	1	6	1	12
Financial assets measured at FVTPL:				
Club debenture	–	–	1	1
<b>Total</b>	<b>1</b>	<b>6</b>	<b>2</b>	<b>13</b>
<b>Other financial liabilities</b>				
Derivatives under hedge accounting:				
Cash flow hedges				
– Forward foreign exchange contracts	1	–	–	1
– Cross currency swap	–	–	30	–
<b>Total</b>	<b>1</b>	<b>–</b>	<b>30</b>	<b>1</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 swap to manage its foreign currency exposure. The principal terms of the forward foreign exchange contracts and cross currency swap 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 swap at the end of the reporting period are as follows:

#### Hedging instruments

	2017					2016				
	Average exchange rate*	Foreign currency	Notional amount million	HK\$ million	Fair value HK\$ million	Average exchange rate*	Foreign currency	Notional amount million	HK\$ million	Fair value HK\$ million
<b>Forward foreign exchange contracts</b>										
<b>Sell US dollars ("USD")</b>										
(Note a)										
Within 1 year	7.8021	USD	42	329	–	7.7704	USD	28	221	–
More than 1 year but not exceeding 5 years	7.7996	USD	28	218	1	7.8011	USD	70	547	–
	7.8011	USD	70	547	1	7.7922	USD	98	768	–
<b>Sell Renminbi ("RMB")</b>										
(Note b)										
Within 1 year	–	–	–	–	–	1.2185	RMB	55	67	6
<b>Cross currency swap</b>										
<b>Hedging interest and principal of USD fixed rate notes</b>										
(Note c)										
More than 5 years	7.7519	USD	300	2,326	(30)	7.7519	USD	300	2,326	11
<b>Total</b>				<b>2,873</b>	<b>(29)</b>				<b>3,161</b>	<b>17</b>

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

#### Notes:

- The Group used HK\$547 million (2016: HK\$768 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.
- In 2016, the Group used HK\$67 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 was excluded from the cash flow hedge. All the RMB forward foreign exchange contracts were matured during 2017.
- The Group used HK\$2,326 million (2016: HK\$2,326 million) cross currency swap to convert USD interest and principal of US\$300 million (2016: US\$300 million) fixed rate notes into HKD.

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

### 22. OTHER FINANCIAL ASSETS/LIABILITIES continued

#### (a) Cash flow hedges continued

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

##### Hedged items

	Carrying amount of the hedged item				Cash flow hedge reserves	
	Assets		Liabilities		2017 HK\$ million	2016 HK\$ million
	2017 HK\$ million	2016 HK\$ million	2017 HK\$ million	2016 HK\$ million		
USD term notes	548	764	–	–	1	1
RMB term notes & time deposits	–	61	–	–	–	1
USD fixed rate notes	–	–	2,338	2,317	(44)	10

The hedging ineffectiveness for the years ended 31 December 2017 and 2016 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
	2017 HK\$ million	2016 HK\$ million	2017 HK\$ million	2016 HK\$ million	
	Forward foreign exchange contracts	(6)	(1)	10	
Cross currency swap	(43)	78	(16)	2	Finance costs

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

#### (b) Financial assets measured at FVTPL

##### Club debenture

Amount represented investment in unlisted club debenture. The Group's investment in unlisted club debenture has been classified as financial assets measured at FVTPL.

### 23. ACCOUNTS AND OTHER RECEIVABLES

	2017 HK\$ million	2016 HK\$ million
Accounts receivable	11	8
Interest receivable	44	50
Prepayments in respect of investment properties	283	76
Other receivables and prepayments	220	197
Total	558	331
Analysed for reporting purposes as:		
Current assets	226	196
Non-current assets	332	135
	558	331

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\$11 million (2016: HK\$8 million) mainly represented rents receipts in arrears, which were aged less than 90 days.

At the end of the reporting period, HK\$3 million (2016: nil) of the accounts receivable were past due but not impaired as the accounts receivables are generally fully covered by the rental deposits from corresponding tenants.

## 24. TIME DEPOSITS/CASH AND BANK BALANCES

	2017 HK\$ million	2016 HK\$ million
Time deposits	2,505	2,551
Cash and bank balances	157	79
Cash and deposits with banks shown in the consolidated statement of financial position	2,662	2,630
Less: Time deposits with original maturity over three months	(628)	(1,263)
Cash and cash equivalents shown in the consolidated statement of cash flows	2,034	1,367

Time deposits, cash and bank balances include bank deposits carrying effective interest rates ranging from 0.15 % to 2.56 % (2016: 0.15 % to 1.78 %) per annum.

## 25. ACCOUNTS PAYABLE AND ACCRUALS

	2017 HK\$ million	2016 HK\$ million
Accounts payable	215	149
Interest payable	74	75
Other payables	447	450
Compensation received in advance ( <i>Note</i> )	–	261
	736	935

Note:

The amount represented a one-off early surrender compensation received from a tenant which has been recognised as compensation income under other income during the year ended 31 December 2017 at the date of fulfilment of all conditions set out in the surrender agreement.

At the end of the reporting period, accounts payable of the Group with carrying amount of HK\$157 million (2016: HK\$103 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	
	2017 HK\$ million	2016 HK\$ million	2017 HK\$ million	2016 HK\$ million
Unsecured bank loans	–	1,180	1,550	500
Unsecured fixed rate notes	150	–	4,485	4,613
	150	1,180	6,035	5,113

In the current year, the average cost of finance of the Group's total borrowings calculated based on their contracted interest rates was 3.3 % (2016: 3.7 %) per annum. To manage the foreign exchange risks, the Group used certain derivative to hedge part of the borrowings, which resulted in the Group's average cost of finance to be 3.4 % (2016: 3.8 %) per annum. As at 31 December 2017, the floating rate debt ratio relative to gross total debt after considering the hedges was 25.1 % (2016: 26.6 %).

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

### 27. BORROWINGS continued

#### (a) Unsecured bank loans

The unsecured bank loans of HK\$1,550 million (2016: HK\$1,680 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:

	2017 HK\$ million	2016 HK\$ million
Within 1 year	–	1,180
More than 1 year, but not exceeding 2 years	500	–
More than 2 years, but not exceeding 5 years	1,050	500
	<b>1,550</b>	<b>1,680</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 1.97% (2016: 1.44%) per annum at the end of the reporting period. Interest rates of the loans are normally re-fixed at every one to three months.

#### (b) Unsecured fixed rate notes

	2017 HK\$ million	2016 HK\$ million
Within 1 year	150	–
More than 1 year, but not exceeding 2 years	300	150
More than 2 years, but not exceeding 5 years	1,094	864
More than 5 years	3,091	3,599
	<b>4,635</b>	<b>4,613</b>

Details of the Group's unsecured fixed rate notes as at 31 December 2017 and 2016 are as follows:

Principal amount	Contracted interest rate per annum	Coupon payment term	Issue date	Maturity date
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 unsecured 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 Consolidated Financial Statements section, during the years ended 31 December 2017 and 2016, cross currency swap was used to hedge or manage the foreign exchange rate risks of the Group's US\$ fixed rate notes.



## 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 2016	614	69	–	683
Charge (credit) to profit or loss ( <i>note 8</i> )	65	(1)	–	64
Charge to other comprehensive income	–	4	–	4
At 31 December 2016	679	72	–	751
Charge (credit) to profit or loss ( <i>note 8</i> )	125	(1)	(96)	28
Charge to other comprehensive income	–	8	–	8
<b>At 31 December 2017</b>	<b>804</b>	<b>79</b>	<b>(96)</b>	<b>787</b>

At the end of the reporting period, the Group has unused estimated tax losses of HK\$1,243 million (2016: HK\$767 million) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$580 million (2016: nil) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$663 million (2016: HK\$767 million) due to the unpredictability of future profit streams and the tax losses may be carried forward indefinitely.

## 29. SHARE CAPITAL

	Number of shares	Share capital HK\$ million
Ordinary shares, issued and fully paid:		
At 1 January 2016	1,057,177,692	7,642
Issue of shares under share option scheme	744,667	31
Cancellation upon repurchase of own shares ( <i>Note</i> )	(12,594,000)	–
At 31 December 2016	1,045,328,359	7,673
Issue of shares under share option schemes	496,532	19
<b>At 31 December 2017</b>	<b>1,045,824,891</b>	<b>7,692</b>

Note:

The Company was authorised at its AGMs to repurchase its own ordinary shares not exceeding 10% of the total number of its issued shares as at the dates of the resolutions being passed. In 2016, the Company repurchased its ordinary shares on the Stock Exchange when they were trading at a significant discount to the Company's net asset value.

During the year of 2016, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month of repurchase in 2016	Number of shares repurchased	Consideration per share		Aggregate consideration paid HK\$ million
		Highest HK\$	Lowest HK\$	
January	8,560,000	31.85	28.95	263
February	325,000	30.60	29.75	10
March	299,000	32.50	32.05	10
April	304,000	31.70	31.30	9
May	2,180,000	33.60	31.60	71
June	65,000	33.20	32.45	2
November	861,000	34.90	33.55	30
	<b>12,594,000</b>			<b>395</b>

The above ordinary shares were cancelled upon repurchase during 2016. None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during both years.

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

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

	2017 HK\$ million	2016 HK\$ million
<b>Non-current assets</b>		
Property, plant and equipment	–	3
Investments in subsidiaries	1,318	1,307
Other financial assets	1	1
Amounts due from subsidiaries	3,735	3,815
	<b>5,054</b>	<b>5,126</b>
<b>Current assets</b>		
Other receivables	3	4
Amounts due from subsidiaries	10,309	10,026
Cash and bank balances	11	2
	<b>10,323</b>	<b>10,032</b>
<b>Current liabilities</b>		
Other payables and accruals	60	38
Amounts due to subsidiaries	2,288	2,228
Taxation payable	–	1
	<b>2,348</b>	<b>2,267</b>
<b>Net current assets</b>	<b>7,975</b>	<b>7,765</b>
<b>Net assets</b>	<b>13,029</b>	<b>12,891</b>
<b>Capital and reserves</b>		
Share capital ( <i>note 29</i> )	7,692	7,673
Reserves	5,337	5,218
<b>Total equity</b>	<b>13,029</b>	<b>12,891</b>

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 28 February 2018 and are signed on its behalf by:

**Lee Irene Y.L.**  
Director

**Lee T.H. Michael**  
Director

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

#### Movement in the Company's reserve

	Share options reserve HK\$ million	General reserve HK\$ million (Note)	Retained profits HK\$ million	Total HK\$ million
At 1 January 2016	30	100	5,281	5,411
Issue of shares under share option schemes	(7)	–	–	(7)
Recognition of equity-settled share-based payments	5	–	–	5
Forfeiture of share option	(4)	–	4	–
Cancellation upon repurchase of own shares	–	–	(395)	(395)
Profit and total comprehensive income for the year	–	–	1,598	1,598
Dividends paid during the year (note 13)	–	–	(1,394)	(1,394)
At 31 December 2016	24	100	5,094	5,218
Issue of shares under share option schemes	(4)	–	–	(4)
Recognition of equity-settled share-based payments	4	–	–	4
Forfeiture of share option	(3)	–	3	–
Profit and total comprehensive income for the year	–	–	1,530	1,530
Dividends paid during the year (note 13)	–	–	(1,411)	(1,411)
<b>At 31 December 2017</b>	<b>21</b>	<b>100</b>	<b>5,216</b>	<b>5,337</b>

Note:

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

The Company's reserves available for distribution to its owners as at 31 December 2017 amounted to HK\$5,316 million (2016: HK\$5,194 million), being its general reserve and retained profits at that date.

### 31. ACQUISITION OF SUBSIDIARIES

During the year ended 31 December 2017, the Group acquired 100% equity interests in four companies of which three companies are from independent third parties and a company is from Lee Hysan Estate Company, Limited ("LHE"), for aggregate cash consideration of HK\$570 million and HK\$75 million, respectively. LHE holds 41.42% (2016: 41.43%) beneficial interest and has significant influence over the Company. The major assets of these acquired companies are investment properties situated in Hong Kong. The Directors of the Company are of the opinion that the subsidiaries acquired do not constitute a business as defined in HKFRS 3 Business Combination, therefore, such acquisitions have been accounted for as acquisitions of assets rather than business combination. Acquisition-related costs amounting to HK\$9 million were capitalised as part of the carrying amount of the investment properties.

### 32. RECONCILIATION OF ASSETS/LIABILITIES RELATING TO FINANCING ACTIVITIES

	2017 HK\$ million
Net debt (Note a)	(3,523)
Other financial asset/liability (Note b)	(30)
Interest payable	(74)
	<b>(3,627)</b>

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

### 32. RECONCILIATION OF ASSETS/LIABILITIES RELATING TO FINANCING ACTIVITIES continued

The Table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Cash and Bank balances HK\$ million	Time deposits HK\$ million	Other financial asset/ liability HK\$ million	Bank loans HK\$ million	Fixed rate notes HK\$ million	Interest payable HK\$ million	Dividend payable HK\$ million	Total HK\$ million
As at 1 January 2017	79	2,551	11	(1,680)	(4,613)	(75)	–	(3,727)
Cash flows, net	78	(46)	–	130	–	196	1,411	1,769
Other non-cash changes:								
Foreign exchange adjustments	–	–	19	–	(19)	–	–	–
Fair value adjustments	–	–	(57)	–	–	–	–	(57)
Interest expenses	–	–	(3)	–	(3)	(195)	–	(201)
Dividend declared	–	–	–	–	–	–	(1,411)	(1,411)
<b>As at 31 December 2017</b>	<b>157</b>	<b>2,505</b>	<b>(30)</b>	<b>(1,550)</b>	<b>(4,635)</b>	<b>(74)</b>	<b>–</b>	<b>(3,627)</b>

Notes:

- (a) Net debt represents borrowings less time deposits, cash and bank balances as disclosed under note 5 of the Financial Risk Management section.
- (b) Other financial asset/liability represents the hedging instrument (cross currency swap) that was used to hedge against the foreign exchange rate risk arising from financing activities.

### 33. 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 (2016: HK\$4 million).

### 34. COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments in respect of its investment properties, property, plant and equipment and subscription to a newly set up fund investment as limited partner:

	2017 HK\$ million	2016 HK\$ million
(a) Capital commitment: Contracted but not provided for investment properties and property, plant and equipment	1,233	1,276
(b) Other commitment: Subscription to a newly set up fund investment as limited partner	369	–

### 35. LEASE COMMITMENTS

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

	2017 HK\$ million	2016 HK\$ million
Within one year	3,065	2,916
In the second to fifth year inclusive	4,754	4,572
Over five years	53	334
	<b>7,872</b>	<b>7,822</b>

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.

### 36. RELATED PARTY TRANSACTIONS AND BALANCES

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

During the year, the Group has several transactions with related parties including imputed interest income on interest free loan to joint venture and acquisition of investment properties through acquiring subsidiaries as disclosed under note 6 and note 31 of the Notes to the Consolidated Financial Statements sections. At the end of the reporting period, the Group has several balances with related parties including loans to a joint venture and loans to associates as disclosed under note 18 and note 19 of the Notes to the Consolidated Financial Statements sections. The Group has also granted guarantees to banks for facilities granted to a joint venture as disclosed under note 37 of the Notes to the Consolidated Financial Statements section.

In addition, the Group has the following transactions with other related parties during the year and has the following balances with them at the end of the reporting period:

	Gross rental income received from Year ended 31 December		Amount due to non-controlling interests At 31 December	
	2017 HK\$ million	2016 HK\$ million	2017 HK\$ million	2016 HK\$ million
Related company controlled by a shareholder ( <i>Note a</i> )	3	3	–	–
Related companies controlled by the Directors of the Company ( <i>Note b (i) &amp; (ii)</i> )	41	36	94	94
Non-controlling shareholder of a subsidiary ( <i>Note c (i) &amp; (ii)</i> )	29	28	233	233
Director ( <i>Note d</i> )	1	1	–	–

Notes:

- (a) The sum of transactions represents the aggregate gross rental income received from Atlas Corporate Management Limited, a wholly-owned subsidiary of LHE. LHE holds 41.42% (2016: 41.43%) 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 of the Company have controlling interests over these related companies.  
(ii) The balance represents outstanding loan advanced to a non wholly-owned subsidiary of the Group, Barrowgate by Jebsen Capital Limited (formerly known as Mightyhall Limited), a wholly-owned subsidiary of Jebsen and Company, of which Jebsen Hans Michael 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 ("Hang Seng"), the intermediate holding company of Imenson Limited ("Imenson") and The Hongkong and Shanghai Banking Corporation Limited, the holding company of Hang Seng. 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 of the Company.

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

### 36. RELATED PARTY TRANSACTIONS AND BALANCES continued

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

The remuneration of Directors and other members of senior management of the Group are as follows:

	2017 HK\$ million	2016 HK\$ million
Directors' fees, salaries and other short-term employee benefits	43	36
Share-based payments	3	3
Retirement benefits scheme contributions	–	–
	<b>46</b>	<b>39</b>

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

### 37. CONTINGENT LIABILITY

At the end of the reporting period, the Group had contingent liabilities as follows:

	2017 HK\$ million	2016 HK\$ million
Guarantees given to banks in respect of:		
Banking facilities of a joint venture attributable to the Group		
– Utilised	999	–
– Unutilised	2,001	–
	<b>3,000</b>	<b>–</b>

During the year ended 31 December 2017, the Group issued corporate financial guarantees to banks in respect of banking facilities granted to a joint venture. At the end of the reporting period, the Group did not recognise any liabilities in respect of such corporate financial guarantees as the Directors of the Company consider that the fair value of the financial guarantee contracts at its initial recognition is insignificant.

Other than the financial guarantees as disclosed above, several funding undertakings have been also provided by the Group to the extent not having been financed by drawdown made under the relevant banking facilities of the joint venture in relation to the completion of the underlying project of the joint venture.

### 38. SHARE-BASED PAYMENT TRANSACTIONS

#### (a) Equity-settled 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 Director) 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).

### 38. SHARE-BASED PAYMENT TRANSACTIONS continued

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

##### The 2005 Scheme continued

The maximum entitlement of each participant under the 2005 Scheme must not during any 12-month period exceed such number of shares as required under the Listing Rules (which is 1 % of the total shares in issue as at the date of 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 options, with full payment for exercise price to be made on exercise of the relevant options.

##### 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 Director) and such other persons as the Board may consider appropriate from time to time, on the basis of their contribution to the development and growth of the Company and its subsidiaries.

The maximum number of shares in respect of which options may be granted under the New Scheme and any other share option schemes of the Company shall not in aggregate exceed such number of shares as required under the Listing Rules, currently being 10 % of the shares in issue as at 15 May 2015, the date of the AGM approving the New Scheme (being 106,389,669 shares). Under the Listing Rules, a listed issuer may seek approval by its shareholders in general meeting for "refreshing" the 10 % limit under the 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.

During the year, a total of 727,000 (2016: 1,397,000) share options were granted under the New Scheme. The 2005 Scheme expired on 9 May 2015 and no further option will be granted under the 2005 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.

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

### 38. SHARE-BASED PAYMENT TRANSACTIONS continued

#### (c) Movement of share options

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

Name	Date of grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2017	Changes during the year			Balance as at 31.12.2017
					Granted	Exercised	Cancelled/lapsed (Note b)	
<b>2005 Scheme</b>								
<b>Executive Director</b>								
Lee Irene Yun-Lien	14.5.2012	33.50	14.5.2013 – 13.5.2022	87,000	–	–	–	87,000
	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	12.3.2016 – 11.3.2025	300,000	–	–	–	300,000
<b>Eligible employees (Note c)</b>								
	31.3.2008	21.96	31.3.2009 – 30.3.2018	11,000	–	(11,000)	–	–
	31.3.2009	13.30	31.3.2010 – 30.3.2019	128,000	–	(69,000)	–	59,000
	31.3.2010	22.45	31.3.2011 – 30.3.2020	126,334	–	(56,000)	–	70,334
	31.3.2011	32.00	31.3.2012 – 30.3.2021	125,000	–	(39,000)	(32,000)	54,000
	30.3.2012	31.61	30.3.2013 – 29.3.2022	160,001	–	(47,667)	(7,000)	105,334
	28.3.2013	39.20	28.3.2014 – 27.3.2023	276,000	–	–	(123,000)	153,000
	31.3.2014	33.75	31.3.2015 – 30.3.2024	338,000	–	(139,000)	(45,000)	154,000
	31.3.2015	34.00	31.3.2016 – 30.3.2025	359,000	–	(60,267)	(94,066)	204,667
				<b>2,500,335</b>	<b>–</b>	<b>(421,934)</b>	<b>(301,066)</b>	<b>1,777,335</b>



### 38. SHARE-BASED PAYMENT TRANSACTIONS *continued*

#### (c) Movement of share options *continued*

Name	Date of grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2017	Changes during the year			Balance as at 31.12.2017
					Granted	Exercised	Cancelled/lapsed (Note b)	
<b>New Scheme</b>								
<b>Executive Director</b>								
Lee Irene Yun-Lien	9.3.2016	33.15	9.3.2017 – 8.3.2026	375,000	–	–	–	375,000
	23.2.2017	36.25 (Note i)	23.2.2018 – 22.2.2027	–	300,000	–	–	300,000
<b>Eligible employees</b>								
(Note c)	31.3.2016	33.05	31.3.2017 – 30.3.2026	610,000	–	(74,598) (Note j)	(157,734)	377,668
	31.3.2017	35.33 (Note k)	31.3.2018 – 30.3.2027	–	427,000	–	(18,000)	409,000
				<b>985,000</b>	<b>727,000</b>	<b>(74,598)</b>	<b>(175,734)</b>	<b>1,461,668</b>

Exercisable at the end of the year

**1,824,992**

Notes:

- 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.
- The options lapsed during the year upon resignations of certain eligible employees.
- Eligible employees are working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance.
- The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$37.25.
- The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$38.95.
- The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$38.99.
- The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$38.86.
- The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$37.79.
- The closing price of the shares of the Company immediately before the date of grant (i.e. as of 22 February 2017) was HK\$36.00.
- The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$38.69.
- The closing price of the shares of the Company immediately before the date of grant (i.e. as of 30 March 2017) was HK\$35.00.

In respect of the share options exercised during the year ended 31 December 2017, the weighted average share price at the dates of exercise was HK\$38.68.

Apart from the above, the Company had not granted any share option under the Schemes to any other person as required to be disclosed under Rule 17.07 of the Listing Rules in 2017.

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

### 38. SHARE-BASED PAYMENT TRANSACTIONS continued

#### (c) Movement of share options 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 1.1.2016	Changes during the year			Balance as at 31.12.2016
					Granted	Exercised	Cancelled/lapsed (Note b)	
<b>2005 Scheme</b>								
<b>Executive Directors</b>								
Lee Irene Yun-Lien	14.5.2012	33.50	14.5.2013 – 13.5.2022	261,000	–	(174,000) (Note c)	–	87,000
	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	12.3.2016 – 11.3.2025	300,000	–	–	–	300,000
Lau Siu Chuen (Note d)	14.5.2012	33.50	14.5.2013 – 13.5.2022	161,334	–	(161,334) (Note c)	–	–
	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	–	(201,333) (Note e)	(100,667)	–
	12.3.2015	36.27	12.3.2016 – 11.3.2025	300,000	–	–	(300,000)	–
<b>Eligible employees</b> (Note f)	31.3.2008	21.96	31.3.2009 – 30.3.2018	17,000	–	(6,000) (Note g)	–	11,000
	31.3.2009	13.30	31.3.2010 – 30.3.2019	134,000	–	(6,000) (Note g)	–	128,000
	31.3.2010	22.45	31.3.2011 – 30.3.2020	152,334	–	(26,000) (Note h)	–	126,334
	31.3.2011	32.00	31.3.2012 – 30.3.2021	172,001	–	(40,667) (Note i)	(6,334)	125,000
	30.3.2012	31.61	30.3.2013 – 29.3.2022	250,335	–	(76,334) (Note j)	(14,000)	160,001
	28.3.2013	39.20	28.3.2014 – 27.3.2023	288,000	–	–	(12,000)	276,000
	31.3.2014	33.75	31.3.2015 – 30.3.2024	396,000	–	(36,666) (Note k)	(21,334)	338,000
	31.3.2015	34.00	31.3.2016 – 30.3.2025	404,000	–	(16,333) (Note l)	(28,667)	359,000
				<b>3,974,004</b>	<b>–</b>	<b>(744,667)</b>	<b>(729,002)</b>	<b>2,500,335</b>

### 38. SHARE-BASED PAYMENT TRANSACTIONS *continued*

#### (c) Movement of share options *continued*

Name	Date of grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2016	Changes during the year			Balance as at 31.12.2016
					Granted	Exercised	Cancelled/lapsed (Note b)	
<b>New Scheme</b>								
<b>Executive Directors</b>								
Lee Irene Yun-Lien	9.3.2016	33.15 (Note m)	9.3.2017 – 8.3.2026	–	375,000	–	–	375,000
Lau Siu Chuen (Note d)	9.3.2016	33.15 (Note m)	9.3.2017 – 8.3.2026	–	375,000	–	(375,000)	–
<b>Eligible employees</b> (Note f)								
	31.3.2016	33.05 (Note n)	31.3.2017 – 30.3.2026	–	647,000	–	(37,000)	610,000
				–	<b>1,397,000</b>	–	<b>(412,000)</b>	<b>985,000</b>
Exercisable at the end of the year								<b>1,826,654</b>

#### Notes:

- 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.
- The options lapsed during the year upon re-designations of an executive Director and resignations of certain eligible employees.
- The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$36.35.
- Lau Siu Chuen stepped down as Deputy Chairman and Chief Executive Officer and was re-designated as Non-Executive Director with effect from the conclusion of the August 2016 Board Meeting. All the options granted to Lau Siu Chuen have been lapsed at the date following the re-designation.
- The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$36.30.
- Eligible employees are working under employment contracts that are regarded as “continuous contracts” for the purposes of the Employment Ordinance.
- The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$33.25.
- The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$34.27.
- The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$36.95.
- The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$35.88.
- The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$37.78.
- The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$37.84.
- The closing price of the shares of the Company immediately before the date of grant (i.e. as of 8 March 2016) was HK\$33.70.
- The closing price of the shares of the Company immediately before the date of grant (i.e. as of 30 March 2016) was HK\$32.85.

In respect of the share options exercised during the year ended 31 December 2016, the weighted average share price at the dates of exercise was HK\$36.37.

Apart from the above, the Company had not granted any share option under the Schemes to any other persons as required to be disclosed under Rule 17.07 of the Listing Rules in 2016.

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

### 38. SHARE-BASED PAYMENT TRANSACTIONS continued

#### (d) Fair values of share options

The Group has applied HKFRS 2 to account for its share options granted. 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\$4 million (2016: HK\$5 million) in relation to share options granted by the Company, of which HK\$2 million (2016: HK\$2 million) related to the Director (see note 11), 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	31.3.2017	23.2.2017	31.3.2016	9.3.2016
Closing share price at the date of grant	HK\$35.250	HK\$36.250	HK\$33.050	HK\$33.150
Exercise price	HK\$35.330	HK\$36.250	HK\$33.050	HK\$33.150
Risk free rate (Note a)	1.331%	1.488%	0.931%	1.019%
Expected life of option (Note b)	5 years	5 years	5 years	5 years
Expected volatility (Note c)	19.133%	20.238%	27.323%	27.339%
Expected dividend per annum (Note d)	HK\$1.204	HK\$1.204	HK\$1.092	HK\$1.092
Estimated fair values per share option	HK\$4.374	HK\$4.958	HK\$6.127	HK\$6.190

Notes:

- 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.
- 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.
- Expected volatility: being the appropriate historical volatility of closing prices of the shares of the Company over the past 5 years immediately before the date of grant.
- Expected dividend per annum: being the approximate average annual cash dividend over the past 5 financial years.

# Financial Risk Management

For the year ended 31 December 2017

## 1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include loans to associates, loans to a joint venture, fund investment, term notes, accounts receivable, other receivables, time deposits, cash and bank balances, 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 Consolidated Financial Statements sections. 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 loans to associates, loans to a joint venture, rents receivable from tenants, 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 statement 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, 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 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	2017		2016	
	Number of counterparty	Exposure HK\$ million	Number of counterparty	Exposure HK\$ million
Credit rating of AA- or above or note issuing banks	6	5 to 681	4	19 to 631
Credit rating BBB- to A+	14	8 to 468	22	9 to 677

To minimise the credit risk of loans to associates and loan to a joint venture, 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.

## Financial Risk Management continued

For the year ended 31 December 2017

### 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. Maturity of the Group's financial guarantee contract is presented separately. 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 2017</b>						
<b>Non-derivative financial liabilities</b>						
Accounts payable and accruals	(736)	(736)	(736)	–	–	–
Rental deposits from tenants	(895)	(895)	(389)	(269)	(227)	(10)
Amounts due to non-controlling interests	(327)	(327)	(327)	–	–	–
Unsecured bank loans	(1,550)	(1,655)	(32)	(528)	(1,095)	–
Unsecured fixed rate notes	(4,635)	(5,507)	(322)	(461)	(1,509)	(3,215)
	<b>(8,143)</b>	<b>(9,120)</b>	<b>(1,806)</b>	<b>(1,258)</b>	<b>(2,831)</b>	<b>(3,225)</b>
<b>As at 31 December 2016</b>						
<b>Non-derivative financial liabilities</b>						
Accounts payable and accruals	(935)	(935)	(935)	–	–	–
Rental deposits from tenants	(917)	(917)	(339)	(288)	(274)	(16)
Amounts due to non-controlling interests	(327)	(327)	(327)	–	–	–
Unsecured bank loans	(1,680)	(1,707)	(1,192)	(9)	(506)	–
Unsecured fixed rate notes	(4,613)	(5,659)	(175)	(322)	(1,312)	(3,850)
	<b>(8,472)</b>	<b>(9,545)</b>	<b>(2,968)</b>	<b>(619)</b>	<b>(2,092)</b>	<b>(3,866)</b>

Note:

In addition to the items as set out in the above liquidity risk table, the maximum amount the Group could be required to settle under a financial guarantee provided by the Group in respect of banking facilities granted to a joint venture is HK\$3,000 million, if such amount is claimed by the counterparties to the guarantee at any time within the guaranteed period. Based on expectations at the end of the reporting period, the Directors of the Company consider that it is more likely than not that no amount will be payable by the Group under such financial guarantee 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 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 reference to 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 2017</b>						
<b>Derivative settled gross</b>						
Forward foreign exchange contracts	1					
Outflow		(548)	(329)	(219)	–	–
Inflow		547	329	218	–	–
Cross currency swap	(30)					
Outflow		(2,772)	(85)	(85)	(255)	(2,347)
Inflow		2,797	82	82	246	2,387
<b>As at 31 December 2016</b>						
<b>Derivative settled gross</b>						
Forward foreign exchange contracts	6					
Outflow		(824)	(281)	(326)	(217)	–
Inflow		834	288	328	218	–
Cross currency swap	11					
Outflow		(2,857)	(85)	(85)	(255)	(2,432)
Inflow		2,855	81	81	244	2,449

### (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. The Group is exposed to fair value interest rate risk in relation to fixed rate term notes (see note 21 of the Notes to Consolidated Financial Statements section).

As at 31 December 2017, about 25.1% (2016: 26.6%) 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 cash flow interest rate risk as the interest income derived from time deposits and bank balances is subject to interest rate changes. 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 non-derivative financial instruments that would have affected the profit or loss and equity. A change of +100 and -25 basis points (“bps”) (2016: +100 and -25 bps) was applied to the HKD and US dollars (“USD”) yield curves at the end of the reporting period. As at 31 December 2016, a change of +125 and -125 bps (2016: +125 and -125 bps) was applied to the RMB yield curve. 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 2017</b>	<b>11</b>	<b>(3)</b>	<b>(2)</b>	<b>4</b>
<b>As at 31 December 2016</b>	<b>14</b>	<b>(4)</b>	<b>(7)</b>	<b>2</b>

### (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 USD. The Group’s unsecured fixed rate notes are hedged by cross currency swap.

	2017			2016		
	RMB million	US\$ million	Total equivalent to HK\$ million	RMB million	US\$ million	Total equivalent to HK\$ million
<b>Assets</b>						
Cash	–	2	12	–	1	3
Time deposits	–	32	248	–	53	409
Term notes	–	94	737	55	126	1,036
	–	128	997	55	180	1,448
<b>Liabilities</b>						
Unsecured fixed rate notes	–	300	2,338	–	300	2,317

Other than concentration of currency risk of the above items denominated in USD (2016: USD and RMB), 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 Consolidated 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.



## 1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

### (d) Currency risk continued

#### 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 500 percentage in points (“pips”) (2016: 500 pips and 1,000 pips) was applied to the HKD:USD (2016: HKD:USD and HKD:RMB) spot and forward rates at the end of the reporting period.

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 2017</b>				
– USD	9	(9)	4	(4)
<b>As at 31 December 2016</b>				
– USD	4	(4)	1	(1)

## 2. CATEGORIES OF FINANCIAL INSTRUMENTS

	2017 HK\$ million	2016 HK\$ million
<b>Financial assets</b>		
Fair value through profit or loss (“FVTPL”)	22	1
Derivative instruments under hedge accounting	2	18
Amortised cost (including cash and cash equivalents)	4,448	5,737
	<b>4,472</b>	<b>5,756</b>
<b>Financial liabilities</b>		
Derivative instruments under hedge accounting	31	1
Amortised cost	7,248	7,555
	<b>7,279</b>	<b>7,556</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 2017</b>			
Derivatives under hedge accounting	2	–	2
<b>As at 31 December 2016</b>			
Derivatives under hedge accounting	18	–	18

#### (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 2017</b>			
Counterparty B	1	–	1
Counterparty C	1	(1)	–
Total	2	(1)	1
<b>As at 31 December 2016</b>			
Counterparty A	11	–	11
Counterparty B	7	–	7
Total	18	–	18

#### (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 2017</b>			
Derivatives under hedge accounting	(31)	–	(31)
<b>As at 31 December 2016</b>			
Derivatives under hedge accounting	(1)	–	(1)

### 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 2017</b>			
Counterparty A	(30)	–	(30)
Counterparty C	(1)	1	–
<b>Total</b>	<b>(31)</b>	<b>1</b>	<b>(30)</b>
<b>As at 31 December 2016</b>			
Counterparty C	(1)	–	(1)

### 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 of the Company 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\$4,635 million (2016: HK\$4,613 million) unsecured fixed rate notes as stated in note 27 of the Notes to the Consolidated Financial Statements section with fair value of HK\$4,737 million (2016: HK\$4,672 million).

The fair value of HK\$2,391 million (2016: HK\$2,340 million) of the unsecured 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\$2,346 million (2016: HK\$2,332 million) of the unsecured 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.

## Financial Risk Management continued

For the year ended 31 December 2017

### 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).

	2017			
	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	–	2	–	2
<b>Financial assets at FVTPL</b>				
Unlisted club debenture	–	1	–	1
Fund investment	–	21	–	21
Total	–	24	–	24
<b>Financial liabilities</b>				
<b>Derivatives under hedge accounting</b>				
Forward foreign exchange contracts	–	1	–	1
Cross currency swap	–	30	–	30
Total	–	31	–	31
<b>2016</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	–	7	–	7
Cross currency swap	–	11	–	11
Total	–	18	–	18
<b>Financial assets at FVTPL</b>				
Unlisted club debenture	–	1	–	1
Total	–	19	–	19
<b>Financial liabilities</b>				
<b>Derivatives under hedge accounting</b>				
Forward foreign exchange contracts	–	1	–	1

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

Forward foreign exchange contracts and cross currency swap 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.

Fund investment is measured with reference to the fair value of underlying assets and liabilities held under the fund as at the end of the reporting period.

#### 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:

	2017 HK\$ million	2016 HK\$ million
Unsecured bank loans	1,550	1,680
Unsecured fixed rate notes	4,635	4,613
Borrowings	6,185	6,293
Less: Time deposits	(2,505)	(2,551)
Cash and bank balances	(157)	(79)
Net debt	3,523	3,663
Equity attributable to owners of the Company	69,953	67,490
Net debt to equity	5.0%	5.4%

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

	2017 HK\$ million	2016 HK\$ million	2015 HK\$ million	2014 HK\$ million	2013 HK\$ million
<b>Results</b>					
Turnover	3,548	3,535	3,430	3,224	3,063
Property expenses	(449)	(428)	(414)	(404)	(405)
Gross profit	3,099	3,107	3,016	2,820	2,658
Other income	261	–	–	–	–
Investment income	69	50	54	68	76
Other gains and losses	–	–	–	(2)	1
Administrative expenses	(247)	(219)	(234)	(214)	(208)
Finance costs	(158)	(178)	(204)	(228)	(242)
Change in fair value of investment properties	853	(1,187)	695	2,940	4,575
Share of results of associates	220	237	246	252	309
Profit before taxation	4,097	1,810	3,573	5,636	7,169
Taxation	(484)	(463)	(438)	(386)	(372)
Profit for the year	3,613	1,347	3,135	5,250	6,797
Non-controlling interests	23	(129)	(232)	(348)	(639)
Profit attributable to owners of the Company	3,636	1,218	2,903	4,902	6,158
Underlying profit for the year	2,491	2,369	2,283	2,163	2,043
Recurring underlying profit for the year	2,349	2,369	2,283	2,163	2,043
Dividends					
Dividends paid	1,411	1,394	1,330	1,255	1,064
Dividends proposed	1,161	1,139	1,122	1,064	1,010
Dividends per share (HK cents)	137.00	135.00	132.00	123.00	117.00
Earnings per share (HK\$), based on:					
Profit for the year					
– basic	3.48	1.16	2.73	4.61	5.79
– diluted	3.48	1.16	2.73	4.61	5.79
Underlying profit for the year – basic	2.38	2.26	2.15	2.03	1.92
Recurring underlying profit for the year – basic	2.25	2.26	2.15	2.03	1.92
<b>Performance indicators</b>					
Net debt to equity	5.0%	5.4%	3.0%	4.2%	5.3%
Net interest coverage (times)	17.1x	20.5x	19.5x	17.1x	15.4x
Net asset value per share (HK\$)	66.89	64.56	64.48	63.02	59.54
Net debt per share (HK\$)	3.37	3.50	1.94	2.64	3.18
Year-end share price (HK\$)	41.45	32.05	31.75	34.65	33.40

At 31 December

	2017 HK\$ million	2016 HK\$ million	2015 HK\$ million	2014 HK\$ million	2013 HK\$ million
<b>Assets and liabilities</b>					
Investment properties	72,470	69,633	69,810	68,735	65,322
Investments in associates	3,779	3,497	3,683	4,154	4,181
Loans to associates	10	–	–	–	–
Investment in a joint venture	147	145	–	–	–
Loan to a joint venture	982	1,891	–	–	–
Fund investment	21	–	–	–	–
Time deposits, cash and bank balances	2,662	2,630	2,804	3,640	4,123
Other assets	2,049	2,225	2,491	2,494	2,468
<b>Total assets</b>	<b>82,120</b>	<b>80,021</b>	<b>78,788</b>	<b>79,023</b>	<b>76,094</b>
Borrowings	(6,185)	(6,293)	(4,859)	(6,447)	(7,504)
Taxation	(945)	(863)	(803)	(732)	(660)
Other liabilities	(1,989)	(2,180)	(1,758)	(1,715)	(1,749)
<b>Total liabilities</b>	<b>(9,119)</b>	<b>(9,336)</b>	<b>(7,420)</b>	<b>(8,894)</b>	<b>(9,913)</b>
<b>Net assets</b>	<b>73,001</b>	<b>70,685</b>	<b>71,368</b>	<b>70,129</b>	<b>66,181</b>
Non-controlling interests	(3,048)	(3,195)	(3,196)	(3,089)	(2,855)
<b>Shareholders' funds</b>	<b>69,953</b>	<b>67,490</b>	<b>68,172</b>	<b>67,040</b>	<b>63,326</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
- (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 2017**

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 2017 was in the approximate sum of Hong Kong Dollars Seventy-Two Billion Four Hundred and Seventy Million Only (ie HK\$72,470 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.

Yours faithfully  
**Knight Frank Petty Limited**

Hong Kong, 20 February 2018



# Schedule of Principal Properties

At 31 December 2017

## INVESTMENT PROPERTIES

Address	Lot No.	Use	Category of the Lease	Percentage held by the Group
1. <b>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 %
2. <b>Bamboo Grove</b> 74-86 Kennedy Road Mid-Levels Hong Kong	I.L. 8624	Residential	Medium term lease	100 %
3. <b>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 %
4. <b>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 %
5. <b>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 %
6. <b>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 %
7. <b>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 %
8. <b>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 %
9. <b>Lee Garden Six</b> 111 Leighton Road Causeway Bay Hong Kong	Sec. KK of I.L. 29	Commercial	Long lease	100 %
10. <b>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 %

Overview

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# Shareholding Analysis

## SHARE CAPITAL

At 31 December 2017

	HK\$	Number of Ordinary Shares
Issued and fully paid-up capital	7,691,655,205.74	1,045,824,891

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

## DISTRIBUTION OF SHAREHOLDINGS

(At 31 December 2017, 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	2,349	71.83	3,711,789	0.35
5,001 – 50,000	788	24.10	12,159,722	1.16
50,001 – 100,000	73	2.23	5,521,518	0.53
100,001 – 500,000	49	1.50	9,882,333	0.95
500,001 – 1,000,000	3	0.09	1,869,043	0.18
Above 1,000,000	8	0.25	1,012,680,486	96.83
<b>Total</b>	<b>3,270</b>	<b>100.00</b>	<b>1,045,824,891</b>	<b>100.00</b>

## TYPES OF SHAREHOLDERS

(At 31 December 2017, 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	3.81
Lee Hysan Estate Company, Limited	393,321,734	37.61
Other corporate shareholders	581,731,181	55.62
Individual shareholders	30,962,975	2.96
<b>Total</b>	<b>1,045,824,891</b>	<b>100.00</b>

## LOCATION OF SHAREHOLDERS

(At 31 December 2017, 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	1,043,243,180	99.75
United States and Canada	2,249,924	0.22
United Kingdom	119,085	0.01
Others	212,702	0.02
<b>Total</b>	<b>1,045,824,891</b>	<b>100.00</b>

Note:

The percentage was compiled based on the total number of issued shares of the Company as at 31 December 2017 (i.e. 1,045,824,891 ordinary shares).

# Shareholder Information

## FINANCIAL CALENDAR

Full year results announced	28 February 2018
Ex-dividend date for second interim dividend	13 March 2018
Closure of register of members and record date for second interim dividend	15 March 2018
Dispatch of second interim dividend warrants	(on or about) 29 March 2018
Closure of register of members for Annual General Meeting	3 to 8 May 2018
Annual General Meeting	8 May 2018
2018 interim results to be announced	7 August 2018*

\* subject to change

## DIVIDEND

The Board declares the payment of a second interim dividend of HK111 cents per share. The second interim dividend will be payable in cash to shareholders on the register of members as at Thursday, 15 March 2018.

The register of members will be closed on Thursday, 15 March 2018, for the purpose of determining shareholders' entitlement to the second interim dividend, on which date 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 Wednesday, 14 March 2018.

Dividend warrants will be dispatched to shareholders on or about Thursday, 29 March 2018.

The register of members will also be closed from Thursday, 3 May 2018 to Tuesday, 8 May 2018, both dates inclusive, for the purpose of determining shareholders' entitlement to attend and vote at the Annual General Meeting to be held on 8 May 2018, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the Annual General Meeting, 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, 2 May 2018.

### 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

Lee Irene Yun-Lien (*Chairman*)  
Churchouse Frederick Peter\*\*  
Fan Yan Hok Philip\*\*  
Lau Lawrence Juen-Yee\*\*  
Poon Chung Yin Joseph\*\*  
Jebsen Hans Michael B.B.S.\*  
(*Yang Chi Hsin Trevor as his alternate*)  
Lee Anthony Hsien Pin\*  
(*Lee Irene Yun-Lien as his alternate*)  
Lee Chien\*  
Lee Tze Hau Michael\*

## AUDIT COMMITTEE

Poon Chung Yin Joseph\*\* (*Chairman*)  
Churchouse Frederick Peter\*\*  
Fan Yan Hok Philip\*\*  
Lee Anthony Hsien Pin\*

## REMUNERATION COMMITTEE

Fan Yan Hok Philip\*\* (*Chairman*)  
Poon Chung Yin Joseph\*\*  
Lee Tze Hau Michael\*

## NOMINATION COMMITTEE

Lee Irene Yun-Lien (*Chairman*)  
Fan Yan Hok Philip\*\*  
Lau Lawrence Juen-Yee\*\*  
Poon Chung Yin Joseph\*\*  
Lee Chien\*

\* Non-Executive Director

\*\* Independent Non-Executive Director

## STRATEGY COMMITTEE

Lee Irene Yun-Lien (*Chairman*)  
Fan Yan Hok Philip\*\*  
Poon Chung Yin Joseph\*\*  
Jebsen Hans Michael B.B.S.\*  
Lee Chien\*

## COMPANY SECRETARY

Cheung Ka Ki Maggie

## 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*